CORPORATE GOVERNANCE PRACTICES AND FINANCIAL PERFORMANCE ON DEPOSIT-TAKING SAVINGS AND CREDIT CO-OPERATIVES IN NAIROBI CITY COUNTY, KENYA.

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OCTOBER, 2018
DECLARATION

I declare that this research project is my original work and has not been submitted to any other University for award of a degree.

Signed .................................................. Date .............................................


I confirm that the work in this research project was done by the candidate under my supervision

Signed.......................................................... Date .............................................

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Department Accounting and Finance.
DEDICATION

This research project is dedicated to my family for their continued support and encouragement.
ACKNOWLEDGEMENT

Firstly, I would like to thank God for His sufficient grace and for the breath of life through which I’ve been able to undertake and complete this research work. I wish to sincerely thank my supervisor Mr. Gerald Atheru who was there closely monitoring my progress. His constructive criticism, careful guidance, support and patience is highly appreciated. I acknowledge and appreciate my classmates for their encouragement and support through the research process. Many thanks to the school of business in its entirety for their contribution in different ways.
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OPERATIONAL DEFINATION OF TERMS

**Board of directors:** a body of elected or appointed members overseeing corporation’s activities.

**Board Member:** A director of a governing board with management responsibilities on matters facing the corporation.

**CEO duality:** Situation when the CEO doubles up as also the chairman of the board.

**Corporate governance:** The framework of how processes, customs, policies, laws and practices interact in directing, administering and controlling SACCOs

**Governance:** Refers to the choices that characterize expectations, grant control, and check performance with the end goal administering and running of the SACCOs.

**Governance structure:** Governance structure expresses the dissemination of rights and obligations to various players in the organization and spells out the standards and strategies for leadership in regards to corporate undertakings.

**Financial performance:** Measure in financial terms of entity’s policies results, operations and activities quantified for a period of time.

**Return on assets:** Financial performance ratio that shows how efficient management is at using its assets to generate earnings decomposed as a ratio of net income to total assets.
## LIST OF ABBREVIATIONS AND ACRONYMES

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<tbody>
<tr>
<td>ACGN</td>
<td>African Corporate Governance Network</td>
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<tr>
<td>ASX</td>
<td>Australian Stock Exchange</td>
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<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
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<td>DT-SACCOS</td>
<td>Deposit taking Savings and Credit Co-operatives</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>NSE</td>
<td>Nairobi Securities Exchange</td>
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<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
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<td>ROA</td>
<td>Return on Asset</td>
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<td>ROI</td>
<td>Return on Investment</td>
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<td>SACCOs</td>
<td>Savings and Credit Co-operatives</td>
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<td>SASRA</td>
<td>SACCO Societies Regulatory Authority</td>
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<tr>
<td>SPSS</td>
<td>Statistical Package for the Social Sciences</td>
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<tr>
<td>UK</td>
<td>United Kingdom</td>
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<td>USA</td>
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ABSTRACT

The motivation behind the study was to establish how Nairobi City County’s deposit taking Savings and Credit Cooperatives financial performance relate with corporate governance practices. Nairobi City County has witnessed immense growth in activities of Savings and Credit Cooperatives in the recent past, exhibiting upward patterns in key growth parameters like deposits, assets and loans. The research project aimed at establishing how the board size, board’s gender diversity, board members education level, ethnic diversity of the board, Chief Executive Officer duality, transparency and accountability impact on the Nairobi City County’s deposit-taking Savings and Credit Cooperatives financial performance. Descriptive research design was used in the study. Financial performance of deposit-taking Savings and Credit Co-operatives in Nairobi City County was explored as Return on Assets, this being the dependent variable. The predictor variables used in this study are size of the board, gender mix of the board, education level of board members, board’s ethnic mix, Chief Executive Officer Duality and transparency and accountability. The population of interest was all 37 deposit taking Savings and Credit Cooperatives of Nairobi City County between the periods of 2012 to 2016. These deposit taking Savings and Credit Cooperatives have witnessed a tremendous financial growth for the period. The study used primary data from a developed questionnaire and secondary source data was collected from the Saving and Credit Cooperatives financial reports filed with Sacco Society Regulatory Authority. The data was analyzed by use of SPSS-22 statistical analysis software. Correlation and Regression analysis were carried out. Board size revealed a strong negative correlation with financial performance of Savings and Credit Cooperatives with a value of -0.521. Board’s gender mix, board members education level, ethnic mix of the board and transparency and accountability all positively correlated with Savings and Credit Cooperatives financial performance at r = 0.154, 0.220, 0.131, 0.144 respectively. All the Savings and Credit Cooperatives recorded no Chief Executive Officer Duality situation hence the variable was shelved. The coefficient of determination R square was 0.319 which implied that independent variables explained 31.9% of the variability of the dependent variable which is return on assets. The study findings indicated that corporate governance practices in deed influenced the financial performance of the deposit-taking SACCOs in Nairobi City County and recommended a more intense application and a deeper entrenchment of the practices in the culture of the Savings and Credit Cooperatives.
CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Individuals come together, pool funds and grant themselves loans (Lari, 2009). They do this through savings mobilization and availing credit services to themselves thus playing a central role in empowering their members. In a cooperative society individuals come together intentionally with the end goal of solving their socio-economic problems through self-improvement activities, shared help and investments for profiting the group and members. The movement mission fixates on providing members services. The cooperative movement have plunged into different economic sectors that cut crosswise on both public and private enterprises. The movement have made and continue to make strides in different sectors including agriculture, processing, transport, insurance, housing, credit, banking among others.

Cooperative societies are driven by unique and elaborate values. These values of equity and equality, democracy and self-responsibility need good governance. Good governance demands efficient management in allocation of firm’s resources which boosts firm’s performance. Poor governance practices can lead to fall in firm’s share prices leading to firms collapse. Every SACCO would strive to achieve maximum level of financial performance while sustaining its existence still in pursuant of its core and other objectives. Corporate governance is an important strategy in building stable organizations. To ensure the sustainability of cooperative movement as well as growth, the sector has to engage in sound practices and adapt new ways of running their businesses. In Kenya, the government have taken cognizance of this key sector, valuing the need to shield the enormous public funds taken care of by SACCOs, it has seen the need to give legitimate structure to govern
this sector through Sacco’s Society Regulatory Authority (SASRA) which was established after enactment of Sacco’s Societies Act of 2008. SASRA has introduced prudential controls covering all deposit taking SACCOs to enhance transparency and accountability in the quickly developing sub-sector.

