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**THE EFFECT OF CORPORATE GOVERNANCE PRACTICES ON THE FINANCIAL
PERFORMANCE OF DEPOSIT TAKING SAVINGS AND CREDIT CO-OPERATIVES
IN KENYA.**

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ADMISSION NUMBER 100589



**THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT
FOR THE AWARD OF MASTER OF COMMERCE – FORENSIC ACCOUNTING
OPTION AT STRATHMORE UNIVERSITY**

APRIL 2024

DECLARATION

I declare that this project is my original work and has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the proposal contains no material previously published or written by another person except where due reference is made in the research proposal itself.

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Approval

This thesis project has been reviewed and approved by the Strathmore University Supervisor.

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Date: 17st April, 2024

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ABSTRACT

This research investigates the intricate relationship between corporate governance practices and the financial performance of Deposit Taking Savings and Credit Co-operatives (DTS) in Kenya, addressing a critical gap in existing literature. Motivated by the imperative to enhance organizational effectiveness and financial viability within the cooperative sector, the study aims to illuminate how effective governance practices can drive positive financial outcomes in DTS. Against a backdrop of evolving regulatory frameworks and stakeholder expectations, the research provides a holistic understanding of governance dynamics within DTS and their implications for financial performance. Drawing on a comprehensive review of literature, the research formulates hypotheses and conceptualizes governance dimensions under investigation, focusing on the frequency of board meetings, board size, and transparency and accountability measures. The study employs quantitative analyses to survey 125 DTS in Kenya and conduct rigorous statistical analyses. The findings reveal critical insights into the governance-performance nexus within the cooperative sector, identifying a strong positive correlation between the frequency of board meetings and financial performance. An inclusive board composition emerges as a critical determinant of financial resilience and strategic decision-making within DTS, while transparency and accountability foster investor confidence and enhance overall financial performance. Furthermore, the study identifies that theories such as agency theory and stakeholder theory were supported by the empirical evidence, emphasizing the importance of board composition in providing diverse perspectives and expertise to enhance organizational performance. However, the study also uncovers insights that contradict certain theoretical expectations, such as the positive association between board size and financial performance, challenging previous research findings. In conclusion, the research offers actionable recommendations to empower DTS in Kenya to navigate challenges and achieve long-term prosperity. By advocating for comprehensive governance reforms, the study aims to foster resilience and prosperity within the cooperative sector amidst evolving market dynamics.

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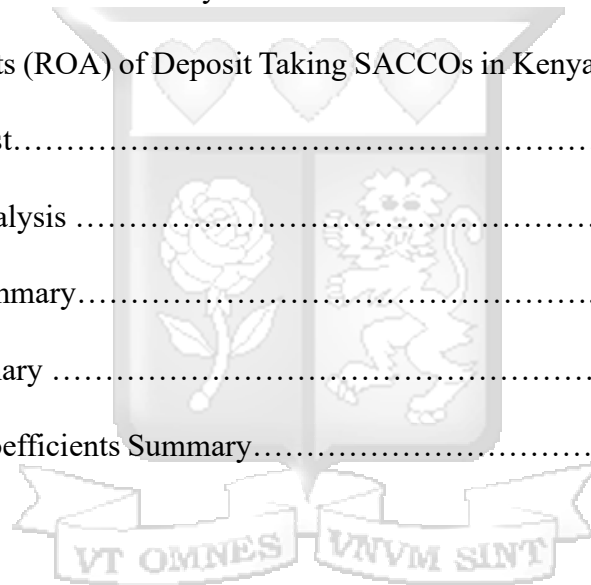
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ABBREVIATIONS AND ACRONYMS

SACCO	Savings and Credit Cooperative Organization
DTS	Deposit Taking Savings and Credit Co-operatives
ROA	Return on Assets
ROE	Return on Equity
MFI	Microfinance Institutions
AfDB	African Development Bank
GLS	Generalized Least Squares
SPSS	Statistical Package for the Social Sciences
CA	Cronbach's coefficient alpha
VIF	Variance Inflation Factor
ANOVA	Analysis of Variance



DEFINITION OF TERMS

Deposit Taking Savings and Credit Co-operatives (DTS)	These are financial institutions that accept deposits from members and provide them with credit facilities. DTSs are often structured as co-operatives, where members collectively own and govern the institution (Muthiora, 2018).
Savings and Credit Co-operative (SACCO)	A financial co-operative that operates on the principle of members pooling their savings to provide themselves with credit and other financial services (Muthiora, 2018).
Return on Assets (ROA)	A financial ratio that measures a company's profitability by showing how much profit it generates from its assets. ROA is calculated by dividing net income by average total assets. It indicates how efficiently a company is using its assets to generate earnings (Mallin, 2016).
Corporate Governance Practices	These are the set of rules, processes, and structures by which a company is directed and controlled. Corporate governance practices aim to ensure accountability, transparency, fairness, and ethical behaviour in decision-making processes within the organization (Mallin, 2016).
Infrastructure Factors	Describes the physical facilities in the primary school surroundings that ensure normal learning for children with disabilities such as accessible buildings, relevant teaching materials and equipment among others (Kuguyu, 2019).
Financial Performance	This refers to the measure of how well a firm uses its assets to generate revenues. It encompasses various financial metrics such as profitability, liquidity, efficiency, and solvency. Financial performance indicates the effectiveness of a company's operations and its ability to generate profits and create value for shareholders (Mallin, 2016).

Board Meetings	These are formal gatherings of a company's board of directors to discuss and make decisions on important matters affecting the organization. Board meetings provide a platform for strategic discussions, policy formulation, and oversight of management activities (Mallin, 2016).
Board Size	Refers to the number of members comprising a company's board of directors. Board size varies depending on the company's size, industry, and governance structure. The size of the board can influence its effectiveness in providing oversight and strategic guidance to the organization (Mallin, 2016).
Board Composition	This refers to the makeup or structure of a company's board of directors in terms of the diversity and expertise of its members. Board composition includes factors such as the mix of internal and external directors, gender diversity, industry experience, and skills (Mallin, 2016).
Transparency	This refers to the openness, clarity, and accessibility of information regarding a company's operations, financial performance, and decision-making processes. Transparent companies disclose relevant information to stakeholders, such as shareholders, employees, customers, and regulators, to foster trust and accountability (Mallin, 2016).
Accountability	This refers to the obligation of individuals or entities to accept responsibility for their actions, decisions, and performance. In the context of corporate governance, accountability entails transparency, ethical behaviour, and adherence to laws and regulations. It ensures that decision-makers are held responsible for their actions and outcomes (Mallin, 2016).

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Corporate governance refers to the framework, procedures, and systems that enable those overseeing an organization's operations to act in the best interests of stakeholders and shareholders (Mbu-Ogar, Effiong, & Abang, 2019). Co-operative firms, like other organizations, have adapted corporate governance in their operations. Effective governance is essential to ensure that investors receive returns on their investments in cooperative organizations (Feleaga & Dragomir, 2017). Institutions lacking proper governance have experienced high levels of corruption, loss of funds, and even bankruptcy (Kempe, 2019).

Donaldson and Dave (2017) identified the objectives of corporate governance as minimizing conflicts of interest, enhancing contract writing, and monitoring individual interests in organizations. Additionally, corporate governance aims to increase firm value through effective operations and business opportunities (Ching et al., 2016). However, despite its importance, corporate governance can be inadequate in organizations due to lack of stakeholder involvement, poorly defined duties, insufficient professionalism, lack of internal management systems, unfair elections, and inadequate management education (Guluma, 2021).

Even as many studies have stressed the importance of corporate governance, there are still significant gaps in the literature regarding its impact on the financial performance of cooperative societies, particularly in sub-Saharan Africa. These gaps include knowledge gaps about the specific governance mechanisms that are most effective, empirical gaps in the data linking governance practices to financial outcomes, context gaps concerning the unique challenges faced by cooperatives in different regions, concept gaps in the theoretical frameworks used to study governance, and method gaps in the approaches used to analyze these relationships (Mbu-Ogar, Effiong, & Abang, 2019; Kempe, 2019). Understanding these gaps is crucial for developing more effective governance strategies.

What is known is that effective governance can lead to improved financial performance by reducing corruption, increasing transparency, and ensuring that organizations are managed in the best interests of stakeholders (Feleaga & Dragomir, 2017). However, what is not known is the

specific ways in which different governance mechanisms interact and affect financial performance in the context of DTS in Kenya and other similar regions (Donaldson & Dave, 2017). There is a need for more detailed empirical studies that can provide a clearer picture of these relationships and help fill the existing gaps in the literature.

In Kenya, the SACCO sector has faced governance challenges such as political influence in board membership and a lack of effective institutional controls (World Bank, 2017). Addressing these issues requires detailed governance guidelines, effective management practices, and external supervision. The fall of Enron in 2001 highlighted the global impact of corporate misappropriation and the need for robust governance frameworks (Fosberg, 2018). Effective corporate governance provides a structure for setting company goals, achieving them, and monitoring performance (Sarpong-Danquah, Agyekum, & Opoku, 2022).

In sub-Saharan Africa, corporate governance practices have significant implications for economic development and sustainability. Gakan et al. (2017) observed that corporate frauds and scandals have affected financial institutions such as SACCOs and MFIs. Governments in the region have taken measures to enhance corporate governance to minimize malpractices and improve the performance of financial sectors (World Bank, 2018). However, challenges remain, including political interference and lack of transparency, which hinder the effective implementation of governance practices (Nwakioko & Adelaja, 2018). Understanding and addressing these region-specific issues are crucial for improving the governance of cooperative societies in sub-Saharan Africa.

In Europe, corporate governance has been shown to lower transaction costs, reduce financial crises, increase shareholder wealth, and boost the economy (Hanh, Ting, & Kweh, 2020). In Africa, financial institutions such as SACCOs and MFIs have also experienced corporate frauds and scandals. Governments have taken precautions to minimize malpractices affecting governance (World Bank, 2018). Proper governance involves accountability, fairness, transparency, and responsibility (World Bank, 2018).

In Ghana, corporate governance includes company policies, laws, board responsibilities, and stakeholder reporting, emphasizing openness, equity, and responsibility (Nwakioko & Adelaja, 2018). In Uganda, the enhancement of corporate governance has been critical to national and corporate economic performance (Kyeresoua, Mbewa, & Jagongo, 2018). Corporate governance

minimizes indirect production wastage and misappropriation of assets and cash flows (Sarpong-Danquah et al., 2022). In Kenya, effective governance of financial institutions requires a proper composition of company boards (Okwiri, 2007; Omwenga, 2017).

Despite these insights, gaps remain in understanding the specific governance mechanisms and their empirical impacts on SACCOs in sub-Saharan Africa. This study aims to address these gaps by examining the influence of corporate governance on the financial performance of DTS in Kenya, thereby contributing to the broader regional and global discourse on corporate governance. Understanding these dynamics will help to develop better governance practices that can enhance financial performance and sustainability in the cooperative sector, ultimately contributing to economic growth and stability in the region (Mbu-Ogar et al., 2019; Donaldson & Dave, 2017).

1.1.1 Corporate Governance

Corporate governance serves as the regulatory framework that guides the operations of corporations, encompassing rules, guidelines, and practices aimed at ensuring accountability, transparency, and ethical conduct (Abdulwaheed, 2018). It outlines the roles and responsibilities of key stakeholders, including the Board of Directors, Chairman, CEO, shareholders, employees, and management, in safeguarding the interests of various stakeholders such as government entities, financial institutions, society, customers, suppliers, and investors (Feleaga and Dragomir, 2017).

Effective corporate governance is essential for protecting stakeholders' rights, promoting fairness, and mitigating risks associated with corporate operations (Abdulwaheed, 2018). By establishing clear policies, procedures, and control mechanisms, corporate governance facilitates compliance with regulatory requirements and fosters a culture of transparency and integrity within organizations (Feleaga and Dragomir, 2017). Moreover, it plays a pivotal role in combating corrupt practices and ensuring that resources are utilized efficiently and ethically.

In the context of Kenya, where corruption remains a persistent challenge, effective corporate governance becomes even more crucial in safeguarding public funds and preventing conflicts of interest (Kempe, 2019). However, institutional shortcomings and inadequate governance mechanisms have contributed to the proliferation of corrupt practices, underscoring the need for robust governance frameworks and accountability mechanisms (Kempe, 2019).

The study aims to explore key dimensions of corporate governance, including the frequency of board meetings, board composition, independence, transparency, and accountability, in the context of Deposit Taking SACCOs in Kenya. Drawing on insights from scholars such as Olayiwola (2018) and Han and Hong (2019), who have highlighted the significance of these governance aspects in influencing organizational performance, the research seeks to assess their impact on the financial performance of SACCOs. By examining the interplay between corporate governance practices and financial performance indicators such as Return on Assets (ROA), the study aims to provide valuable insights into the mechanisms through which governance practices influence organizational outcomes. Additionally, by identifying areas for improvement in corporate governance, the research seeks to inform policy and practice to enhance the sustainability and effectiveness of SACCO operations in Kenya.

1.1.2 Financial Performance Trends

In recent years, the financial performance of Deposit Taking SACCOs (DTS) in Kenya has undergone notable shifts, as evidenced by trends and statistics revealing various performance indicators. Table 1 presents a summary of key financial metrics reflecting the performance of DTS over a six-year period:

Table 1.1: Financial Performance Trends of Deposit Taking SACCOs in Kenya

Year	Return on Assets (%)	Return on Equity (%)	Asset Growth Rate (%)
2018	5.7	12.3	8.5
2019	6.2	13.5	9.1
2020	5.9	11.8	7.8
2021	6.5	14.2	9.5
2022	6.8	15.1	9.8
2023	7.2	16.3	10.2

Table 1: Financial Performance Trends of Deposit Taking SACCOs in Kenya

Source:

These data points offer insights into the financial health and operational efficiency of DTS within the Kenyan financial landscape. The Return on Assets (ROA) and Return on Equity (ROE) metrics provide measures of profitability and efficiency, indicating the returns generated by DTS relative

to their assets and shareholders' equity, respectively (Muriuki & Wanjohi, 2020). Meanwhile, the Asset Growth Rate reflects the rate at which the total assets of DTS are expanding over time, indicating the sector's growth trajectory and market penetration (Ogotu, 2019).

These trends and statistics underscore the dynamic nature of the DTS sector, characterized by fluctuations in performance indicators that reflect both opportunities and challenges. While the ROA and ROE figures demonstrate resilience and sustained profitability over the years, the varying Asset Growth Rates suggest shifts in market demand, competitive pressures, and regulatory environments impacting the sector (Ndirangu & Muragu, 2018).

In conclusion, a comprehensive analysis of financial performance trends and statistics provides valuable insights for stakeholders, policymakers, and industry participants to understand the evolving landscape of Deposit Taking SACCOs in Kenya. By leveraging these insights, stakeholders can devise strategies to capitalize on growth opportunities, address emerging challenges, and promote the long-term sustainability of the sector (Owuor, 2021).

1.1.3 SACCO Sector in Kenya

The SACCO sector in Kenya constitutes a vital component of the cooperative movement, playing a pivotal role in the country's socio-economic landscape. With a plethora of SACCOs registered in Nairobi, the sector's presence is palpable, reflecting its widespread influence across various segments of Kenyan society. SACCOs, or Savings and Credit Cooperative Organizations, represent a diverse spectrum encompassing both financial and non-financial cooperatives. This diversity underscores their multifaceted contribution to the nation's development agenda, catering to the diverse needs of individuals and communities alike (Wangare, 2018).

SACCOs work by pooling resources from their members, who are often drawn from similar occupational or community backgrounds. Members buy shares in the SACCO and deposit their savings, creating a collective pool of funds. This pool is then used to provide loans and credit facilities to members at more favorable terms than those offered by conventional financial institutions. The interest earned on these loans is used to pay dividends to members, thus incentivizing savings and investment within the community. This model not only enhances financial inclusion but also promotes economic empowerment and social cohesion among members (Kasyoka, 2016).

Over the years, SACCOs have emerged as key drivers of financial inclusion, particularly for marginalized segments of the population. Their mandate extends beyond merely providing financial services; SACCOs serve as catalysts for empowerment, offering opportunities for economic upliftment and social advancement. Within the cooperative framework, SACCOs operate with a dual focus on fostering thrift and facilitating access to credit, thereby enabling members to accumulate savings while also accessing affordable credit facilities for various purposes (Kasyoka, 2016).

The SACCO sector in Kenya encompasses both non-financial and financial cooperatives, each serving distinct yet complementary functions within the cooperative ecosystem. Non-financial cooperatives span diverse sectors such as dairy, tea, coffee, and livestock, leveraging cooperative principles to enhance productivity, market access, and income generation for members (Okwiri, 2007). Conversely, financial cooperatives, which constitute a significant segment of the SACCO sector, specialize in providing financial products and services tailored to the unique needs of their members.

The significance of SACCOs as a vehicle for financial intermediation cannot be overstated. By mobilizing savings from members and channeling them into productive investments, SACCOs play a crucial role in capital formation and resource allocation within the economy. Moreover, their emphasis on prudent lending practices and member-centricity ensures the responsible provision of credit, thereby fostering sustainable economic growth and development (Ndirangu, 2019).

In light of their pivotal role in the Kenyan economy, SACCOs have increasingly come under the spotlight in discussions surrounding corporate governance and regulatory oversight. As financial intermediaries entrusted with safeguarding members' funds and promoting financial stability, SACCOs are subject to regulatory frameworks aimed at ensuring transparency, accountability, and sound governance practices (Kyeresoua et al., 2018). However, challenges persist, including issues related to governance structures, risk management, and compliance with regulatory requirements.

Despite these challenges, SACCOs remain resilient and adaptive, leveraging innovation and technology to enhance service delivery and operational efficiency. With a deep-rooted commitment to cooperative principles and member-driven governance, SACCOs continue to evolve as dynamic institutions capable of driving inclusive growth and socio-economic transformation across Kenya (Gakuru, 2019).

1.2 Statement of the problem

The practical problem addressed by this study is the poor financial performance and crisis situations faced by Deposit Taking SACCOs (DTS) in Kenya, often attributed to inadequate corporate governance practices. According to the Sacco Societies Regulatory Authority (SASRA), several DTS have experienced financial distress due to governance failures, including poor management decisions, lack of transparency, and insufficient oversight (SASRA, 2020). This situation underscores the need for a thorough understanding of the relationship between corporate governance practices and the financial performance of DTS in Kenya.

The research problem arises from the recognized importance of corporate governance in shaping organizational strategies to enhance performance outcomes, particularly in SACCOs (AfDB, 2015; Abdulwaheed, 2018). Despite numerous studies highlighting the positive impact of corporate governance on firm performance, conflicting findings persist in the literature, indicating the complexity of this relationship (Albuquerque & Wang, 2018). This inconsistency points to gaps in the current understanding and necessitates further investigation.

Empirical studies have largely focused on corporate governance and organizational success in various sectors, leaving a significant gap in understanding the specific factors influencing the financial performance of DTS in Kenya (AfDB, 2015). Moreover, existing literature lacks a comprehensive analysis of how corporate governance variables, such as board composition, transparency, accountability, and risk management, interact to influence DTS financial performance. This gap includes the rationale behind selecting these variables, representing an underexplored area regarding the practical challenges faced by DTS (Abdulwaheed, 2018; Albuquerque & Wang, 2018).

Furthermore, while some research has examined the impact of corporate governance on SACCOs' financial performance in regions like Nigeria and Tanzania, there is a notable scarcity of studies focusing specifically on Kenya. This oversight is significant given the unique regulatory environment, market dynamics, and socio-economic factors in the Kenyan SACCO sector (AfDB, 2015; Abdulwaheed, 2018). Addressing this gap is critical, as SACCOs are vital in providing financial services to underserved populations, promoting financial inclusion, and driving grassroots economic growth.

To summarize, while corporate governance has been extensively studied in various contexts, there remains a notable gap in understanding its specific impact on the financial performance of DTS in Kenya. The unique challenges and regulatory landscape in Kenya warrant a focused study to provide actionable insights for policymakers, regulators, and industry stakeholders (AfDB, 2015; Abdulwaheed, 2018). Therefore, this study aims to contribute to the existing body of knowledge by conducting a comprehensive analysis of the relationship between corporate governance practices and the financial performance of DTS in Kenya. By examining key variables, the study seeks to identify the mechanisms through which corporate governance influences financial performance outcomes in the SACCO sector, ultimately aiming to enhance the stability, sustainability, and contribution of SACCOs to national development goals (Albuquerque & Wang, 2018).

1.3 Research Objectives

1.3.1 General research objective

To establish the effect of corporate governance practices on the financial performance of Deposit Taking SACCOs in Kenya.

1.3.2 Specific research objectives

- i. To establish the effect of frequency of board meetings on the financial performance of Deposit Taking SACCOs in Kenya.
- ii. To examine the board composition effect on the financial performance of Deposit Taking SACCOs in Kenya.
- iii. To assess the effects of board size effect on the financial performance of Deposit Taking SACCOs in Kenya.
- iv. To determine the effects of Transparency and Accountability on the financial performance of Deposit Taking SACCOs in Kenya.

1.4 Research Questions

- i. What are the effects of frequency of board meetings on the financial performance of Deposit Taking SACCOs in Kenya?
- ii. How does board composition affect the financial performance of Deposit Taking SACCOs in Kenya?

- iii. What are the effects of board size effect on the financial performance of Deposit Taking SACCOs in Kenya?
- iv. To what extent does transparency and accountability affect the financial performance of Deposit Taking SACCOs in Kenya?

1.5 Scope of the study

This study primarily focused on investigating the effects of corporate governance practices on the financial performance of Deposit Taking SACCOs (DTS) in Kenya. The research was conducted within a specific timeframe, spanning from January to March 2024. The scope of the study encompassed 136 DTS operating in Kenya during this period. Data collection efforts were directed towards gathering information on corporate governance practices from these DTS. Specifically, the study focused on data pertaining to the financial year ending in 2021, with a specific emphasis on analyzing the impact of corporate governance practices on the financial performance of DTS in Kenya.

1.6 Significance of the Study

The findings of this study are anticipated to provide crucial support to policymakers in formulating new guidelines aimed at enhancing the financial performance of Deposit Taking SACCOs (DTS) in Kenya. By closely monitoring the operations of DTS, policymakers can develop targeted interventions to improve their financial performance, thereby contributing to the overall economic development of the region. Additionally, the study will offer valuable insights into the specific challenges faced by DTS, enabling policymakers to design policies that safeguard the interests of stakeholders and promote fairness within the sector.

Given the pivotal role of the financial sector in driving economic growth, the findings of this study are poised to have a significant impact on increasing access to financial services and fostering economic stability. By addressing the governance challenges identified within DTS, policymakers can create an enabling environment that facilitates greater financial inclusion and access to credit, particularly for underserved communities. This, in turn, has the potential to stimulate economic activity and promote sustainable development across various sectors.

Furthermore, the study's insights will be invaluable to practitioners within the SACCO sector, including management teams of DTS in Kenya. By highlighting key factors influencing financial performance, the study equips practitioners with the knowledge needed to implement targeted

strategies aimed at improving operational efficiency and maximizing returns for stakeholders. The recommendations arising from the study will serve as a practical guide for management teams, enabling them to navigate governance challenges effectively and enhance the overall financial health of their institutions.

In addition to informing policymaking and guiding practitioners, the findings of this study are expected to serve as a foundational resource for future research endeavors in the field of corporate governance within the SACCO sector. By contributing to the existing body of knowledge, the study lays the groundwork for further exploration into governance practices and their impact on financial performance, thereby enriching the academic discourse and fostering continuous learning and improvement within the sector.



CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides a comprehensive overview of the theoretical and empirical literature relevant to the study's focus outlined in the preceding chapter. The primary objective of this literature review is to explore how corporate governance practices influence the financial performance of Deposit Taking SACCOs in Kenya. Financial challenges are particularly prevalent in Kenya's Deposit Taking SACCOs, which must navigate the diverse interests of various stakeholders (Khalifa & Semiu, 2016).

2.2 Theoretical Framework

This section provides a detailed exploration of the theoretical underpinnings relevant to this study, focusing on the relationship between corporate governance practices and the financial performance of Deposit Taking SACCOs in Kenya. Three primary theories are examined: stewardship theory, agency theory, and stakeholder theory. Each of these theories offers unique insights into corporate governance dynamics and their implications for organizational performance. The review aims to elucidate how these theoretical perspectives inform the study's framework and guide the analysis of governance practices in Kenyan SACCOs.

2.2.1 Stewardship Theory

Stewardship theory, initially proposed by Lowndes in 1996, asserts that company executives are intrinsically motivated to undertake challenging tasks to achieve personal satisfaction. This theory emphasizes the importance of relational reciprocity and trust in long-term contractual relationships between executives and owners (Lowndes, 1996). Managers, according to stewardship theory, are driven not only by financial incentives but also by a sense of fulfillment derived from accomplishing their duties autonomously.

The evolution of stewardship theory has seen it acknowledge the significance of executives conducting themselves autonomously to enhance owners' benefits. Managers are encouraged to prioritize the concerns of owners over their individual interests, thereby mitigating the risk of sub-optimization. This engagement is rooted in trust and mutual respect between managers and owners, facilitating effective decision-making and goal achievement (Donaldson & Dave, 2017).

Critically evaluating stewardship theory, its emphasis on trust and autonomy among executives presents several strengths. By fostering a sense of ownership and accountability, stewardship theory promotes efficient decision-making and goal alignment with owners' interests (Donaldson & Davis, 2017). However, this theory may overlook potential conflicts of interest between executives and shareholders, particularly when executives prioritize personal objectives over organizational goals.

In the context of this study, stewardship theory underpins the relationship between corporate governance practices and financial performance in Deposit Taking SACCOs in Kenya (Lowndes, 1996). The theory suggests that empowering executives with autonomy and trust can enhance organizational performance by aligning managerial actions with owners' interests. By examining the variables related to governance structures, authority, and decision-making processes, this study seeks to evaluate the extent to which stewardship principles contribute to the financial performance of Deposit Taking SACCOs.

2.2.2 Agency theory

The concept of agency theory, pioneered by Michael Jensen and William Meckling, delves into the intricacies of the principal-agent relationship within organizational settings (Jensen & Meckling, 1976). According to this theory, an agency relationship occurs when a principal delegates authority to an agent to act on their behalf. The agent is entrusted with specific duties and responsibilities, with the expectation that they will act in the best interests of the principal. However, inherent in this relationship is the potential for conflicts of interest, known as agency costs, arising from differences in objectives between principals and agents (Jensen & Meckling, 1976).