1.1.1 Corporate governance

Corporate governance has been described in numerous ways. The definitions vary with localities because of differences in culture, legal systems and historical developments. The Australian Stock Exchange describes corporate governance as a conglomerate of rules and relationships, systems and processes that are needed to run organizations (ASX, 2007). This definition by ASX infers that corporate administration includes the leadership, responsibility, stewardship, authority, bearing and control practiced during the time spent overseeing associations. According to Organization for Economic Cooperation and Development, corporate governance is an arrangement of links among firm's managers, owners and partners (OECD, 2004). OECD further expresses that corporate administration lays out a framework of organizational goal setting, strategies of realizing the objectives and execution procedures. Thus, processes, systems, practices and procedures within an organization; all these wholesomely depict the governance practices employed.

Corporate governance practices seek to balance all the interests of the stakeholders who are the shareholders, management, customers, suppliers, financiers, government and the customers. Good governance is a business imperative. All the players in the financial sector do business in an environment that is competitive and therefore there is a need to apply the accepted and best procedures. Corporate administration strives in advancing a suitable, solid and a focused association.
Corporate governance is right now by and large settled as a measure of how well organizations are run. It's an indicator for speculators in knowing the nature of an organization's administration and the viability of its board. Thus, governments contending to make fiscal change have heightened their emphasis on corporate governance to make more secure and more alluring markets. The essential purpose behind worldwide concentrate on corporate governance is the requirement for systemic financial solidness and more secure markets. A large portion of the administration changes right now under dialog internationally endeavor to address the question of how to ensure high-performing board are in place. The drivers of global corporate governance are heap: scandals, the globalization of organizations' financial specialist bases, and stewardship issues are all factors.

New corporate governance practices are being rolled out over the globe and existing practices are being recreated. With the adjustments in controls and norms in the course of the most recent couple of years, corporations are concerned that revised administration measures are driving organizations to expand spending considerably in their endeavors to enhance compliance and build investor confidence. However, these changes are doing a good job of countering the risks associated with poor governance practices. These changes produce positive outcomes proportionate to the cost. Organizations need to try promoting corporate governance by setting up the best possible mechanisms, applying the correct execution of benchmarks in addition to doing public demonstration of a commitment to corporate governance.
The African Corporate Governance Network (2016) observed that Africa is still at its early stages regarding corporate governance, however Nations like South Africa, Nigeria, Kenya, Egypt and Mauritius have updated rules and codes on corporate governance. In 2000 Kenya hosted an African Consultative Meeting with representation from over 14 African countries, it was highly recommended that there ought to be orchestrated advancement of corporate governance measures and practices with regards to Africa’s needs (ACGN, 2016). However Africa continues to grumble with difficulties in implementation of the practices. Some of the challenges are insufficient understanding of whole concept of corporate administration, lack of transparency and accountability, corruption, ineffective laws, bumpy relations between management and shareholders, false financial reports, weak controls internally and poor management of risk. Despite these challenges the continent continues to have strong champions of corporate governance both in private and public sector. African Corporate Governance Network report of 2016 indicates that African countries have embarked on a journey to develop their corporate governance frameworks within their respective political and economic environments. For instance, South Africa continues to be a leader internationally in corporate governance especially in defining application of global standards in an emerging market environment, while Mauritius has made progress in establishing globally recognized corporate governance standards for its small island economy.

In Kenya corporate governance has gained prominence just like other nations. Centre for Corporate governance in Kenya which has affiliations to Commonwealth Association for Corporate Governance continues to advocate for corporate governance. According to private sector initiative for corporate governance (2002), different leading organizations
with specific interests developed a guide for voluntary companies to adopt. The framework entailed issues involving the board, for instance, board composition, audit committee role, duties of CEO and the Chairperson and the shareholders’ rights. Capital Market Authority later in 2000 took the framework up for adoption at Nairobi Stock Exchange. The practices were later made compulsory. Kenya continue to embark on ambitious programs of regulatory reforms to enhance the corporate governance. The government continues to strengthen and improve institutional frameworks, and also regulatory and key guidelines to foster corporate governance. By the establishment of SASRA in 2009 in accordance with the Sacco Societies Act of 2008, Kenya seeks to improve institutional arrangements to strengthen different aspects of Sacco sub-sector including strengthening corporate governance framework.

1.1.2 Corporate failure

Corporate governance is such a critical aspect of running organizations such that lack of adherence to the practices can be so detrimental to firms, at worst leading to their fall. In nineteenth century the concept of corporate administration started. In corporate space there was push to limit liabilities and incorporation was being advanced (Vinten, 2001). Notwithstanding, it started to be utilized and talked about more generally in the 1980s. As evidenced by literature, over the past years various corporations have fallen and ceased their operations due to inadequate corporate governance practices. During decades of 1980s and 1990s in the UK, numerous companies fell. This led to agitation for better corporate administration practices. Some of the companies that collapsed include Bank of Credit and Commerce International, The Mirror Group, Polly Peck International and Barings Bank. Their collapse was attributed to issues with bookkeeping and money related
announcing inconsistencies, deficient inward controls and hazard administration. Carrian Group, a real estate company from Hong Kong fell in 1983 due bookkeeping misrepresentation, the biggest crumple in Hong Kong history. The collapse of others firms like Enron and Arthur Andersen from United States can also be attributed to inadequacy governance (Deakin & Konzelmann 2003). These events necessitated legal intervention. As a result Sarbanes Oxley Act of 2002 was formulated. Subsequently, different reports on matters corporate governance have been produced including Higgs and Smith reports of 2003.

In Africa several cases of corporate failure have been reported. Many private and public companies have closed shop in Zimbabwe, many reasons have been cited but scholars point to a collapse of good corporate governance practices. Unethical leadership and poor corporate governance led to the collapse of multi-billion rand South Africa’s biggest non-listed company, First Strut. Its crumple was the base of the Nation’s greatest ever credit defaults, which at last cost the economy a few billion rands. Saambou Bank and Fidentia of the same country collapsed due matters related to poor governance. Some Saccos in Uganda are faced by poor governance challenges. In Tanzania, Akyoo (2011) observed that internal causes rather than external ones, were to blame for the SACCOs financial woes. He identified problems such as inadequate follow-ups of loans by the management, bad repayment system, and inadequate collateral verification and insider dealings. All this happened while the board and supervisory committee remained mum beating their whole purpose of protecting members’ interests.
Same situation has occurred in Kenya. Upon investigation of SASRA on Harambee Sacco affairs poor corporate governance practices were at play, poor leadership led to enormous liquidity problems thus risking members’ funds (Team BD, 2012). Further revelation showed ill-intentioned accounting techniques were employed to hide fraud and cover up non-payment of loans by some members (Team BD, 2012). Otieno (2012) reported that Cent Sacco members in Kisumu lost 60 million Kenyan Shillings as the Sacco collapsed. He showed that poor credit recuperation and gross budgetary blunder had brought about the sudden closure of Cent Sacco. According to Financial Sector Development Trust-Kenya report (2016), Kenyan SACCOs are risking members’ funds by operating with accounting and control systems that are weak. The report addresses SASRA’s role in pushing for consistency and prudent guidelines for sake of SACCO members. The report paints a picture of SACCOs facing systemic risk of insolvency. This risk brought about by the high risk models they operate under and loan defaults which exposes them to liquidity risk.

**1.1.3 SACCOs in Kenya**

The concept of consumer cooperation and labor cooperative sprout up in the 19\textsuperscript{th} Century. Social distress witnessed as a result of industrial revolution required that the family interests be promoted for working class especially in European industrial cities of Great Britain and France.

The success of consumer models ushered in the creation of the agricultural cooperatives models as well as savings and credit cooperatives. This idea was introduced in Africa by missionaries and settlers. 1908 is when cooperatives commenced in Kenya with
membership drawn strictly from white settlers. Fast forward, 1944, Kenyans were given a
lee way of making and joining cooperatives (Gamba and Komo, 2012). The post-freedom
saw fast increment in producer associations and fortifying of those that already existed.
Given the Kenya is an agricultural country, most cooperatives were agricultural. However,
as years progressed cooperatives have ventured in other areas of interest like housing,
banking, storage, marketing, credit, agro-processing, fishing and transport, among others.
Today, Kenya’s cooperative sector is reputed to be the most vibrant and strongest in Africa
(WCCU, 2015). The sub-sector accounts for marginally over 62% of reserve funds, 65% of
credit and 63% of assets (Ayieko, 2016). SACCO movement in Kenya in composed of
those SACCOs offering front and back office services and those offering only back office
services. Sacco Societies Regulatory Authority (SASRA) regulates the deposit-taking
SACCOS while the Ministry of Industry, Trade and Cooperatives supervises the non-
deposit taking ones. There has been tremendous growth in number of SACCOs in Kenya
over the past recent years. This growth in number has translated into the growth in
membership, mobilized savings and also growth in credit services. This has contributed to
the advancement of the entire economy both directly and indirectly.

SACCOs control marginally over 30% of Kenya's Gross Domestic Product. Over 80% of
the total accumulated savings can be attributed to SACCOs (Ayieko, 2016). SASRA
continues to develop policies to legally enhance SACCOs’ governance. In an attempt to
improve governance in SACCOs, SASRA fronted amendments to the Sacco Society Act in
2015. One of the amendments fronted included ‘Fit and proper test’ of persons elected as
Directors which in an effort improve management of SACCOs. After Kenya ushered in the
new constitution, the cooperative movement was devolved but still there are grey areas
when it comes to the exact roles of National and County governments. Currently powers to register a SACCO remain with the National government while the promotion and supervisory roles fall under the County government.

1.1.4 SASRA regulation

Governance in a Sacco Society setting can be characterized by the arrangement of connections between the Sacco Society, its administration, top managerial staff, members and different partners. Thus the framework of objectives setting, implementation and control is necessitated by good governance. Good governance is thus at the core of SACCOS operations. SACCOs Societies Act (Cap 490B) and Cooperatives Societies Act (Cap 490) give a detailed governance structure for deposit-taking SACCOS. According to the provisions, Sacco Society Regulatory Authority (SASRA) has a mandate of ensuring safety of members’ deposits and ensure. The body interest is to push for strong systems of governance by enhancing stability and sound financial systems. Sacco Society Regulatory Authority through a procedure of broad partner and expert counsel created guidelines on practices of good governance. The reason for this is to make sure players in the sector are equipped with their duties and obligations under law. These guidelines fall in line with cooperative movement principles formulated on the onset of cooperative movement with basis of mutual benefits.

According to SASRA’s regulations, members as key stakeholders in the Sacco Society, should be effectively represented and facilitated to participate in the democratic control of the Sacco. Members should attend Annual General Meetings, elect credible persons as Directors, share in the Sacco’s surplus, get all the services offered by the Sacco and also be
given a chance to submit projects or initiatives to the board for considerations. Nominating Committee should ensure the board size is structured properly with membership of between 5 and 9, C.E.O being an ex-official director. Different aspects of the board should be considered in structuring it. Skill set of the directors, education, competencies, gender, ethnicity, age, geographical considerations, occupation and experience are some of key considerations. Directors should be well versed with their roles and members expectations, this can be done through induction programs. They should understand the pressure of performance they are under from the law and regulations on corporate governance. They should appreciate that they may be liable to losses or damages that may sprout in course of their directorial duties. Directors ought not to receive salaries rather should receive reimbursements for expenses they incur in their line of duty. The board uses its law-given powers. Member powers should be exercised by members. The board ensures the powers, duties and responsibilities of the Chairperson and the CEO are well stipulated. The board should lead in advancing integrity throughout the SACCO by encouraging ethical corporate values for itself and all the staff.

Different committees to aid the board in mandate execution should be established. The law under the Sacco Societies Act (Deposit - Taking Businesses Regulations) 2010 prescribes Audit committee for SACCOs. SACCOs’ governance audit ought to be carried out every two years. Sound risk management and internal control frameworks ought to likewise be kept up. Their sufficiency ought to be affirmed by supervisory committee. SACCOs’ key stake holders should be engaged formally through a transparent mechanism so that they get involved in decision making to steer Sacco forward. In addition to planning for the future, the board should also carry out formally and thoroughly yearly evaluation of its
performance regarding corporate administration adherence, that of the chairperson, singular directors and the Chief Executive Officer. The board ought to show in its yearly reports, corporate governance level in according to law. This would aids in taking corrective measures and strengthening the performance of the board.