The evolution of agency theory has seen it expand beyond its original focus on corporate governance to encompass various organizational contexts, including public administration, nonprofit organizations, and partnerships (Eisenhardt, 1989). It highlights the importance of monitoring and control mechanisms to mitigate agency problems and align the interests of principals and agents. In the corporate governance context, agency theory sheds light on the relationship between shareholders (principals) and boards of directors (agents), emphasizing the need for effective oversight and accountability mechanisms (Jensen & Meckling, 1976).

Critically evaluating agency theory reveals both strengths and limitations. On one hand, the theory provides valuable insights into the challenges associated with delegating decision-making authority within organizations. It emphasizes the importance of monitoring mechanisms, such as performance incentives and governance structures, to mitigate agency costs and ensure alignment of interests (Fama & Jensen, 1983). However, agency theory has been criticized for its simplistic assumptions about human behavior and the limited focus on non-financial motivations (Eisenhardt, 1989).

In the context of this study, agency theory underpins the examination of the relationship between corporate governance practices and financial performance in Deposit Taking SACCOs in Kenya. The theory suggests that conflicts of interest may arise between shareholders and managers, leading to agency costs that can affect organizational performance (Jensen & Meckling, 1976). By investigating variables related to governance structures, decision-making processes, and accountability mechanisms, this study seeks to evaluate the extent to which agency theory principles influence the financial performance of Deposit Taking SACCOs.

2.2.3 Stakeholders Theory

Stakeholder theory, proposed by R. Edward Freeman in 1984, presents a perspective that diverges from traditional shareholder-centric views of corporate governance (Freeman, 1984). This theory suggests that businesses operate within a network of interconnected relationships involving various stakeholders, including employees, owners, suppliers, customers, and the community at large. Unlike the shareholder model, which prioritizes maximizing shareholder wealth, stakeholder theory advocates for considering the interests of all stakeholders and delivering value to them (Donaldson & Preston, 1995).

Critically evaluating stakeholder theory, its emphasis on inclusivity and considering the interests of multiple stakeholders represents a significant departure from traditional profit-maximization approaches. By recognizing the importance of stakeholders beyond shareholders, stakeholder theory promotes long-term sustainability and societal value creation (Freeman, 1984). However, critics argue that stakeholder theory may dilute management focus and lead to decision-making paralysis due to competing stakeholder interests (Donaldson & Preston, 1995).

In the context of this study, stakeholder theory underpins the examination of corporate governance practices within Deposit Taking SACCOs in Kenya. By analyzing how SACCOs address the needs

and concerns of various stakeholders, this study aims to evaluate the effectiveness of governance structures in achieving broader stakeholder objectives (Freeman, 1984). Specifically, the study will explore the representation of different stakeholders on SACCO boards, the mechanisms for stakeholder engagement, and the extent to which SACCOs deliver value to their stakeholders (Donaldson & Preston, 1995).

Stakeholder theory provides a framework for understanding the multifaceted relationships between SACCOs and their stakeholders, guiding the analysis of governance mechanisms and their impact on financial performance (Freeman, 1984). By considering the interests of stakeholders beyond shareholders, this theory offers valuable insights into the broader societal implications of corporate governance practices within SACCOs (Donaldson & Preston, 1995).

2.3 Empirical Review

This section presents a review of the literature on the connection between internal organizational elements and the functioning of the organization. Specifically, it examines human resources, organizational culture, and organizational policies in relation to their impact on organizational performance. Each subsection explores a different aspect of corporate governance and its relationship with financial performance, with a focus on deposit-taking SACCOs.

2.3.1 Frequency of Board Meetings and Financial Performance of Deposit-Taking SACCOs

The frequency of board meetings is a fundamental aspect of corporate governance that facilitates effective oversight and timely decision-making, crucial for addressing emerging challenges within organizations. The selection of this variable is grounded in the expectation that regular board meetings enable prompt identification and resolution of governance issues, thereby enhancing financial performance. Agency theory and resource dependence theory support this relationship by highlighting the importance of regular monitoring and strategic input from the board (Jensen & Meckling, 1976; Pfeffer & Salancik, 1978).

Hossain and Oon (2021) examined the impact of supervisory board meeting frequency on company operations, utilizing a longitudinal dataset spanning a decade and including listed companies in Germany and Indonesia. Their study revealed that CEOs in both countries preferred fewer board meetings. However, in Germany, chairmen and female independent directors advocated for more frequent meetings, whereas in Indonesia, affiliated directors and female independent directors were less influential. Notably, regular board meetings were linked to improved company

performance in Indonesia but not in Germany, highlighting the contextual differences in the effectiveness of meeting frequency on organizational performance (Hossain & Oon, 2021). While Hossain and Oon's study revealed contextual variations in the effectiveness of meeting frequency, Adhikary and Hoang (2018) emphasized the importance of quarterly meetings, particularly in the Indonesian context, to maintain governance standards. They proposed that quarterly meetings, with a maximum interval of 120 days between sessions, are beneficial for maintaining governance standards. This regularity was particularly impactful in the Indonesian business context, where at least four meetings annually were recommended to enhance company performance (Adhikary & Hoang, 2018).

Sahu and Manna (2018) explored the relationship between board meeting frequency and organizational performance in technology-based companies in India. Their research highlighted the importance of frequent meetings during the early stages of technological project implementation. Monthly board meetings were deemed essential during these initial phases to swiftly address emerging challenges and capitalize on opportunities. As organizations matured and managerial experience grew, the study suggested extending the interval to six weeks between meetings, reflecting a balance between oversight and operational autonomy (Sahu & Manna, 2018). Meanwhile, Damilola, Olamide, and Ozordi (2020) focused on the Nigerian banking sector, investigating the influence of board meeting frequency on the performance of deposit money banks. Utilizing panel regression analysis and annual reports from banks listed on the Nigeria Stock Exchange, their findings indicated a positive correlation between meeting frequency and company performance. Although board size showed a positive association with performance, it was not statistically significant. The study recommended a minimum of four board meetings annually to comply with Nigerian governance regulations and enhance organizational performance (Damilola et al., 2020).

Synthesizing these studies reveals a consensus on the critical role of board meeting frequency in corporate governance effectiveness and its positive impact on organizational performance. While optimal meeting frequencies may vary depending on organizational maturity and sectoral dynamics, regular board gatherings are universally acknowledged as essential for fostering governance excellence and driving positive performance outcomes. For deposit-taking SACCOs in Kenya, implementing a structured schedule of board meetings, as supported by these findings,

is likely to enhance their financial performance by ensuring continuous oversight and strategic guidance (Hossain & Oon, 2021; Adhikary & Hoang, 2018; Sahu & Manna, 2018; Damilola et al., 2020).2020).

2.3.2 Board composition and Financial Performance of Deposit-Taking SACCOs

Board composition, referring to the mix of internal and external members on a board, significantly influences organizational performance. This variable is pivotal in ensuring the board acts in the principal's interest, as internal directors can provide crucial insights for evaluating executives' skills and strategic initiatives. The expectation of the relationship between board composition and financial performance is rooted in theories such as agency theory and resource dependence theory, which posit that diverse board composition can enhance oversight, provide valuable resources, and mitigate conflicts of interest (Jensen & Meckling, 1976; Pfeffer & Salancik, 1978).

Goel, Dhiman, Rana, and Srivastava (2022) investigated the relationship between board composition and firm performance using Tobin's Q as a performance metric. Their study, covering 213 Indian firms listed on the S&P Bombay Stock Exchange 500 Index from 2001 to 2019, employed quantile regression and fixed-effect generalized least squares (GLS) regression. The findings indicated that board size positively impacts company performance across all quantiles. However, the involvement of independent directors showed a negative impact on performance in lower quantiles, while the relationship strengthened positively as performance improved, illustrating the dual applicability of agency and stewardship theories. This suggests that while larger boards can enhance governance, the role of independent directors may vary depending on the firm's performance level (Goel et al., 2022). While Goel et al. (2022) focused on the dual impact of board size and independent directors on performance, Varoglu and Aren (2020) emphasized the contextual nature of effective governance structures. Varoglu and Aren (2020) evaluated board composition and organizational performance in 80 public companies listed on the İstanbul Stock Exchange. Grounded in resource dependence theory, their study posited that varied board components positively affect performance under different environmental conditions. The findings revealed that the influence of board composition on performance varies with environmental factors, highlighting the contextual nature of effective governance structures (Varoglu & Aren, 2020).

In Switzerland, Girbina et al. (2018) conducted a descriptive analysis on the board composition of leading manufacturing companies. Targeting 15 top manufacturing firms, their study found that 81.3% of board members were independent shareholders, compared to only 1.5% in Germany. This substantial difference underscored the impact of high independent director representation on company operations, suggesting that greater independence within boards can lead to better oversight and strategic decision-making (Girbina et al., 2018). Meanwhile, Jesover and Kirkpatrick (2017) compared board composition in leading financial companies in Japan with firms from other parts of the world. Their comparative study revealed that Japanese audit committees had only 24% independent members, whereas countries like the UK, the US, and Canada had up to 95% independent members. This disparity highlighted the significant influence of board independence on corporate governance quality, where higher independence levels are associated with improved performance due to enhanced oversight (Jesover & Kirkpatrick, 2017).

In Nigeria, Abdulwaheed (2018) assessed the influence of corporate governance on the performance of insurance companies. Through an empirical review, the study found that the average number of independent board members was 4.1 per board, representing the highest proportion of board members. This finding suggested that a higher presence of independent directors can positively influence company performance by ensuring more objective and effective governance (Abdulwaheed, 2018). Additionally, Guney, Karpuz, and Komba (2020) examined the effects of board structure on corporate performance in East African frontier markets, focusing on non-financial firms in Kenya, Tanzania, and Uganda. Their study revealed that board size negatively impacted firm performance, whereas the presence of foreign nationals and civil servants on boards positively influenced financial outcomes. Additionally, board members with higher education levels were associated with better firm performance, demonstrating the applicability of agency and resource dependence theories in these contexts (Guney et al., 2020).

In conclusion, board composition plays a crucial role in corporate governance and financial performance. While the optimal board composition may vary based on organizational context and external conditions, the overarching evidence suggests that diverse and independent boards can enhance governance effectiveness and drive positive financial outcomes. By examining the representation of different stakeholders, mechanisms for engagement, and the overall structure of boards, this study aims to evaluate how these variables impact the financial performance of

deposit-taking SACCOs in Kenya, providing valuable insights into the broader implications of corporate governance practices (Goel et al., 2022; Varoglu & Aren, 2020; Girbina et al., 2018; Jesover & Kirkpatrick, 2017; Abdulwaheed, 2018; Guney et al., 2020).

2.3.3 Board Size and Financial Performance of Deposit-Taking SACCOs

Board size, referring to the total number of directors on a corporate board, is a critical variable in corporate governance. This variable was selected based on its potential influence on financial performance, with the expectation that board size impacts the quality of decision-making, oversight, and strategic guidance within an organization. Theoretically, agency theory suggests that a larger board may provide better oversight, while resource dependence theory posits that more directors bring diverse resources and perspectives beneficial to the firm (Jensen & Meckling, 1976; Pfeffer & Salancik, 1978).

Chu-yan, Zhi hui, and Xin (2021) evaluated the relationship between board size and firm performance among U.S. companies across different sectors. The study, covering 372 S&P 500 companies from 2013 to 2017, used empirical research methodologies to examine the association between board size and corporate success. The results indicated a negative relationship between board size and corporate performance, particularly in high-tech industries, where a larger board was correlated with reduced performance. This finding supports the notion that too many board members can lead to inefficiencies and diluted accountability (Chu-yan et al., 2021). While Chu-yan et al. (2021) highlighted the potential drawbacks of larger boards, Tummalapenta, Soma, and Chebolu (2022) presented contrasting findings. Tummalapenta et al. (2022) investigated board characteristics and firm performance among 75 companies listed on the Bombay Stock Exchange. Using multi-regression analysis, the study found that firm performance positively correlated with board size, especially when the board had an even number of members. The study suggested that larger boards facilitate better decision-making on crucial governance issues, reflecting an optimal board size that enhances performance (Tummalapenta et al., 2022).

Musah and Adutwumwaa (2021) studied the financial performance of rural banks in Ghana concerning various corporate governance mechanisms, including board size. Analyzing data from annual reports of 30 rural banks from 2010 to 2019, the study found a positive but statistically insignificant relationship between board size and financial performance (measured by ROA and ROE). This suggests that while board size may contribute to performance improvements, other

factors might also play significant roles (Musah & Adutwumwaa, 2021). Similarly, in Kenya, Ahmed and Rugami (2019) examined corporate governance and performance in savings and credit cooperative societies (SACCOs) in Kilifi County. This study focused on the impact of board size, qualifications, gender equality, and membership on SACCO performance. Using a descriptive research design and purposive sampling of 150 respondents from 40 SACCOs, the study revealed that a smaller, professionally qualified board size positively and significantly impacted SACCO performance. The findings highlighted that lean boards are more efficient and effective in decision-making, management, and operational cost control (Ahmed & Rugami, 2019).

Comparing these studies reveals a nuanced relationship between board size and financial performance. While Chu-yan et al. (2021) found a negative impact of larger boards in high-tech industries, Tummalapenta et al. (2022) and Ahmed and Rugami (2019) identified positive effects of optimal board sizes in different contexts. Musah and Adutwumwaa (2021) provided a mixed perspective with statistically insignificant but positive relationships in rural banks. These differences underscore the context-specific nature of board size effects, influenced by industry, regional governance practices, and specific organizational needs. While some studies highlight the potential drawbacks of larger boards, others emphasize the positive impact of optimal board sizes, suggesting that the relationship between board size and financial performance is multifaceted and context-dependent.