1.2 Statement of the problem

Nairobi City County accounts for a total of 37 DT-SACCOs head offices which is over 30% of the total number of DT-SACCOs head offices in Kenya and in the recent past some SACCOs have continued to relocate their head offices from other counties to Nairobi (SASRA, 2015). The county has also the highest concentration of DT-SACCOs branches nationally. According to SASRA annual report (2015) Nairobi is home to over 75 per cent of the top 15 DT-SACCOs by asset size. Among the DT-SACCOs, the county controls over 57.6 per cent of the total assets, over 60.7% of total deposits and over 59.1% of the total loans (SASRA, 2015). Nairobi County has had remarkable growth of SACCOs’ activities in recent past. There have been impressive upward trends in growth parameters like deposits, assets and loans of the DT- SACCOs according to SASRA’s annual report of 2015. Total assets growth rate stand at 19.2% above a national average of 13%. Loans, the major asset for the DT-SACCOs accounting for over 75% of their total assets, have continued to grow at an average rate of 14.5% over the past 5 years. This reflects the witnessed growth in membership and members deposits (SASRA, 2015).

It is evident that the Sacco sub-sector is on the rise and the projection of even faster growth in the next years have been made. Despite the vigorous growth in the financial sector, not much empirical research has been done on these SACCOs and how the corporate
governance practices has contributed to the growth. SACCOs play critical role in economic
growth of upcoming cities and economic empowerment of the majority of the population. They have enormous potential in shaping the monetary and fiscal policies. The sector thrives on trust and confidence of depositors and investors. Due to this witnessed huge financial growth of DT-SACCOs in Nairobi City County, role of corporate governance practices needed to be looked at, or lack of the practices thereof, and the effect they have had on the financial performance of these SACCOs. It was thus important to examine the same by conducting a research on the role that corporate governance practices play in the financial performance of SACCOs and more specifically in Nairobi City County.

1.3 Objectives of the study

1.3.1 General objective

The general objective of the study was to investigate the effects of corporate governance on the financial performance of SACCOs in Nairobi County.

1.3.2 Specific objectives

i. To establish the effect of board size on the financial performance of SACCOs in Nairobi City County, Kenya.

ii. To determine the effect of gender diversity of the board on the financial performance of SACCOs in Nairobi City County, Kenya.

iii. To investigate the effect of education level of board members on the financial performance of SACCOs in Nairobi City County, Kenya.

iv. To explore the effect of board’s ethnic diversity on the financial performance of SACCOs in Nairobi City County, Kenya.
v. To examine the effect of transparency and accountability on the financial performance of SACCOs in Nairobi City County, Kenya.

vi. To explore the effect of CEO duality on the financial performance of SACCOs in Nairobi City County, Kenya.

1.4 Research questions

i. What is the influence of the board size of SACCOs in Kenya’s Nairobi City County on their financial performance?

ii. What is the impact of boards’ gender mix on the performance of SACCOs in Kenya’s Nairobi City County?

iii. What is the impact of education level of the board on the financial performance of SACCOs in Kenya’s Nairobi City County?

iv. What is the influence of boards’ ethnic diversity on the financial performance of SACCOs in Kenya’s Nairobi City County?

v. What is the effect of transparency and accountability on the financial performance of SACCOs in Kenya’s Nairobi City County?

vi. What is the impact of CEO duality on the financial performance of SACCOs in Kenya’s Nairobi City County?

1.5 Significance of the Study

The results will have an immense contribution on the already available body of knowledge regarding corporate governance. Understanding about corporate governance practices in SACCOs will be improved. The Board will better understand corporate governance role in their organizations, formulating policies and ultimately in decision making. The
government will also benefit in the findings from this research in that it will help in establishing ways of promoting corporate governance in SACCOs and broadly in the financial institutions. This research will also provide a body of knowledge or a basis of further research for other researchers and academic community.

1.6 Scope of the Study
The study concentrated on corporate governance practices and the weight of influence they carry on the financial performance Nairobi City County SACCOs. Key governance variables were covered by the study, these are Board size, transparency and accountability, CEO duality and board composition i.e. gender mix of the board, education level of board members and board’s ethnic diversity. All 37 deposit taking Savings and Credit Cooperatives of Nairobi City County between the periods of 2012 to 2016 when the SACCOs experienced tremendous growth were considered. The variables were assessed on how they influence the SACCOs’ financial performance in the County.

1.7 Limitations of the Study
Difficulties in accessing data and responses from the relevant respondents proved to be a challenge. The researcher however obtained an introductory letter from the University to explain to the respondents that the sought after data was academic research purposes only and gave them assurance that the information would be subject to confidentiality.

The study focused on DT-SACCOs in Nairobi County thus the research findings may not generally apply to all the SACCOs countrywide yet SACCOs exist across the country and world over.
1.8 Organization of the study

This research project is divided into five chapters. The foregoing chapter covers the research background, statement of the problem, objectives of the study, significance, scope and limitations of the study. The second chapter presents literature review discussing both theoretical and empirical review. The chapter also contains the conceptual framework. Chapter three deals with the methodology used in the study. Research findings and discussions are presented in chapter four. Chapter five contains summary, conclusion and recommendations.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Summaries of studies by various researchers in relation to corporate governance and financial performance are covered in this chapter. Areas covered are theoretical review and the empirical review.

2.2 Theoretical review

There are numerous theories to aid in conceptualizing Corporate Governance. Neuman (2006) explains a theory as related thoughts put together to condense information of particular type about the world. The theories are discussed below;

2.2.1 Stewardship theory

The theory is work of Donaldson and Davis (1991 & 1993). This theory of governance has an objective of shareholder satisfaction. Company executives (stewards) protect the needs of shareholders (Principals). They strive to build and maintain successful organizations for the shareholders. Decisions of the stewards are meant to improve organization performance for the whole group’s satisfaction. Through pursuing organizations objectives for shareholders satisfaction, stewards’ own personal needs are also met. The more groups fulfilled, the more benefits will be made, and the more noteworthy financial rewards. The theory proposes that stewards will carry on in a pro-social way conduct aimed at the interest of the principal and thus the association (Davis, Schoorman, and Donaldson, 1997). Managers and shareholders harbor no conflicting interests and the aim of administration is to design the best cooperation between the two (Donaldson, 1990). It further stresses that control by executives is intended for good, managers are good-natured
in the execution of their mandate (Donaldson, 2008). In circumstances where the stewards is torn between conflicting interests, he will choose the course of action that will benefit the whole group (Davis et al., 1997). There are non-financial motivators for managers (Donaldson, 2008). Managers are driven and motivated by need to achieve, satisfaction from success of tackling challenging work, exercising authority and responsibility. The consideration is on intrinsic rewards that are not effectively quantifiable, for instance, association, development, and accomplishment. Stewardship scholars create structures that enable and encourage administration trusting that it isn't important to create controlling or overseeing mechanisms since management, just like the shareholders, has the same essential values (Davis et al., 1997). Investors can save money on checking and holding expenses and motivating forces (Davis et al., 1997).

Where investor wealth is amplified, the stewards' utilities are augmented as well, in light of the fact that organizational accomplishment will cover most essentials and the stewards get an obvious mission. (Smallman, 2004). Administration is made out of dependable people cooperating with all levels of workers and different partners (clients, providers, groups) who have a similar rationality (Davis et al., 1997). A stewardship centered association adjusts itself to the necessities of society. It does this through taking risks and engaging in developmental activities, and though improving others’ lives using a business approach (Karns, 2011). A steward protects and maximizes shareholders' wealth.

2.2.2 Stakeholders theory

The theory has been in the management discipline since 1970. It has gradually grown since Freeman’s publication of, Strategic management: A stakeholders approach (1984).
According to Emerson, Alves, and Raposo (2011), it is not a completely developed theory in view of its age. It has however pulled in across a wide support due to its effortlessness and coherent application (Emerson, Alves, and Raposo, 2011). Stakeholders’ theory emanates from sociological and organizational disciplines (Wheeler, Colbert & Freeman, 2003). Ethics and values in governing an organization are addressed by this theory. Activities carried out by a corporate entity impacts not only the entity itself but also the external environment. This calls for responsibility of the entity to the wider group of audience than just its investors. Organizations exist inside a society, as much as investors are the direct contacts societal needs must be considered. (Donaldson and Davis, 1991).

Explanation behind a business is to make as much incentive for partners (Blair, 1995); therefore all players’ interests must be fine-tuned to align in the same orientation. The management has an obligation to serve the network of all the stakeholders. There are two groups of stakeholders; primary or cardinal stakeholders and secondary stakeholders (Emerson, Alves & Raposo, 2011). Critical partners like employees, clients and suppliers are formally involved with the firm. Secondary partners like the government, media, courts, public and special groups practice a non-formal relationship. Each group influences the organization's operational exercises and goals and therefore can be attributed to the achievement or disappointment of the firm. Given all these players, it is prudent to assert that the obligation of directing an entity is also portioned to those whose lives are affected by the entity’s activities.

This reliant connections existing between the firm and different individuals from the general public requires a more extensive respect. It is contended that organizations that are
stakeholder theorists will create higher incomes since clients will pay more for services and items, bring down expenses since providers and representatives will be either ready to acknowledge bring down charges or be more gainful, and less administrative oversight in light of the fact that the firm will be proactively working with government to address issues.

2.2.3 Agency theory

In Agency theory two key parties are involved. The theory is built on an Agency relationship. One party decides the work, the other party performs the tasks (Jensen & Meckling, 1976). The decider is the principle and the doer is the agent. The agent should carry on the tasks to meet the interests of the principals (Padilla, 2002). Maximization of shareholders wealth is the business’ purpose. The relationship of the two parties is contractual. Power is based on the principal-agent arrangement and is given to the agent (manager) by the owner with appropriate recognition and incentive framework put in place to control the process. The owners of the business lack expertise and time to run business activities and thus hand over this mandate to the agents who are versed with the know-how of management and control. This detachment of ownership from control may prompt managers to make a move which may not in light of a legitimate concern for the owners. The theory addresses challenges that emanate due to contrasts in objectives or wants between the principal and agent. Principals may fail to uphold agents’ best interests yielding conflicts and contention. All companies are victims to agency problems (Zenner, 2004). Businesses lay out mechanisms to confront this problem. According to Jensen (1983) two approaches are critical to confront this challenge; first, extensively stating the
challenge and the risks it harbors and second, performance measurement, observation and controlling of principals’ actions, monitoring costs are thus incurred.

### 2.2.4 Resource Dependency Theory

The theory cardinal premise is the need to have linkages between the organization and outside resources. Directors have a role in securing resources crucial to the organization’s success. Directors are actively involved in availing and securing resources critical to the organization, this is made possible by their linkages with the outside resources (Hillman, Canella & Paetzold, 2000). Resources availability aids functionality of an organization, execution of its objects and its continuity (Daily, Dalton & Canella, 2003). Different groups of directors provide specific resources based on their expertise in specific area. The groups’ entails insiders, experts, support specialists and community influential who provide resources in form of legal advice, skills and information. Insiders are made out of previous and present executives who give aptitude in particular zones of the firm itself and also general strategy and bearing, adepts giving proficiency on business strategy, optimal courses of action and optimal solutions to challenges, support specialists offering support in specialized fields while community influential helps bridge between the community and the organization.

### 2.2.5 Transaction Cost Theory

A firm is an organization of people of diverse views and objectives. Transaction costs are brought about through inquiring about, arranging and concurring on a transaction. It examines the premise that the directors would rather engage in a transaction for their sources of goods and services, by doing so they reduce uncertainty about the future as well
as reduced time and expenses of sourcing materials. It is anchored on a premise that average directors would choose certainty of what would happen to their business in the future over flexibility of searching for inputs. These long term understandings keep away uncertainty enhance control yet may prompt to better opportunities being missed. Some of these opportunities would improve shareholders wealth. However, directors have more time to spend on longer-time strategy issues.

In order to lessen uncertainty and expand control, an organization ought to tie itself up in more understandings; this would convert into more staff, more resources, more contracts and a bigger organization. Directors concerned by security of their supplies may engage in vertical integration by buying companies that supplies them.

2.3 Empirical review

Publications on corporate governance and financial performance of firms have been on the rise. It is generally contended that there is a relationship between good corporate governance practices and value of the firm in the long run. Firms are protected from vulnerability to future monetary constraints by engaging in good corporate governance practices (Bhagat and Black, 2002). Any firm’s governance structure impacts on its capacity to tackle outside forces relating to its financial performance (Donaldson, 2003). Rogers (2008) looked at Ugandan commercial banks and how their corporate governance practices influenced their financial performance; he found out that the variance in financial performance of these banks can be explained 34.5% by corporate governance practices.
Considered independent variables are size of the board, board’s gender mix, board members level of education, board’s ethnic mix, duality of the CEO and transparency and accountability.