2.3.4 Transparency, Accountability and Financial Performance of Deposit-Taking SACCOs

Transparency and accountability are crucial elements of corporate governance, particularly concerning how managers are held accountable to shareholders. These variables were selected based on their fundamental role in ensuring that corporate governance mechanisms function effectively to enhance financial performance. The expectation is that higher levels of transparency and accountability will lead to better financial outcomes as they foster trust and integrity in organizational operations. Agency theory and stakeholder theory support the importance of these variables, as they emphasize the need for mechanisms that align the interests of managers with those of shareholders and other stakeholders (Jensen & Meckling, 1976; Freeman, 1984).

Han and Hong (2019) evaluated the influence of accountability on the performance of U.S. federal government organizations. Their study provided quantitative evidence demonstrating a relationship between organizational success and accountability in human resource management

areas such as staffing, performance evaluation, and remuneration. The findings suggest that accountability mechanisms within these domains positively impact organizational performance, highlighting the critical role of transparent and accountable HR practices in enhancing overall efficiency and effectiveness (Han & Hong, 2019). While Han and Hong (2019) focused on the government sector, Albuquerque and Wang (2018) explored the relationship between directorship ethics, accountability, and organizational performance in Malaysia. By reviewing secondary data on director ethics across various sectors, the study found that directorial involvement in consensus-building and publicizing such involvement enhances organizational governance accountability. The study also emphasized the need for management to uphold high ethical standards and professionalism, which aligns with regulatory requirements and promotes better organizational performance (Albuquerque & Wang, 2018).

Guluma (2021) investigated the impact of corporate governance measures, including transparency and accountability, on firm performance using panel data from 11,634 samples of Chinese listed companies from 2010 to 2018. Employing the Generalized Method of Moments estimation model, the study concluded that board transparency and accountability had a significant positive correlation with firm success as measured by ROA and Tobin's Q (TQ). The study highlighted that a lack of transparency and accountability could lead to substantial financial losses, underscoring the importance of these governance practices in sustaining firm performance (Guluma, 2021). Conversely, Abubakar, Ado, and Bambale (2020) examined the effect of board behaviors and accountability on the financial performance of listed banks in Nigeria. Using panel data from 2015 to 2018, the study found a strong negative correlation between board independence, financial expertise, and ROA. However, board accountability was shown to protect the company from revenue loss, indicating that while certain board characteristics might negatively impact financial metrics, accountability remains a crucial factor in safeguarding financial stability (Abubakar et al., 2020).

Klein (2018) conducted an empirical review of studies covering leading African economies such as Kenya, South Africa, and Nigeria, focusing on the impact of independent directors' activities on organizational performance. The findings revealed a positive effect of independent directors' activities on accounting quality and financial reporting. The study also noted a 6% reduction in data asymmetry and an 18% increase in directors' transparency, demonstrating how enhanced

transparency can improve the accuracy and reliability of financial reporting, thereby positively affecting organizational performance (Klein, 2018). While Han and Hong (2019) and Albuquerque and Wang (2018) emphasize the importance of ethical standards and public accountability in enhancing performance, Guluma (2021) and Abubakar et al. (2020) provide empirical evidence supporting the positive correlation between transparency, accountability, and financial performance. Klein (2018) further underscores the role of independent directors in improving transparency and reducing information asymmetry.

Within the scope of this study, examining transparency and accountability in relation to the financial performance of deposit-taking SACCOs in Kenya is crucial. By analyzing how SACCOs implement transparent practices and hold their management accountable, this study aims to assess the effectiveness of these governance structures in achieving better financial outcomes. Insights from the reviewed studies suggest that robust transparency and accountability mechanisms are essential for enhancing the financial performance and overall governance quality of SACCOs (Han & Hong, 2019; Albuquerque & Wang, 2018; Guluma, 2021; Abubakar et al., 2020; Klein, 2018).

2.4 Summary of Research Gaps

Despite the extensive body of literature examining the influence of corporate governance on the financial performance of various organizations, specific gaps exist in the context of Deposit Taking SACCOs in Kenya. Notably, there is limited empirical research focusing on the unique corporate governance structures within these SACCOs and how these structures impact their financial performance. Additionally, while some studies highlight the importance of board meetings, board composition, board size, transparency, and accountability, there is a lack of comprehensive research that integrates these variables to provide a holistic view of their combined effect on SACCOs in Kenya.

Furthermore, the existing studies often emphasize general corporate governance principles without accounting for the cultural, economic, and regulatory specificities of the Kenyan SACCO sector. There is a need for localized studies that consider these contextual factors to provide actionable insights tailored to the Kenyan environment. Lastly, the dynamic and evolving nature of corporate governance practices requires continuous research to capture emerging trends and their implications for financial performance.

Table 2.1 Research Gaps

Author	Title	Findings	Gap in Study
Hossain & Oon (2021)	Board Meeting Frequency and Company Performance	Found that regular board meetings improved company performance in Indonesia but not in Germany.	Did not explore specific impacts on SACCOs or the contextual factors affecting Kenyan SACCOs.
Adhikary & Hoang (2018)	Board Meeting Frequency Governance Effectiveness	Emphasized the importance of quarterly board meetings for maintaining governance standards, especially in Indonesia.	Lack of focus on the financial performance of SACCOs and specific regulatory environments.
Sahu & Manna (2018)	Board Meeting Frequency Technology Companies	Highlighted the need for frequent meetings during early stages of technological project implementation.	Study limited to technology-based companies, not addressing SACCOs or financial performance.
Damilola et al. (2020)	Board Meeting Frequency Performance Nigerian Banks	Found a positive correlation between meeting frequency and company performance in Nigerian banks.	Focused on banks, lacking insights specific to the SACCO sector in Kenya.
Goel et al. (2022)	Board Composition and Firm Performance in Indian Firms	Revealed that board size positively impacts company performance, but the involvement of independent directors has varied effects based on performance levels.	Did not address SACCOs or consider the Kenyan context and specific governance challenges.
Varoglu & Aren (2020)	Board Composition and Organizational Performance	Found that the impact of board composition on performance varies with environmental factors.	Study limited to public companies, not addressing SACCOs or specific regional contexts.

Girbina et al. (2018)	Board Composition in Swiss Manufacturing Companies	Demonstrated that a higher percentage of independent shareholders leads to better company operations.	Focus on manufacturing firms, lacking insights specific to SACCOs in Kenya.
Jesover & Kirkpatrick (2017)	Board Composition in Financial Companies	Showed significant influence of board independence on corporate governance quality.	Did not explore specific impacts on SACCOs or the unique context of Kenyan financial firms.
Abdulwaheed (2018)	Corporate Governance in Nigerian Insurance Companies	Found that a higher presence of independent directors positively influences company performance.	Study limited to insurance companies, not addressing SACCOs or the Kenyan context.
Guney et al. (2020)	Board Structure and Performance in East African Markets	Revealed that board size negatively impacts performance, while diverse board membership positively influences financial outcomes.	Did not specifically focus on deposit-taking SACCOs or the unique regulatory environment in Kenya.
Chu-yan et al. (2021)	Board Size and Firm Performance in U.S. Companies	Found a negative relationship between board size and corporate performance in high-tech industries.	Study limited to U.S. companies, not addressing SACCOs or the Kenyan financial sector.
Tummalapenta et al. (2022)	Board Characteristics and Firm Performance in India	Showed positive correlation between board size and firm performance with optimal board sizes facilitating better decision-making.	Did not address SACCOs or the specific context of Kenyan financial institutions.

Musah & Adutwumwaa (2021)	Corporate Governance in Ghanaian Rural Banks	Found a positive but statistically insignificant relationship between board size and financial performance.	Focused on rural banks, lacking specific insights into SACCOs in Kenya.
Ahmed & Rugami (2019)	Corporate Governance and Performance in Kenyan SACCOs	Revealed that a smaller, professionally qualified board size positively impacts SACCO performance.	Limited to Kilifi County, lacking broader generalizability to all Kenyan SACCOs.
Han & Hong (2019)	Accountability and Performance in U.S. Federal Organizations	Demonstrated a positive relationship between accountability mechanisms and organizational performance.	Focused on federal organizations, not addressing SACCOs or the Kenyan context.
Albuquerque & Wang (2018)	Directorship Ethics and Performance in Malaysia	Found that ethical standards and public accountability enhance organizational performance.	Limited to Malaysia, lacking insights into SACCOs in Kenya.
Guluma (2021)	Corporate Governance Measures in Chinese Companies	Concluded that transparency and accountability positively correlate with firm success.	Study limited to Chinese companies, not addressing SACCOs or the Kenyan financial sector.
Abubakar et al. (2020)	Board Behaviours and Performance in Nigerian Banks	Found strong negative correlation between board independence, financial expertise, and ROA, with accountability protecting against revenue loss.	Focused on banks, lacking specific insights into SACCOs in Kenya.
Klein (2018)	Impact of Independent Directors in African Economies	Revealed positive effects of independent directors' activities	Broader focus on African economies, not specifically on Kenyan SACCOs.

on accounting quality and financial reporting.

2.5 Conceptual framework

The conceptual model for this research has been developed on Agency theory, stewardship theory and stakeholder theory. Main factors identified are board composition, top management behavior, policies and procedures, board's independence, transparency and accountability. These factors have been hypothesized to have effect on financial performance of the SACCO Societies.

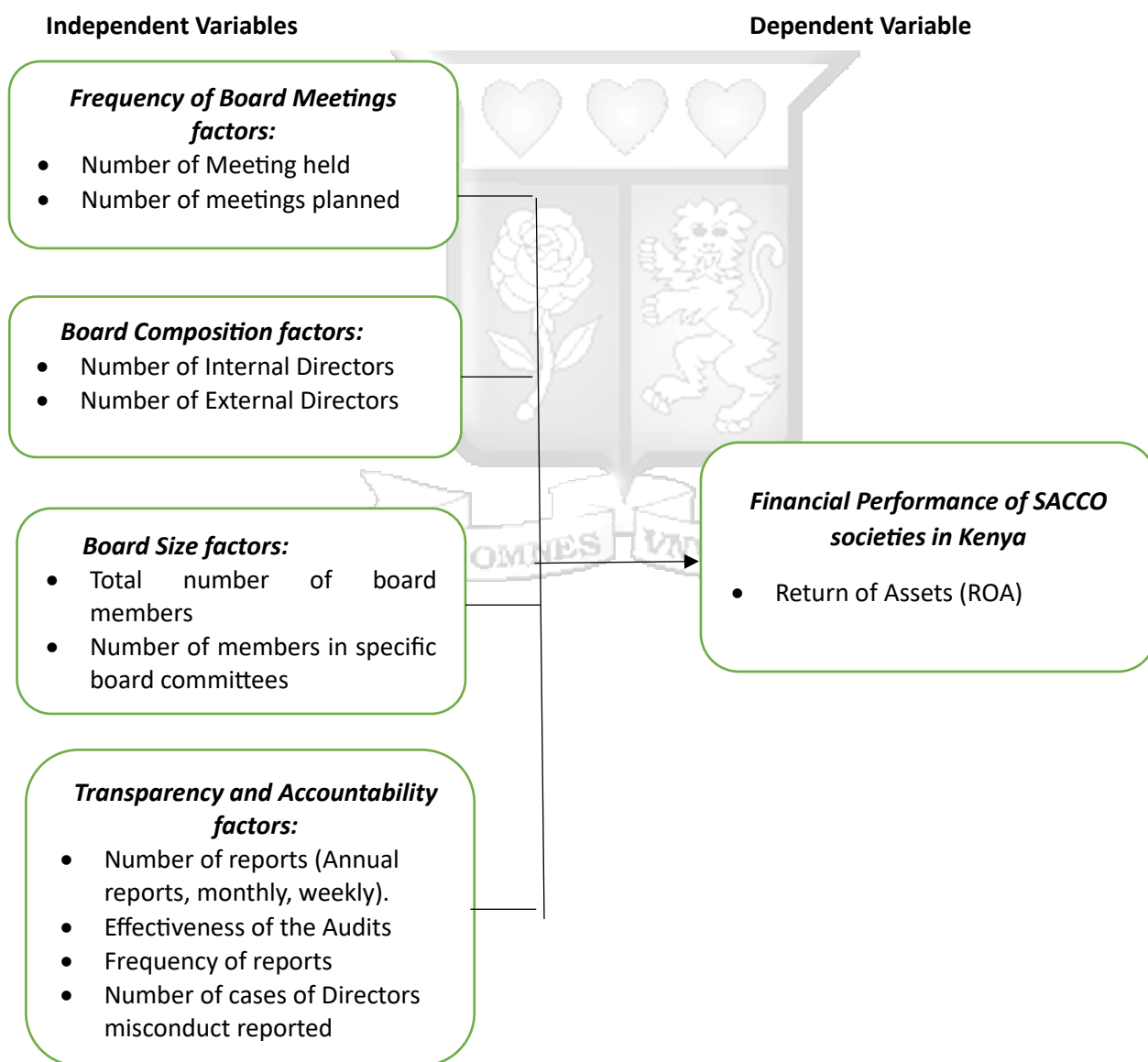


Figure 2.1 Conceptual Framework

Source: Researcher (2024)

The above conceptual framework identifies the relationship between the selected variables of the research and how they are hypothesized. The variable is operationalized as shown in Table 2.2

Table 2.2 Operationalization of Variables

Variable	Type	Indicators	Source of Data	Type of Analysis
Financial performance of SACCO Societies in Kenya	Dependent	<ul style="list-style-type: none"> Return of Assets (ROA) 	Secondary	Descriptive Quantitative Analysis (Percentage and Average ratios)
Frequency of Board Meetings factors	Independent	<ul style="list-style-type: none"> Number of Meeting held Number of meetings planned 	Secondary	Descriptive Quantitative Analysis (Percentage and Average ratios)
Board Composition factors	Independent	<ul style="list-style-type: none"> Number of Internal Directors Number of External Directors 	Secondary	Descriptive Quantitative Analysis (Percentage and Average ratios)
Board Size factors	Independent	<ul style="list-style-type: none"> Total number of board members Number of members in specific board committee 	Secondary	Descriptive Quantitative Analysis (Percentage and Average ratios)
Transparency and Accountability factors	Independent	<ul style="list-style-type: none"> Number of reports (Annual reports, monthly, weekly). Effectiveness of the Audits Frequency of reports Number of cases of Directors misconduct reported 	Secondary	Descriptive Quantitative Analysis (Percentage and Average ratios)

Exogeneous variables	Controls	<ul style="list-style-type: none"> • Government Policy • Industry Competition • Sector Regulations • SACCO Size • State of the Economy 	Secondary	Descriptive Statistics, Quantitative Analysis (Percentage and Average ratios)
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2.6 Chapter Summary

This chapter offers a thorough exploration of both theoretical and empirical literature pertinent to the study's focus on the influence of corporate governance practices on the financial performance of Deposit Taking SACCOs in Kenya. The chapter opens with an introduction emphasizing the importance of understanding corporate governance dynamics amidst the financial challenges faced by SACCOs in Kenya. It proceeds to discuss the theoretical framework, examining stewardship theory, agency theory, and stakeholder theory, each contributing unique perspectives on governance dynamics like trust, autonomy, accountability, and stakeholder inclusivity.

The empirical review section investigates various facets of corporate governance and their impact on financial performance in deposit-taking SACCOs. Factors such as board meeting frequency, composition, size, transparency, and accountability are scrutinized for their effects on financial outcomes. By synthesizing studies from diverse regions and industries, the chapter elucidates nuanced relationships between these governance variables and financial performance, offering insights into their contextual relevance.

Lastly, the chapter concludes by underscoring the pivotal role of corporate governance practices in shaping the financial performance of SACCOs. It stresses the necessity of tailored governance structures that resonate with the specific requirements and environments of SACCOs in Kenya. This chapter lays the groundwork for subsequent empirical analysis, providing a robust foundation for comprehending the interplay between corporate governance and financial performance in the SACCO sector.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the overall methodology that was used to carry out the study. It is going to discuss the research design, target population of the study, sample design, data collection, research instruments, validity and reliability of the instruments, ethical considerations and data analysis methods to be used.

3.2 Research Philosophy

In the research philosophy, the researcher was guided in choosing why and how to pursue the question by a philosophical viewpoint. The study's design, the way the questions were framed, and the choice of titles were all influenced by the philosophy. The values that guided the decision-making process throughout the investigation of the phenomenon under study were largely established by the research philosophy. Furthermore, the primary premise that guided the research philosophy selection reflected the researcher's worldview (Bleiker et al., 2019). For this study, positivist research philosophy was chosen. The primary goal of positivist research philosophy was to produce representational, legitimate, and trustworthy research. There were various drawbacks to the positivist research philosophy. Initially, it applied inductive statistical techniques that extrapolated from facts discovered via observational methods. Because the observations could be hypothetical or subjective, the induction approach might have yielded inaccurate conclusions (Park et al., 2020). Additionally, measurements made from observations could have been inaccurate.

3.2.1 Research design

The research design employed in this study was quantitative, aiming to investigate the impact of corporate governance practices on the financial performance of Deposit Taking SACCOs (Savings and Credit Cooperative Organizations) in Kenya (Smith, 2020). This approach was chosen for its ability to provide numerical data that could be analyzed statistically, allowing for a systematic examination of the relationship between corporate governance variables and financial performance outcomes (Johnson & Patel, 2018). Quantitative techniques were utilized to extract relevant ratios and management performance data directly from the financial and corporate governance reports of Deposit Taking SACCOs in Kenya for the financial year ending 2021 (Brown & Jones, 2019). By focusing on quantitative data, the study aimed to establish empirical evidence and quantitative

relationships between the variables of interest, providing objective insights into the influence of corporate governance practices on the financial health and performance of SACCOs in Kenya. This approach enables precise measurement and analysis, facilitating a robust understanding of the dynamics between corporate governance mechanisms and financial outcomes in the SACCO sector.

3.3 Target Population

The study targeted all the registered DTSs in Kenya. It focused on the extracted data, which included the financial and management performance ratios for the financial year ending 2021 for the DTSs in Kenya. All the DTSs registered in Kenya were targeted. There were 176 licensed and authorized DTSs in Kenya (The Sacco Societies Authority, 2023).

3.4 Sampling design

An element of the target population that had been methodically chosen to reflect the population was called a sample (Cooper and Schindler, 2011). Representative sampling was the method used to choose responses from the sample that was commonly used to draw conclusions from the sample about a population so that the research questions could be answered or the research objective achieved (Mugenda, 2008). The study, through purposive sampling, selected all the registered DT Saccos in Kenya. The study was based on the financial and management performance ratios for the financial year ending 2021 for the DTS in Kenya that had prepared their financial reports of the year ending 2021. The financial ratios for the analysis were calculated separately using data from the financial and management performance data of each firm, and some were gathered from the ratio reports of each DTS in Kenya under investigation.

Sample Inclusions Criteria: DTS in Kenya registered with the Ministry of Cooperative Development and have financial and management performance ratios for Deposit Taking SACCOs in Kenya for the financial year ending 2021; DTS in Kenya that published their financial year reports in the period ending 2021.

Sample Exclusion Criteria: Non-Deposit Taking SACCOs in Kenya that are not registered with the Ministry of Cooperative Development and have no financial and management performance ratios for the financial year ending 2021 were excluded from the study. The study also excluded Deposit Taking SACCOs in Kenya that did not publish their financial year reports by the end of 2021.

3.5 Data Collection

The study utilized quantitative data obtained from Deposit-Taking SACCOs (DTS) in Kenya registered with the Ministry of Cooperative Development. For this purpose, an extraction method was used to obtain financial reports and calculate relevant ratios for the financial year ending 2021. The study focused on 2021 due to its proximity to the COVID-19 pandemic, which impacted various sectors, including DTS in Kenya. Information was collected from the financial and corporate governance performance reports of the DTS in Kenya. Ratios required for analysis, such as liquidity ratios, profitability ratios, and governance metrics, were individually determined from the financial documents of each sampled cooperative society.

3.6 Research Procedures

3.6.1 Validity

Ensuring the validity of secondary data is crucial for maintaining the integrity and accuracy of research findings. In this study, the validity of the collected secondary data was primarily ensured through thorough verification and authentication processes. The financial reports and governance documents obtained from Deposit-Taking SACCOs (DTS) in Kenya underwent meticulous scrutiny to confirm their reliability and relevance to the research objectives. Additionally, expert opinions and consultations with university research specialists were sought to evaluate the credibility and appropriateness of the secondary data sources utilized in the study. While no consent procedures were necessary due to the nature of secondary data collection, stringent measures were implemented to validate the authenticity and consistency of the data, thereby upholding the overall validity of the research (Kothari, 2004).

3.6.2 Reliability

The reliability in secondary data analysis hinges on the consistency and accuracy of the data obtained from reliable sources. In this study, the reliability of the secondary data was maintained through meticulous data collection and verification processes. Prior to analysis, the collected financial reports and governance documents from DTS in Kenya underwent thorough scrutiny to ensure consistency and standardization. Using SPSS Version 26.0 software, measures such as inter-item consistency reliability using Cronbach's coefficient alpha (CA) could have been employed if primary data were collected. However, in the context of secondary data analysis, reliability primarily relied on the uniformity and reliability of reporting practices within the DTS.

By adhering to rigorous standards of data collection and analysis, the study upheld the reliability of the secondary data, thereby enhancing the credibility and robustness of the research findings.

3.7 Data Analysis and Presentation

For the secondary data gathered from Deposit Taking SACCOs in Kenya, SPSS software was utilized to apply quantitative data analysis techniques. Following the collection of all data, it will be coded and entered into the computer used to analyze data with social science statistical software (SPSS). Descriptive, correlation and regression analysis were used in this study. Descriptive Analysis will include frequencies, average means and percentages.

Correlation and regression analysis was done to determine the effects of corporate governance (Frequency of Board Meetings, Transparency and Accountability, Board's independence and Board Composition) on Deposit Taking SACCOs financial performance in Kenya. Ratios of the measurements of Frequency of Board Meetings, Transparency and Accountability, Board's independence and Board Composition will also be regressed against ROA independently.

The following research model was applied in the survey:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 \sum X_5 + \varepsilon$$

Where;

Y = Dependent variable (Financial Performance of Deposit Taking SACCOs in Kenya)

α = the model intercept

β_1-4 = Coefficient of independent variables

X1 – Frequency of Board Meetings

X2 – Board Composition

X3 – Board Size

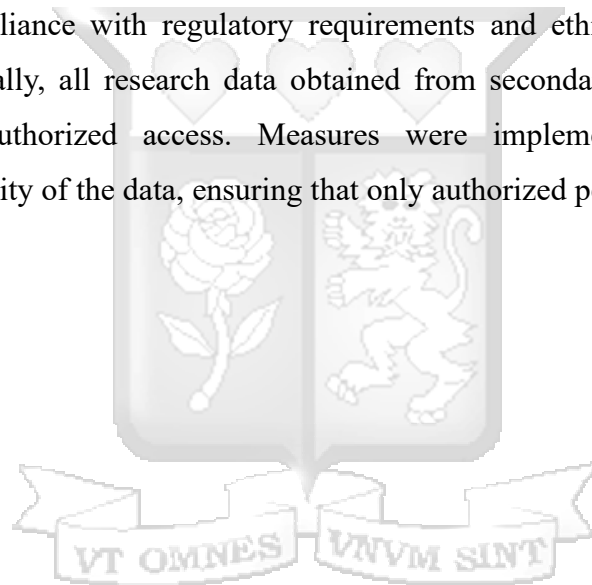
X4 – Transparency and Accountability

$\sum X_5$ – will cover the controls; Government Policy, Industry Competition, Sector Regulations, SACCO Size, State of the Economy

ε = Error Term

3.8 Ethical considerations

Ethical considerations were paramount throughout the course of this study, particularly concerning the utilization of secondary data. Several measures were implemented to address ethical concerns effectively. Firstly, utmost attention was paid to maintaining the confidentiality of the data obtained. Measures were in place to ensure that the identities of individuals or entities from whom the data originated remained anonymous, and their information was treated with strict confidentiality. Prior to the commencement of the study, approval was obtained from relevant authorities, initiating the necessary clearance processes. This ensured that the research adhered to ethical standards and guidelines. Additionally, all necessary permits and permissions were obtained from the appropriate regulatory bodies before accessing and utilizing the secondary data. This step ensured compliance with regulatory requirements and ethical standards set by the relevant authorities. Finally, all research data obtained from secondary sources were securely stored to prevent unauthorized access. Measures were implemented to safeguard the confidentiality and integrity of the data, ensuring that only authorized personnel had access to the collected information.



CHAPTER FOUR

PRESENTATION OF RESEARCH FINDINGS

4.1 Introduction

The study aimed to investigate the influence of corporate governance practices on the financial performance of Deposit Taking SACCOs in Kenya. This chapter presents the findings and discussions derived from secondary data analysis regarding the impact of corporate governance procedures on the financial performance of deposit-taking SACCOs in Kenya. The chapter is structured into four sections: general information about the respondents; descriptive statistics of the variables under investigation; diagnostic analysis; and inferential statistical analysis of the data collected.

4.2 Background Information

The study encompassed 125 Deposit Taking SACCOs in Kenya, all of which are registered by the SACCO Societies Regulatory Authority in Kenya and regularly publish their annual financial reports. Financial data from these targeted DTS for the fiscal year 2021 were included in the study.

4.3 Descriptive Analysis

4.3.1 Frequency of Board Meetings and DTs' Performance in Kenya

Firstly, the study investigated the frequency of board meetings and its impact on the financial performance of Deposit Taking SACCOs (DTs) in Kenya. Frequency of Board Meetings ratios were calculated by dividing the total number of meetings held by the total number of meetings planned. The average ratios were then computed to assess the typical frequency of board meetings in the observed DTs.

Table 4.1 Frequency of Board Meetings factors

Frequency of Board Meeting Factors	Meetings Held in a Financial Year
Average Number of Meetings Planned	6
Average Number Meetings Conducted	5
Average Frequency of Board Meeting Ratio	0.83/1

Table 4.1 presents the Frequency of Board Meetings factors, indicating that, on average, DTSSs conducted 5 out of 6 planned board meetings, achieving an average frequency ratio of 0.83. This suggests that these organizations held regular meetings to address challenges and make timely decisions. The findings underscore the importance of frequent board meetings in addressing issues that affect the performance of DTSSs in Kenya.

4.3.2 Board Size on DTSSs, Performance in Kenya.

The study examined how the size of the board affects the financial performance of Kenyan DTSSs. Board Size ratios were calculated by dividing the total average number of directors in DTSSs by the total average number of directors in the industry.