2.3.1 Board Size and Financial performance

Board of directors is a key element for firm’s governance. The board gives strategic direction and offers monitoring function which is key to running of firm activities (Hall, Pilbeam & Corbridge, 2013). Decision-making processes are slowed down by a rise in the number of board members, this in turn leads to a decline in firm’s value and its effectiveness (Berglof, Claessens & GCGF, 2004). Slowed decision-making process results to problems of communication negatively affecting firm’s performance (Lipton and Lorsch, 1992). According to Jensen (1993), board size, independent of other board characteristics, solely impacts on firm performance, he advocates for smaller board sizes. Between 1984 and 1991 Yermack did analysis of 452 corporations from the US, he found a negative relationship between board size and firm value as measured by Tobin’s Q and profitability. As the board size increases the value of the firm decreases. He made conclusions that as the board increased from small to medium incremental costs rose.

Conyon and Peck (1998) explored 481 listed UK firms from 1992 to 1995. They examined the market to book value of the firm as well as its profitability as impacted by board size. They found board size had a negative influence and a significant one on both market to book value and profitability. Rodriguez (2014) concurred with the same. He analyzed large European firms, looked at board size and how it impacts on their economic-financial performance. His findings were that company size and its corresponding financial return
related negatively and strongly i.e. given a constant number of board members, as the size of the company increases, its financial performance reduces. In India, Kathuria and Dash (1999) examined 504 corporations from 18 different Indian industries. They focused on board size and corporate financial performance. Their conclusion was that board size is a critical aspect in influencing company’s performance. Their results showed that through expanding the board size, corporation’s performance is enhanced. However, benefits of an extra member of the board reduces with the increase in the company’s size. Big companies with an average of a bigger board, do not gain much with an additional board member. Huang (2010) conducted a study on 41 commercial banks from Taiwan. He focused on the board structure, he found a positive association of the size of the board and banks’ financial performance.

Locally Wanyonyi and Olweny (2013) researched on how financial performance of listed Kenyan insurance firms is impacted by corporate governance practices. They narrowed down to years between 2007 and 2011. Board size, being one of the independent variables, was found to be more effective when it is small and less effective when it is large. These findings concurred with Hermalin & Weisbach (2003). Be that as it may, board size recommendations have a tendency to be industry-specific; bank holding companies have board size fundamentally bigger than those of manufacturing firms according to Adams and Mehran (2003)

2.3.2 Board Gender Diversity and financial performance

Board gender balance is the inclusion of female directors in corporate boards (Dutta & Bose, 2007). Various studies have explored board’s gender mix and its impacts on firm’s
performance. They’ve produced mixed results. Olude, Oloko, and Olweny (2016) conducted a study on the board gender diversity impacts on the financial performance of Nigeria’s listed manufacturing firms; they considered 34 companies covering a period of ten years between 2006 and 2015. A linear relationship which positive and significant was found between board’s gender diversity and financial performance of the companies ($r = 0.208, p = 0.000$). They further found out that board gender diversity accounted for 4.3% of variation in Return on Assets (ROA). Campbell and Minguez-Vera (2008) investigated the association between the gender diversity of the board and financial performance for a sample of companies in Spain. They found out the board gender diversity impacted firm value positively.

Be that as it may, different investigations have shown absence of connection between boards’s gender diversity and financial performance of firms. Carter, Simkins, and Simpson (2003) did a research investigating how gender and ethnic mix of boards’ impact sample of major US corporations’ financial performance. Their results showed no relationship between board’s gender and ethnic diversity or board committees and the financial performance of the corporations. These findings precede those by Dienpen (2015) who explored gender, age and nationality diversity impacts on performance of 100 Dutch companies listed on Euronext in Amsterdam. His findings revealed no influence of board’s gender diversity on the financial performance of considered firms. Similar results were realized in India when Siantar (2016) investigated how financial performance of firms listed on National Stock Exchange was impacted by gender balance in boards from 2015 to 2016. He found no significance of inclusion of women in boards on firm’s Returns on Assets (ROA) and Tobin’s Q.
Locally, Ekadah and Mboya (2012) examined performance of commercial banks from 1998 to 2009 and how the performance can be explained by gender diversity in the boards. A statistically insignificant association between gender diversity of the board and Return on Assets (ROA) of the banks was found. These findings were similar to a prior study by Rose (2007) who also failed to find a significant relationship between board gender diversity and the financial performance for a sample of Danish firms. Prior studies also by Farrell and Hersch (2005) revealed zero effect of boards gender balance on firm performance. Their conclusion was that women being included in the board of directors appears to be driven by tokenism. They found no evidence that return on assets or market return to shareholders was improved by inclusion of women in boards. Daunfeldt and Rudholm (2012) sought to answer the question of whether gender balance in boardroom enhance Return on Assets (ROA) of firms. Data from 20,487 limited companies in Sweden was collected between 1997 and 2005. They observed that gender diversity in boards impacted negatively on returns on assets and two years after on total assets while not related to firm performance in earlier years. Likewise, Adams and Ferreira (2007) did an analysis of US firms and found a negative association between gender balance of the boards and the value of the firm. They viewed that more gender diverse boards devote more effort to monitoring managers.

2.3.3 Boards members education level and financial performance

Studies concentrating on the finding out how board members education level relate to financial performance are rare. Only few scholars have investigated the demographic characteristics with emphasis on educational qualification of directors and financial performance of the firm. Maria, Nicolae, and Alb (2012) investigated Bucharest Stock
Companies in Romania, using the available public information on board members’
education level, they sought to link the same to the financial performance of the
companies. Measuring firms’ performance using Tobin’s q, they found that the
performance related positively with the fraction of board members with financial
postgraduate degree.

Gantenbein and Volonté (2011) did a research on director characteristics and firm
performance. They used 224 listed Swiss firms, taking a sample of 1,574 directorships;
they sought to find out how firm’s Tobin’s Q is influenced by education and business
experience of directors. The research used a host of variables describing educational and
professional experiences of directors. They suggested that, in general, boards are in
equilibrium, there is no specific board composition according to profession or education
level, on average, that can enhance firm value.