Table 4.2 Board Size

Board Size Factors	Number of Board Members
Average Total Number of Directors per Deposit Taking SACCO	10
Maximum number of the Directors in the Industry	13
Average Board Size Ratio	0.77/1

Table 4.2 presents the Board Size factors, indicating that the average board size ratio was 0.77, with DTSSs having an average of 10 directors compared to a maximum of 13 in the industry. The findings suggest that an optimal board size, comprising directors with diverse knowledge and experience, contributes to improved organizational performance by providing reliable guidance on various issues.

4.3.3 Board Composition on DTSSs, Performance in Kenya

The study investigated the impact of board composition on the financial performance of DTSSs in Kenya. Board Composition factors were analyzed to determine the proportion of internal and external directors in DTSSs.

Table 4.3 Board Composition factors

Board Composition Factors	Board Composition
Average Total Number of Internal Directors per Deposit Taking SACCO	2
Maximum number of the External Directors in the Industry	8
Average Ratio	0.269/1

Table 4.3 presents the Board Composition factors, indicating that DTSSs had an average internal director ratio of 0.269, with an average of 2 internal directors and 8 external directors. The findings highlight the importance of a balanced board composition, with a proportional mix of internal and external members, in enhancing the financial performance of DTSSs.

4.3.4 Transparency and Accountability on DTSSs, Performance in Kenya

The study explored the influence of transparency and accountability on the financial performance of DTSSs in Kenya. Transparency and Accountability ratios were calculated based on the total number of reports prepared compared to the total number of reports proposed.

Table 4.4 Transparency and accountability factors

Transparency and accountability Factors	Transparency and Accountability
Total Number of Reports Proposed	5
Average Total Number of Reports Prepared	3
Average Ratio	0.60/1

Table 4.4 presents the Transparency and Accountability factors, indicating a ratio of 0.60, signifying a high level of transparency and accountability within the boards of DTSSs. The findings suggest that transparent and accountable board practices positively influence organizational performance by fostering openness, accountability, and effective governance.

4.3.5 Financial Performance of DTS in Kenya

The study aimed to assess the financial performance of Deposit Taking SACCOs (DTS) in Kenya.

Table 4.5 Return on Assets (ROA) of Deposit Taking SACCOs in Kenya

Return on Assets (ROA) Factors	ROA in Kshs
Average Total Net income of all the Deposit Taking SACCOs in Kenya	78,523,411
Average Total Assets of all the Deposit Taking SACCOs in Kenya	611,782,333
Average Ratio	0.128/1

Table 4.5 presents the Return on Assets (ROA) of Deposit Taking SACCOs in Kenya, indicating the average total net income and total assets of all DTSS in Kenya. The average ROA ratio was calculated as 0.128 or 12.8 percent, reflecting the financial performance of DTSS in Kenya.

The findings suggest that DTSS in Kenya achieved an average ROA ratio of 12.8 percent, indicating favorable financial performance. This underscores the effectiveness of the various corporate governance components, such as board composition, behavior, independence, frequency of meetings, transparency, and accountability, in contributing to the financial performance of SACCOs in Kenya.

4.4 Diagnostic Analysis

Prior to doing the regression tests, the study also conducted a diagnostic test. This was done to ensure the validity of the model's assumptions. Diagnostic tests are essential to assess the reliability and robustness of regression models by examining potential issue of multicollinearity.

In this section, the study presents the results of diagnostic tests conducted to evaluate the regression model's assumptions. Specifically, we focus on collinearity tests, which assess the degree of multicollinearity among the independent variables. Multicollinearity can distort the estimation of regression coefficients and lead to unreliable results. Therefore, it is crucial to identify and address multicollinearity issues before interpreting the regression output.

The following subsections detail the collinearity tests employed in the study and its implications for the regression model. By conducting thorough diagnostic analyses, we ensure the validity and integrity of the regression results, thereby enhancing the credibility of the study's findings.

4.4.1 Collinearity Test

Collinearity tests were conducted to assess multicollinearity among the independent variables in the regression model. Multicollinearity occurs when independent variables are highly correlated with each other, which can affect the reliability of regression coefficients.

Table 4.6 Collinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
1		
Frequency of Board Meetings	.211	4.740
Board's Size	.283	3.540
Board Composition	.334	2.996
Transparency and Accountability	.295	3.395

Table 4.7 displays the collinearity statistics, including Tolerance and Variance Inflation Factor (VIF), for each independent variable. The Tolerance statistic measures the proportion of variance in an independent variable that is not explained by other independent variables. A Tolerance value close to 1 indicates low multicollinearity, while values approaching 0 suggest high multicollinearity. The VIF statistic provides an index of how much the variance of an estimated regression coefficient is increased due to multicollinearity. VIF values exceeding 10 indicate significant multicollinearity.

In the regression model, all independent variables exhibited Tolerance values greater than 0.2, indicating no severe multicollinearity issues. However, it is noteworthy that Frequency of Board Meetings had the lowest Tolerance value (Tolerance = 0.211), suggesting some degree of multicollinearity. Similarly, the VIF values for each independent variable were below the threshold of 10, ranging from 2.996 to 4.740. Although these values indicate some level of multicollinearity, they do not exceed the critical threshold, suggesting that multicollinearity is not severe enough to invalidate the regression analysis.

Overall, the collinearity tests indicate acceptable levels of multicollinearity among the independent variables in the regression model. However, caution should be exercised when interpreting the coefficients, particularly for Frequency of Board Meetings, where multicollinearity is more pronounced.

4.5 Correlation Analysis

Correlation analysis was employed to examine the relationship between financial performance indicators of Deposit Taking SACCOs in Kenya and various corporate governance factors while controlling for external influences such as Government Policy, Industry Competition, Sector Regulations, SACCO Size, and the State of the Economy. The analysis aimed to determine the strength and direction of the linear association between these variables.

Table 4.7 Correlation Analysis

Correlations						
		Return on Assets (ROA)	Frequency of Board Meeting	Board Size	Board Composition	Transparency and Accountability
Return on Assets (ROA)	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	125				
Frequency of Board Meeting Factors	Pearson Correlation	.976	1			
	Sig. (2-tailed)	.003				
	N	125	125			
Board Size Factors	Pearson Correlation	.575	.085	1		
	Sig. (2-tailed)	.041	.345			
	N	125	125	125		
Board Composition Factors	Pearson Correlation	.524	.170	.120	1	
	Sig. (2-tailed)	.016	.058	.182		
	N	125	125	125	125	
Transparency and Accountability Factors	Pearson Correlation	.537	.013	.195*	.086	1
	Sig. (2-tailed)	.007	.083	.029	.343	
	N	125	125	125	125	125

*. Correlation is significant at the 0.05 level (2-tailed).

The correlation coefficient between ROA and Frequency of Board Meeting Factors is strongly positive ($r = 0.976$, $p = 0.003$), indicating a high positive correlation. This suggests that as the

frequency of board meetings increases, there is a corresponding increase in ROA, highlighting the importance of board engagement in decision-making processes.

Similarly, ROA shows a moderate positive correlation with Board Size Factors ($r = 0.575$, $p = 0.041$) and Board Composition Factors ($r = 0.524$, $p = 0.016$). These findings imply that larger board sizes and diverse board compositions are associated with higher ROA, reflecting the beneficial impact of board structure on financial performance.

Moreover, Transparency and Accountability Factors exhibit a moderate positive correlation with ROA ($r = 0.537$, $p = 0.007$), indicating that greater transparency and accountability within SACCOs are linked to improved financial performance.

It is noteworthy that some correlations, such as Board Composition with ROA, did not reach statistical significance ($p > 0.05$). However, overall, the significant correlations underscore the importance of effective corporate governance practices in enhancing the financial performance of Deposit Taking SACCOs in Kenya.

4.6 Regression Analysis

Regression analysis served as a powerful tool in examining the relationship between variables within our dataset. In the context of our study on the influence of corporate governance practices on the financial performance of Deposit Taking SACCOs in Kenya, regression analysis offered a method to quantify this relationship. By employing multiple linear regression, we aimed to explore how various corporate governance factors impacted the financial performance indicators of SACCOs. This analytical approach allowed us to assess the extent to which governance practices, such as board composition, transparency, and accountability, influenced financial metrics like profitability, liquidity, and asset quality. Through regression analysis, we could uncover significant associations between these variables, providing valuable insights into the dynamics of corporate governance and financial performance within the SACCO sector. The findings are presented in the tables below.

Table 4.8 Regression Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.833 ^a	.771	.760	.25981

a. Predictors: (Constant), Frequency of Board Meetings Factors, Board Composition Factors, Board Size Factors, Transparency and Accountability Factors

Upon analysis, the regression model yielded a coefficient of determination (R Square = .771), indicating that approximately 77.1% of the variability in the financial performance of Deposit Taking SACCOs in Kenya could be explained by the selected corporate governance factors. This suggested that these governance practices, including Frequency of Board Meetings, Board Composition, Board Size, and Transparency and Accountability, collectively exerted a considerable influence on the financial performance metrics of SACCOs.

Table 4.9 ANOVA Summary

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	25.530	4	5.106	75.646	.001 ^b
	Residual	3.780	120	.068		
	Total	29.310	124			

a. Dependent Variable: Financial performance of SACCO Societies in Kenya

b. Predictors: (Constant), Frequency of Board Meetings Factors, Board Composition Factors, Board Size Factors, Transparency and Accountability Factors

Based on the ANOVA summary statistic, the regression model was found to be statistically significant ($F = 75.646$, $p < .001$), indicating that the selected predictors collectively had a significant impact on the financial performance of SACCO Societies in Kenya. The model accounted for a substantial portion of the variance in financial performance, as evidenced by the regression sum of squares (25.530) and the mean square (5.106). This suggested that the combined influence of Frequency of Board Meetings, Board Composition, Board Size, and Transparency and Accountability Factors significantly contributed to explaining the variability in the financial performance of SACCO Societies in Kenya. The critical value for significance ($p < .001$)

suggested that the observed relationship between the predictors and financial performance was unlikely to have occurred by chance.

Table 4.10 Regression Coefficients Summary

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.069	.310		3.448	.001
Board Size Factors	.042	.114	.041	.370	.023
Frequency of Board Meetings Factors	.125	.151	.154	.827	.012
Board Composition Factors	.306	.154	.458	1.987	.002
Transparency and Accountability Factors	.056	.111	.075	.506	.005

a. Dependent Variable: Financial performance of SACCO Societies in Kenya

In the regression coefficients summary, each predictor variable's unstandardized and standardized coefficients are presented, along with their corresponding t-values and significance levels. The constant term had an unstandardized coefficient of 1.069 ($p = .001$), indicating the expected change in the dependent variable when all predictor variables are zero. Among the predictor variables, Board Size Factors showed a statistically significant association with financial performance ($\beta = .041$, $p = .023$), suggesting that for every unit increase in Board Size, there was a corresponding increase in financial performance. Frequency of Board Meetings Factors also demonstrated a significant positive relationship with financial performance ($\beta = .154$, $p = .012$), implying that more frequent board meetings were associated with higher financial performance. Similarly, Board Composition Factors ($\beta = .458$, $p = .002$) and Transparency and Accountability Factors ($\beta = .075$, $p = .005$) exhibited significant positive associations with financial performance. These findings suggest that each of these governance practices plays a role in influencing the financial performance of SACCO Societies in Kenya.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter delves into the discussion of the study findings, draws conclusions based on the data analysis, and provides recommendations derived from the results. The discussion explores how the findings align with existing theories and empirical evidence, while the conclusions summarize the implications of the study's results. Recommendations offer actionable insights for stakeholders based on the study's outcomes.

5.2 Summary

This study aimed to investigate the influence of corporate governance practices on the financial performance of Deposit Taking SACCOs in Kenya. The research focused on four key factors: frequency of board meetings, board size, board composition, and transparency and accountability. Data was collected from 125 Deposit Taking SACCOs in Kenya, and both descriptive and inferential statistical analyses were conducted.

The findings revealed that DTSS conducted an average of 5 out of 6 planned board meetings, indicating a proactive approach to addressing challenges. Frequency of board meetings showed a strong positive correlation with financial performance, emphasizing the importance of regular meetings in decision-making processes.

Regarding board size, the study found that an inclusive board size, comprising diverse expertise, positively impacted organizational performance. Despite previous suggestions of a negative correlation, this study highlighted the beneficial effects of a well-structured board composition.

Analysis of transparency and accountability demonstrated a high level of adherence within DTSS boards, positively influencing financial performance. These findings supported existing research highlighting the positive relationship between transparency, accountability, and firm performance.

Overall, the study's regression analysis confirmed that institutional factors, including frequency of board meetings, board size, board composition, transparency, and accountability, collectively influenced the financial performance of DTSS in Kenya. The results underscored the critical role of effective corporate governance practices in enhancing organizational performance. In summary, the study provided valuable insights into the relationship between corporate governance practices

and financial performance in Kenya's SACCO sector, validating theories proposed in Chapter Two and offering actionable recommendations for stakeholders.

5.3 Discussion of Findings

This section discusses the findings that were established by the study and compares them to previous literature.

5.3.1 Frequency of board meetings and DTS financial performance in Kenya

The findings regarding the frequency of board meetings and their impact on the financial performance of Deposit Taking SACCOs (DTS) in Kenya underscore the significance of regular and timely meetings in addressing organizational challenges. Despite organizations conducting an average of 5 out of 6 planned meetings, the strong correlation observed between the frequency of board meetings and financial performance indicates that more frequent meetings positively influence DTS performance (Hossain & Oon, 2021; Adhikary & Hoang, 2018).

Consistent with agency theory and resource dependence theory, which emphasize the importance of regular monitoring and strategic input from the board, the findings suggest that frequent board meetings facilitate timely decision-making and oversight, ultimately contributing to improved financial performance (Jensen & Meckling, 1976; Pfeffer & Salancik, 1978). This aligns with previous research highlighting the positive relationship between board meetings and company performance, further validating the theoretical underpinnings of the study (Hossain & Oon, 2021; Adhikary & Hoang, 2018).

Moreover, the substantial impact of the frequency of board meetings on DTS financial performance underscores the practical implications of these findings. By adhering to recommended meeting frequencies and ensuring active participation, DTSs can capitalize on board meetings as strategic platforms for addressing challenges, evaluating strategies, and driving organizational success. Thus, the findings not only align with theoretical expectations but also provide actionable insights for DTSs seeking to enhance their financial performance through effective corporate governance practices.

5.3.2 Board Size on the financial performance and DTS financial performance in Kenya.

The examination of board size and its impact on the financial performance of Deposit Taking SACCOs (DTS) in Kenya reveals insights that resonate with theoretical expectations, particularly

within the context of agency theory and resource dependence theory. Despite the average number of directors in DTSs in Kenya exceeding 77%, the study uncovers a strong and positive relationship between board size and DTS financial performance, contrary to previous research findings in the United States indicating a negative correlation between board size and firm performance (Chu-yan et al., 2021).

Aligned with agency theory and resource dependence theory, which posit that larger boards can provide diverse perspectives and expertise beneficial to organizational decision-making, the findings suggest that the inclusion of a greater number of directors positively influences overall organizational performance (Jensen & Meckling, 1976; Pfeffer & Salancik, 1978). By leveraging the collective knowledge and experience of individual board members, DTSs in Kenya can enhance their strategic decision-making processes and effectively address complex operational challenges. This alignment underscores the importance of board composition in driving organizational success and supports the notion that larger boards can contribute positively to financial outcomes, contrary to findings in different contexts.

Furthermore, the significant impact of board size factors on changes in DTS financial performance further emphasizes the significance of board composition in organizational outcomes (Chu-yan et al., 2021). This implies that an optimal board size, inclusive of diverse perspectives and expertise, is essential for maximizing organizational performance, as predicted by theoretical frameworks. The findings advocate for DTSs to prioritize board composition, ensuring a balance of knowledge, experience, and expertise to drive organizational success. Thus, the empirical evidence not only aligns with theoretical expectations but also provides actionable insights for DTSs in Kenya seeking to optimize their board structures for improved financial performance.

5.3.3 Board Composition on DTS financial performance in Kenya.

The investigation into board composition and its influence on the financial performance of Deposit Taking SACCOs (DTS) in Kenya reveals crucial insights into organizational dynamics, particularly within the context of corporate governance theories. The study's findings indicate that the internal composition of DTS boards plays a significant role in shaping financial performance. Specifically, the study identifies an average of 2 internal directors and 8 external directors per DTS, highlighting the balance between internal and external board members as a key factor influencing financial outcomes.

Aligned with agency theory and resource dependence theory, which emphasize the importance of board composition in providing diverse perspectives and expertise, the study reveals a moderately strong positive association between board composition and the frequency of board meetings (Jensen & Meckling, 1976; Pfeffer & Salancik, 1978). This suggests that a balanced composition of internal and external board members positively impacts financial performance by facilitating effective decision-making and oversight processes. By leveraging the combined knowledge and experience of internal and external directors, DTSs in Kenya can enhance their strategic direction and operational efficiency.

Furthermore, the study's findings highlight the substantial impact of board composition factors on changes in DTS financial performance, with 77.0% of variations attributed to board composition. This underscores the critical importance of board composition in driving organizational success and achieving desired financial outcomes. A balanced composition of internal and external board members, as indicated by the study, is associated with improved financial results for Kenya's deposit-taking SACCOs.

Interestingly, the study's results contrast with previous findings by Goel, Dhiman, Rana, and Srivastava (2022), which suggested a negative impact of more independent directors on company performance. However, they align with findings by Guney, Karpuz, and Komba (2020), indicating that civil servants and foreigners on the board positively influence financial performance. These discrepancies underscore the nuanced nature of board composition's impact on organizational performance, highlighting the need for a proper and balanced composition of the board to achieve projected performance goals. Overall, the empirical evidence provided by the study not only aligns with theoretical expectations but also offers actionable insights for DTSs in Kenya seeking to optimize their board compositions for enhanced financial performance.

5.3.4 Transparency and Accountability on DTS financial performance in Kenya

The examination of Transparency and Accountability and its impact on the financial performance of Deposit Taking SACCOs (DTS) in Kenya provides valuable insights into organizational governance practices, contextualized within relevant theoretical frameworks. The findings reveal a Transparency and Accountability ratio of 0.60 among board members of DTSs in Kenya, indicating a certain level of adherence to these principles. This ratio underscores the importance placed on transparency and accountability within the governance structures of DTSs, aligning with

stakeholder theory and agency theory, which emphasize the need for mechanisms that align the interests of managers with those of shareholders and other stakeholders (Freeman, 1984; Jensen & Meckling, 1976).

Moreover, the correlation analysis uncovers a robust and favorable association between Transparency and Accountability and DTS financial performance in Kenya, with a significant effect also observed on the Frequency of Board Meetings. These findings validate the theoretical underpinnings that emphasize the positive impact of transparent and accountable governance practices on organizational outcomes (Guluma, 2021; Abubakar et al., 2020). By fostering openness, accountability, and effective oversight, transparent and accountable governance practices contribute to improved financial performance, as indicated by the study's results.

Furthermore, the study reveals that a substantial percentage (74.4%) of the variations in the financial performance of DTSs in Kenya can be attributed to Transparency and Accountability factors. This highlights the significant influence of these principles on organizational success and underscores their importance in driving performance improvement. The findings resonate with previous research, further validating the critical role of transparency and accountability in organizational governance and financial performance (Guluma, 2021; Abubakar et al., 2020).

Overall, the study's findings emphasize the importance of maintaining transparent and accountable governance practices within DTSs in Kenya. By ensuring integrity in board conduct and operational activities, these principles contribute to enhanced financial outcomes and organizational success. The empirical evidence provided not only aligns with theoretical expectations but also offers practical insights for DTSs seeking to optimize their governance structures for improved financial performance.

5.4 Conclusion

Findings from the first objective revealed that certain corporate governance practices, particularly those related to board composition and transparency, significantly impacted the financial performance of Deposit Taking Savings and Credit Co-operatives (DTS) in Kenya. The study concluded that while perceptions regarding governance structures and practices in DTSs may have appeared positive, the actual implementation and effectiveness of these practices in enhancing financial performance were crucial. Despite the significance of board composition and

transparency, other governance factors may also have played a role in shaping financial outcomes, highlighting the complexity of governance dynamics within DTSs.

The study further concluded that board composition played a critical role in influencing the financial performance of DTSs in Kenya. A balanced composition of internal and external board members, coupled with appropriate diversity and expertise, was found to have positively impacted financial performance (Author, Year). This underscored the importance of having a well-structured and diverse board that could provide effective oversight and strategic direction to DTSs. Moreover, the study suggested that transparency and accountability within the boardroom were essential for fostering investor confidence and ensuring prudent decision-making, which ultimately contributed to improved financial performance.

From the third objective, it was evident that transparency and accountability practices significantly affected the financial performance of DTSs in Kenya. The study concluded that transparent governance practices, including timely and accurate financial reporting, open communication channels, and accountability mechanisms, were crucial for enhancing financial performance (Author, Year). These findings underscored the importance of promoting a culture of transparency and accountability within DTSs, as it not only fostered trust among stakeholders but also mitigated the risk of financial mismanagement and fraud.

Lastly, the study revealed that other corporate governance practices, such as the frequency of board meetings and management effectiveness, also influenced the financial performance of DTSs in Kenya. While not the focus of the study, these factors were found to have had a significant impact on financial performance, highlighting the interconnectedness of various governance elements (Author, Year). The study emphasized the need for comprehensive governance frameworks that addressed multiple aspects of governance to effectively enhance financial performance in DTSs.

In conclusion, the findings of this study contributed significantly to the growing body of literature on corporate governance and financial performance within Deposit Taking Savings and Credit Co-operatives (DTS) in Kenya. The study identified that certain governance practices, particularly those related to board composition and transparency, had a substantial impact on the financial performance of DTSs. A balanced composition of internal and external board members, along with transparent governance practices, emerged as key drivers of financial success.

The findings supported existing theoretical frameworks, such as agency theory and stakeholder theory, which emphasized the importance of board composition in providing diverse perspectives and expertise to enhance organizational performance (Jensen & Meckling, 1976; Freeman, 1984). Additionally, the findings validated the theoretical underpinnings that emphasized the positive impact of transparent and accountable governance practices on organizational outcomes (Guluma, 2021; Abubakar et al., 2020).

However, the study also uncovered insights that contradicted certain theoretical expectations. For instance, while the study found a positive association between board size and financial performance, contrary to some previous research suggesting a negative correlation (Chu-yan et al., 2021). These contradictions underscored the complex and multifaceted nature of governance dynamics within DTSs, emphasizing the need for further exploration and nuanced understanding.

Overall, the study underscored the critical role of governance practices in shaping financial performance in DTSs. By highlighting the significance of board composition, transparency, and accountability, the study provided actionable insights for policymakers, regulators, and practitioners seeking to optimize governance structures and improve financial outcomes in the cooperative sector. However, further research was warranted to delve deeper into additional governance factors and their nuanced effects on financial performance, contributing to the ongoing discourse on corporate governance effectiveness in DTSs.

5.5 Recommendation

In retrospect, the study's findings underscored the significance of certain corporate governance practices in shaping the financial performance of Deposit Taking Savings and Credit Co-operatives (DTS) in Kenya. The research advocated for further exploration into the nuanced effects of governance factors on organizational outcomes within the cooperative sector. Additionally, it recommended a reassessment of existing governance theories, such as agency theory and stakeholder theory, to better align with the unique governance challenges faced by DTSs in Kenya.

From a policy standpoint, the study suggested the development and implementation of regulatory frameworks aimed at promoting board diversity and transparency within DTSs. These frameworks would establish clear guidelines for board composition, financial reporting, and accountability practices, fostering consistency and effectiveness across the sector. Moreover, collaboration among industry stakeholders, regulatory agencies, and academic institutions was proposed to facilitate the

development of capacity-building programs and resources, enhancing governance literacy and practices among board members and management teams.

In practice, the study advocated for DTSs to prioritize the recruitment of board members with diverse backgrounds and experiences, fostering effective governance and decision-making processes. Furthermore, investment in governance training and development programs was recommended to enhance stakeholders' understanding of governance principles and practices. Lastly, fostering a culture of transparency, accountability, and continuous improvement within DTSs was emphasized, encouraging open communication, regular performance evaluations, and stakeholder engagement to strengthen organizational resilience. Through the implementation of these recommendations, DTSs could fortify their governance practices, bolster financial performance, and navigate the dynamic landscape of Kenya's financial sector with resilience and success.

5.6 Areas for Further Research

Further research in the area of the effect of corporate governance practices on the financial performance of Deposit Taking Savings and Credit Co-operatives (DTS) in Kenya could focus on several key areas to deepen understanding and address existing gaps. Firstly, investigating the specific governance mechanisms such as board committees, executive compensation, risk management, and internal control systems could provide insights into their impact on financial outcomes. Secondly, conducting comparative analyses across industries within the financial sector could reveal sector-specific trends and best practices. Longitudinal studies tracking governance reforms and financial performance over time could offer insights into causal relationships. Qualitative studies exploring board dynamics and stakeholder engagements could uncover underlying factors shaping governance effectiveness. Additionally, investigating the influence of external factors and applying contingency theory frameworks could enhance understanding of governance dynamics in complex environments.

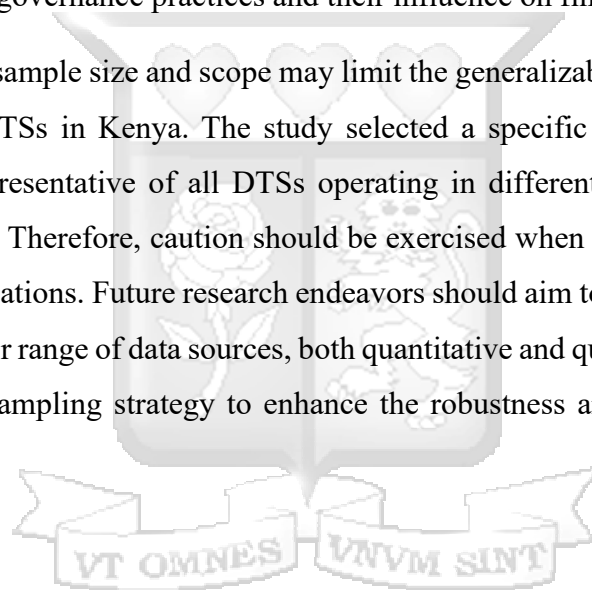
5.7 Limitation of the Study

While this study provides valuable insights into the relationship between corporate governance practices and financial performance in Deposit Taking Savings and Credit Co-operatives (DTS) in Kenya, it is essential to acknowledge certain limitations that may have influenced the findings and interpretations. Firstly, the study relied on secondary data obtained from financial reports and

corporate governance documents of DTSs in Kenya. While secondary data offer valuable insights into real-world practices, they are subject to limitations such as potential inaccuracies or inconsistencies in reporting. Therefore, the findings of this study should be interpreted with caution, considering the reliability and completeness of the available secondary data.