Phan (2016) on his study of, Board of Director Education and Firm Performance: A
Dynamic Approach, used a European dataset of period between 1999 and 2013 to examine
the connection between board of directors’ education qualification and firm performance.
Revelation was that there was no correlation between education qualification of board
members and firm’s return on asset. He concluded that everything else constant, boards
having better educated directors may appear attractive on the face of it, their performance
may appear better on the short-run, but that advantage may not hold in the long run.
Education degrees may not be the best parameters of competency since they are acquired
way before appointment as a director, other cognitive experience like ones network and
industry knowledge ought to be better parameters.
2.3.4 Boards Ethnic Diversity and Financial performance

Diverse boards in terms of races, ethnicities, and other minority aspects expands resources of the firm. The spectrum of perspectives is enhanced improving the whole process of problem-solving and strategic planning (Ruigrok, Peck, & Tacheva, 2007). Some academic literature with mixed results exists to give insight on how the diversity of the board in terms of ethnicity impact on its financial performance.

Marimuthu (2008) on his study of board’s ethnic diversity and the implications firm’s performance, sought to reveal top level managements’ ethnic balance influences financial performance of the firm. The study was carried out between 2000 and 2005. 100 non-financial companies listed in Malaysia were considered based on their market capitalization on the Main Board. Percentage of non-Malaysian directors on boards represented ethnic diversity and Return on Asset (ROA) represented financial performance. From correlation and regression analyses, the study found that ethnic diversity of board has a positive influence on firm financial performance. Carter et al. (2003) reported that financial performance was impacted positively by gender and ethnic mix of boards. He found out that firm’s value increased with increase in fraction of ethnic minority directors involved.

Zahra and Stanton (1988) examined US firms and how return on assets, net revenue, sales to equity earnings per share and dividends were influenced by proportion of ethnic minorities in the board. From the correlation analysis they found that there was no correlation between the two. Ujunwa (2012), from analysis Nigeria’s 122 quoted firms from 1991 to 2008, found a positive relationship between ethnicity on boards and performance of firms.
2.3.5 Transparency and accountability and financial performance

Disclosure of financial information, and accountability form critical elements of corporate governance discipline. They are imperative markers of corporate governance quality. Herdman (2001) contends that it is basic for all open organizations to give a reasonable, far reaching and dependable depiction of their budgetary condition to increase investor confidence; this invites more ventures and therefore enhanced incomes. Patel, Balic and Bwakira (2002) show that openness is necessary to successful corporate administration, and Lamming, Caldwell, Harrison and Phillips (2004) stress the need of transparency in positively impacting on cooperation of organizations. Sinan (2008) conducted a study on listed companies at Istanbul Securities Exchange investigating how financial performance of the companies was influenced by board characteristics like information technology maturity and transparency. The study revealed a positive influence of corporate transparency on companies’ performance.

Edogbanya and Kamardin (2015) carried out a study on company reporting transparency and firm performance in considering 62 non-financial companies out of 136 companies listed in Nigeria between 2010 and 2013; the findings showed transparency of board and transparency in financials have positive link with Tobin’s Q of the companies. The study concluded that the presence of transparency and disclosure of material information is important in firm performance.

Mmbone (2015) researched on the financial performance of a sample 10 listed companies at Nairobi Securities Exchange and how it is influenced by voluntary disclosure. He considered the best performing as indicated by NSE 20-share index and stable ones
between 2011 and 2013. Using a regression analysis on a developed multivariate model, the revelation was that voluntary disclosure impacted on financial performance positively and significantly.

Kipkirong and Omandi (2013) investigated Business Case for Corporate Transparency: Evidence from Kenya, using data from 42 listed firms in Nairobi Stock exchange from 2005 to 2010 and applying fixed effects regression model, they found a positive and significant effect of corporate transparency on firm performance. This was later stamped by Njeri (2013) who examined the transparency, disclosure and financial performance of insurance companies in Kenya. The study used census research design that included all insurance companies as per the Insurance regulatory Association for the period 2008-2012. The findings were that financial performance was positively correlated to transparency and disclosure of financial information, transparency and disclosure of ownership structure and investor relation information, transparency and disclosure of board management structure.

2.3.6 CEO duality and financial performance

One person may sometimes be both the board Chair and CEO as the same time (Rechner & Dalton, 1991). CEO duality is an imperative issue in corporate governance, it may have an impact performance of the firm. There are contentions for CEO duality, of the view that CEO duality positively affects the firm performance. Similarly, there are contentions against CEO duality attesting that it affects firm’s performance negatively. Finally, there are also contentions that state CEO duality has no impact on the firm’s performance. The defenders of the dual board administration structure propose that the CEO duality is
required to promote conformity and cement performance of the firm (Tricker, 1994). It is fundamental for solid and strong stewardship of activities of organizations and necessitating fast decisions (Finkelstein & Hambrick, 1996). Yang and Zhao (2013) on a study of USA firms, focused on CEO duality, competition and their influence on performance of those firms. Results revealed that firms practicing CEO duality performed better than non-duality firms and more profoundly so in a competitive environment. The conclusion was that duality of the CEO influences firm’s performance positively.

Some proponents front that duality of CEO and firm performance has no relationship. Conyon and Leech (1993) got zero proof that isolating the roles of chairperson and those of CEO had any impact on firms’ financial performance. Yasser, Mamun and Suriya (2014) researched how performance of public limited companies of Pakistan was influenced by CEO duality from 2007 to 2011, they found no significant association between duality of the CEO and performance of the firm.

The concept of CEO duality creates a scenario where expulsion of CEO as a result of his failure is limited. If the CEO goes after his interests at the expense of the investors, this leads to creation of agency problem requiring agency costs (White & Ingrassia, 1992). Rashid, Zoysa, Lodh and udkin (2010) on a study involving 93 non-financial firms listed in Dhaka Stock Exchange in Bangladesh, sought to examine how duality of CEO influence firm’s performance in developing countries for a period of 2000 to 2009. The study that CEO duality affected performance of the firm negatively and non-significantly. Nazar (2014) on a research considering non-financial firms listed on Colombo Stock Exchange, Sri-Lanka, explored duality of CEO and how it impacts on performance of the firm, duality
has effect on firm performance of the listed non-financial firms in Colombo Stock Exchange in Sri-Lanka, he found out that CEO duality negatively and significantly impacts ROA.