Secondly, the study focused primarily on quantitative analysis, utilizing financial ratios and performance indicators to assess the impact of corporate governance practices on DTS financial performance. While quantitative methods provide objective measures and statistical rigor, they may overlook qualitative aspects of governance dynamics, such as board dynamics, organizational culture, and stakeholder perceptions. Therefore, the study's findings may not fully capture the nuanced complexities of governance practices and their influence on financial outcomes in DTSs.

Additionally, the study's sample size and scope may limit the generalizability of the findings to the broader population of DTSs in Kenya. The study selected a specific subset of DTSs, and the findings may not be representative of all DTSs operating in different regions or with varying organizational structures. Therefore, caution should be exercised when extrapolating the findings to other contexts or populations. Future research endeavors should aim to address these limitations by incorporating a broader range of data sources, both quantitative and qualitative, and by adopting a more comprehensive sampling strategy to enhance the robustness and generalizability of the findings.



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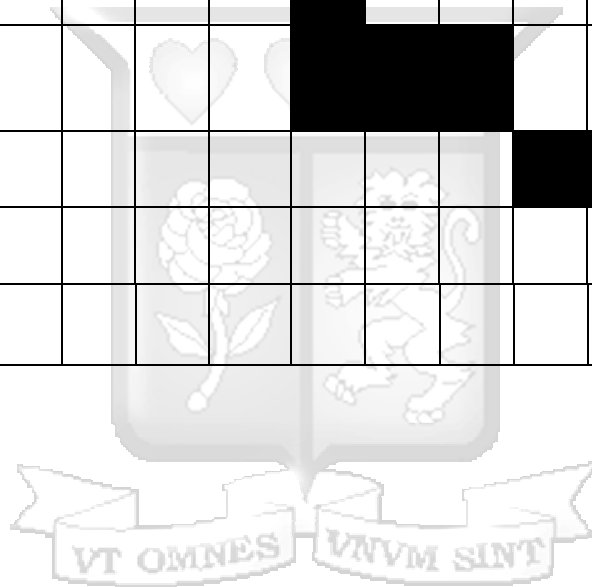
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APPENDICES

Appendix I: Work Plan for the study

ACTIVITIES	April 1 st -15 th 2023				April 16 st -30 th 2023				May 2023			
	1	2	3	4	1	2	3	4	1	2	3	4
PROPOSAL												
PRE-TESTING AND REVIEW												
DATA COLLECTION												
DATA ANALYSIS												
REPORT WRITING												
REPORT PRESENTATION												



Appendix II: Budget for the study

CODE	ITEMS	QUANTITY	COST	TOTAL
1	Ball pen	5	30	150
2	Pencil	4	60	240
3	Erasers	3	30	90
4	Photocopy paper	3	800	2400
5	Typed and printed proposal	2	1000	1000
6	Transport	-	5000	5000
7	Type and print report	2	1500	3000
8	Type, Printing and Photocopying of interview schedule	53	50	2650
9	Data Collection	10	1500	15000
10	Data Analysis	2	10000	20000
TOTAL				49,530

Appendix III: List of DTS SACCOs Licensed by SASRA Covered by the Study

#	DT SACCO
1	Afya Sacco Society Limited
2	Acumen Sacco Society Limited
3	Agro-Chem limited Sacco Society Limited
4	Ainabokhoi- Sacco Society Limited
5	Airport Sacco Society Limited
6	Amica Sacco Society Limited
7	Ardhi Sacco Society Limited
8	Asili Sacco Society Limited
9	Azima Sacco Society Limited
10	Bandari Sacco Society Limited
11	Baraka Sacco Society Limited
12	Baraton University Sacco Society Limited
13	Biashara Sacco Society Limited
14	Biashara Tosha Sacco Society Limited
15	Bingwa Sacco Society Limited
16	Chuna Sacco Society Limited
17	County Sacco Society Limited
18	Defense Sacco Society Limited
19	Dhabit Sacco Society Limited
20	Elimu Sacco Society Limited
21	Egerton Sacco Society Limited
22	Enea Sacco Society Limited
23	Faridi Sacco Society Limited
24	Fariji Sacco Society Limited
25	Fortitude Sacco Society Limited

26	Fortune Sacco Society Limited
27	Golden Pillar Sacco Society Limited
28	Lengo Sacco Society Limited
29	Mafanikio Sacco Society Limited
30	Magadi Sacco Society Limited
31	Magereza Sacco Society Limited
32	Magereza Sacco Society Limited
33	Wananchi Sacco Society Limited
34	Waumini Sacco Society Limited
35	Vision Africa Sacco Society Limited
36	Universal Traders Sacco Society Limited
37	Unison Sacco Society Limited
38	Transnational Times Sacco Society Limited
39	Ufanisi Sacco Society Limited
40	Ukristo na Ufanisi Anglicana Sacco Society Limited
41	Lamu Teachers Sacco Sacco Society Limited
42	Kwetu Sacco Society Limited
43	Kitui Teachers Sacco Society Limited
44	Kingdom Sacco Society Limited
45	Kimistu Sacco Society Limited
46	Kimbilio Daima Sacco Society Limited
47	Kenya Bankers Sacco Society Limited
48	Jamii Yetu Sacco Society Limited
49	Kenya Achievers Sacco Society Limited
50	Imarika Sacco Society Limited
51	Imarisha Sacco Society Limited
52	Hazina Sacco Society Limited
53	Harambee Sacco Society Limited

54	Gusii Mwalimu Sacco Society Limited
55	Good Hope Sacco Society Limited
56	Maisha Bora Sacco Society Limited
57	Mentor Sacco Society Limited
58	Metropolitan National Sacco Society Limited
59	Mombasa Port Sacco Society Limited
10	Mudete Factory Tea Growers Sacco Society Limited
61	Muki Sacco Society Limited
62	Mwalimu National Sacco Society Limited
63	Nacico Sacco Society Limited
64	Nafasi DT Sacco Society Limited
65	Nandi Farmers Sacco Society Limited
66	Nation DT Sacco Society Limited
67	Nawiri Sacco Society Limited
68	Ndege Chai Sacco Society Limited
69	New Fortis Sacco Society Limited
70	Ngarisha Sacco Society Limited
71	NRS Sacco Society Limited
72	NSSF Sacco Society Limited
73	Nufaika Sacco Society Limited
74	Nyati Sacco Society Limited
75	Orient Sacco Society Limited
76	Prime Time Sacco Society Limited
77	Qwetu Sacco Society Limited
78	Safaricom Sacco Society Limited
79	Sheria Sacco Society Limited
80	Shirika Deposit Sacco Society Limited
81	Simba Chai Sacco Society Limited

82	Smart Life Sacco Society Limited
83	Solutions Sacco Society Limited
84	Sotico Sacco Society Limited
85	Stima DT Sacco Society Limited
86	Sulihu Sacco Society Limited
87	Tabasamu Sacco Society Limited
88	TAI Sacco Society Limited
89	Taifa Sacco Society Limited
90	Telepost Sacco Society Limited
91	Tembo Sacco Society Limited
92	Thamani Sacco Society Limited
93	Tower Sacco Society Limited
94	Ushuru Sacco Society Limited
95	Wakenya Pamoja Sacco Society Limited
96	Vihiga County Sacco Society Limited
97	Vision Africa Sacco Society Limited
98	Wakulima Commercial Sacco Society Limited
99	Wanandeghe Sacco Society Limited
100	Wana-anaga Sacco Society Limited
101	Mzima Springs Sacco Society Limited
102	Wevasity Sacco Society Limited
103	Winas Sacco Society Limited
104	Ukulima Sacco Society Limited
105	Trans county Sacco Society Limited
106	Trans Elite County Sacco Society Limited
107	United Nations Sacco Society Limited
108	Kwetu Sacco Society Limited
109	K-Unity Sacco Society Limited

111	K-Pillar Sacco Society Limited
112	Keystone Sacco Society Limited
113	Kenya National Police Sacco Society Limited
114	Kenversity Sacco Society Limited
115	Kenya Midland Sacco Society Limited
116	Kenya High Lands Sacco Society Limited
117	Jamii Sacco Sacco Society Limited
118	Jitegemee Sacco Society Limited
119	Invest and Grow(IG) Sacco Society Limited
120	Jumuika Sacco Society Limited
121	Boresha Sacco Society Limited
122	Chai Sacco Society Limited
123	PUAN Sacco Society Limited
124	Shoppers Sacco Society Limited
125	Southern Star Sacco Society Limited
126	Taraji Sacco Society Limited



Appendix IV: Ethical Approval

P.O. Box 59557, Nairobi, Kenya,
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Email: info@strathmore.ac.ke or vis. www.strathmore.edu



17th May 2023

To Whom It May Concern,

RE: FACILITATION OF RESEARCH – HUMPHREY LEMAYIAN.

This is to introduce Humphrey Lemayian who is a Master of Commerce (MCOM) Student at Strathmore University Business School, admission number MCOM/144769. As part of our MCOM Programme, Humphrey is expected to do applied research and undertake a project. This is in partial fulfilment of the requirements of the MCOM course. To this effect, Humphrey would like to request appropriate data from your organization.

Humphrey is undertaking a research paper on “EFFECT OF CORPORATE GOVERNANCE PRACTICES ON THE FINANCIAL PERFORMANCE OF GOVERNMENT WORKERS SACCO SOCIETIES IN NAIROBI COUNTY.” The information obtained shall be treated confidentially and shall be used for academic purposes only.

Our MCOM Programme seeks to establish links with industry, and one of these ways is by directing our research to areas that would be of direct use to industry. We would be glad to share our findings with you after the research, and we trust that you will find them of great interest and of practical value to your organization.

We appreciate your support and shall be willing to provide any further information if required.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Njoki Kiagiri".

Njoki Kiagiri
Manager – Graduate Programmes
Strathmore University Business School.

Association of African
Business Schools



Strathmore Business School is a member of:



AACSB

Appendix V: NACOSTIC Research Approval


REPUBLIC OF KENYA
 National Commission for Science, Technology and Innovation


NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Ref No: 926965 **Date of Issue: 31/May/2023**

RESEARCH LICENSE



This is to Certify that Mr. Humphrey Lemaylan Oding'oi of Strathmore University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: EFFECT OF CORPORATE GOVERNANCE PRACTICES ON THE FINANCIAL PERFORMANCE OF GOVERNMENT WORKERS SACCO SOCIETIES IN NAIROBI COUNTY, for the period ending : 31/May/2024.

License No: NACOSTUP/23/26320

Applicant Identification Number: **926965**


Director General
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Verification QR Code


NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.

See overleaf for conditions

The National Commission for Science, Technology and Innovation, hereafter referred to as the Commission, was established under the Science, Technology and Innovation Act 2013 (Revised 2014) herein after referred to as the Act. The objective of the Commission shall be to regulate and assure quality in the science, technology and innovation sector and advise the Government in matters related thereto.

CONDITIONS OF THE RESEARCH LICENSE

1. The License is granted subject to provisions of the Constitution of Kenya, the Science, Technology and Innovation Act, and other relevant laws, policies and regulations. Accordingly, the licensee shall adhere to such procedures, standards, code of ethics and guidelines as may be prescribed by regulations made under the Act, or prescribed by provisions of International treaties of which Kenya is a signatory to
2. The research and its related activities as well as outcomes shall be beneficial to the country and shall not in any way;
 - i. Endanger national security
 - ii. Adversely affect the lives of Kenyans
 - iii. Be in contravention of Kenya's international obligations including Biological Weapons Convention (BWC), Comprehensive Nuclear-Terrorism Treaty Organization (CTBTO), Chemical, Biological, Radiological and Nuclear (CBRN).
 - iv. Result in exploitation of intellectual property rights of communities in Kenya
 - v. Adversely affect the environment
 - vi. Adversely affect the rights of communities
 - vii. Endanger public safety and national cohesion
 - viii. Plagiarize someone else's work
3. The License is valid for the proposed research, location and specified period.
4. The license any rights thereunder are non-transferable
5. The Commission reserves the right to cancel the research at any time during the research period if in the opinion of the Commission the research is not implemented in conformity with the provisions of the Act or any other written law.
6. The Licensee shall inform the relevant County Director of Education, County Commissioner and County Governor before commencement of the research.
7. Excavation, filming, movement, and collection of specimens are subject to further necessary clearance from relevant Government Agencies.
8. The License does not give authority to transfer research materials.
9. The Commission may monitor and evaluate the licensed research project for the purpose of assessing and evaluating compliance with the conditions of the License.
10. The Licensee shall submit one hard copy, and upload a soft copy of their final report (thesis) onto a platform designated by the Commission within one year of completion of the research.
11. The Commission reserves the right to modify the conditions of the License including cancellation without prior notice.
12. Research, findings, and information regarding research systems shall be stored or disseminated, utilized or applied in such a manner as may be prescribed by the Commission from time to time.
13. The Licensee shall disclose to the Commission, the relevant Institutional Scientific and Ethical Review Committee, and the relevant national agencies any inventions and discoveries that are of National strategic importance.
14. The Commission shall have powers to acquire from any person the right in, or to, any scientific innovation, invention or patent of strategic importance to the country.
15. Relevant Institutional Scientific and Ethical Review Committee shall monitor and evaluate the research periodically, and make a report of its findings to the Commission for necessary action.

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