2.3.7 Financial performance

Financial performance is a subjective measure in financial terms of entity’s policies results, operations and activities quantified for a period of time. Different researchers use different measures while studying and researching on firm performance namely accounting based measures and market-based measures. Accounting-based performance measures present the management actions outcome (Hutchinson & Gul, 2004). Consequently, accounting-based performance measures are preferred over market-based measures, especially in investigations involving corporate governance practices and performance of the firm (Mashayekhi & Bazazb, 2008). Measuring firm’s performance using accounting ratio is regular in the corporate governance literature in particular ROA (Demsetz & Lehn, 1985). Various researchers namely Rechner (1991), Dalton (1999), Dutta and Bose (2007) have used ROA as a firm performance measure in their studies.

For the purposes of this study, accounting-based measure used as benchmark of financial performance for SACCOs was Return on Asset (ROA). ROA can be decomposed as Net Income/total assets. Returns on assets weighs both operating and firm’s performance financially (Klapper & Love, 2002). It gauges whether the management is able to earn a return on resources. Firms with high efficiency in usage of their assets record higher returns. A firm indicating a positive performance through ROA shows positive
achievement of its prior plans performing highly (Nuryanah & Islam, 2011). Higher ROA means that the firm successful in engaging resources in the interest of investors (Haniffa and Huduib, 2006). In addition, high ROA depicts success of organization in utilizing its assets for gains of investors (Ibrahim and AbdulSamad, 2011).

2.4 Summary of Literature review

This chapter presents theoretical and empirical literature review. The theoretical reviews have focused on theories relating to corporate governance. The theories have expressed divergent views relating to the relationship of corporate governance and the performance of organization. The agency theory expresses that managers will go after their own concerns as opposed to those of shareholders. Stewardship theory indicates that managers are reasonable people who can pursue actions that can benefit the organizations and the owners. Empirical studies have communicated confirmation of some connection between corporate governance practices and performance of organizations. From various literature review, good corporate governance practices on financial performance is not consistent and vary with the firms and dimensions of corporate governance adopted. Developed economies have highly engaged on corporate governance research. These economies have different strategic approach and Corporate Governance systems from that of Kenya. Locally not very many studies have been done relating to the Sacco sector. Many researchers have focused more on the banking sector and other service industries, other sectors like Sacco sector which is still prone to corporate governance issues have been ignored despite the fact that all sectors are significant players in Kenya’s economy. Growth of SACCOs in Nairobi in terms of their asset bases, loans and deposits have been
very robust in past few years. The literature review therefore presents a strong justification towards addressing the knowledge gap on relevant study of the Sacco sector in Nairobi. This paper therefore intends to bridge this gap and study a sample of deposit taking SACCOs in Nairobi regulated by SASRA.

2.5 Tabular representation of considered literature

<table>
<thead>
<tr>
<th>AUTHOR AND YEAR</th>
<th>TOPIC</th>
<th>FINDINGS</th>
<th>GAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christopher She Dongfa Siantar (2016)</td>
<td>Effects of Board Gender Diversity on Firm Performance and Director Compensation in India</td>
<td>Women balance on boards has no significance on firm’s financial outcome</td>
<td>Considering longer period and more data to examine prolonged effects due to time</td>
</tr>
<tr>
<td>Hung Phan (2016)</td>
<td>Board of Director Education and Firm Performance: A Dynamic Approach</td>
<td>No correlation between Board of Directors education and firm’s return on asset.</td>
<td>Establishing the effect of other board dynamics and practices on firms return on assets</td>
</tr>
<tr>
<td>Adejoh Edogbanyaa &amp; HasnahKamardin (2016)</td>
<td>Company reporting transparency and firm performance in Nigeria</td>
<td>Transparency of board and transparency in financials have positive relationship with Tobin’s Q.</td>
<td>Including disclosure in other areas and any other additional information provided by the company.</td>
</tr>
<tr>
<td>Jane Mmbone Dr.Anwar Hoo &amp; Dr. Jane Wambui Muiruri</td>
<td>The Relationship between Voluntary Disclosure and Financial Performance of Companies Quoted At</td>
<td>Significant positive relationship between voluntary disclosure and financial performance</td>
<td>centering on specific industries for more focused results since different</td>
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<tr>
<td>Year</td>
<td>Author(s)</td>
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<tr>
<td>2014</td>
<td>Nazar Mca (2014)</td>
<td>Does CEO duality affect the firm performance? Evidence from Sri Lanka</td>
<td>CEO duality is significantly negatively associated with Return on Assets. Include panel data so as association between variables can be interpreted in a more meaningful way.</td>
</tr>
<tr>
<td>2013</td>
<td>Ndungu Janet Njeri (2013)</td>
<td>The relationship between transparency, disclosure and financial performance of insurance companies in Kenya</td>
<td>Transparency and disclosure of financial information, Ownership structure and investor relation information, Board management structure information were positively correlated to financial performance. Extending to other industries and different time periods.</td>
</tr>
<tr>
<td>2013</td>
<td>David Wanyonyi &amp; Tobias Olweny (2013)</td>
<td>Effects of Corporate Governance on Financial Performance of Listed Insurance Firms in Kenya</td>
<td>Size of the board and financial performance of insurance companies listed at the NSE relate negatively. Using different samples; Saccos, to provide additional insights and add to the existing understanding.</td>
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<tr>
<td>Authors</td>
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<tr>
<td>Tina Yang, Shan Zhao (2013)</td>
<td>CEO duality, competition and firm performance</td>
<td>Duality firms practicing CEO duality perform better than those that don’t</td>
<td>How different chairs of the board impact on firm performance and corporate policies</td>
</tr>
<tr>
<td>Augustine Ujunwa (2012)</td>
<td>Board characteristics and the financial performance of Nigerian quoted firms</td>
<td>Board ethnicity impact positively on firm performance</td>
<td>Examining local effect of ethnic diversity in financial sector</td>
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<tr>
<td>Mădălina Maria Gîrbină, Cătălin Nicolae Albu &amp; Nadia Albu (2012)</td>
<td>Board Members’ Financial Education and Firms’ Performance: Empirical Evidence for Bucharest Stock Exchange Companies</td>
<td>Tobin q and proportion of board members holding a postgraduate degree in financial fields associate positively.</td>
<td>Benefits of board level of education regardless of field to give a more comprehensive outlook on governance of the firm and boards education implications</td>
</tr>
<tr>
<td>Sven-Olov Daunfeldt &amp; Niklas Rudholm (2012)</td>
<td>Does Gender Diversity in the Boardroom Improve Firm Performance?</td>
<td>More gender diversity in boardroom have a negative impact on returns on assets on total assets after two years while not related to firm performance in earlier years.</td>
<td>Inclusion of board characteristics that may influence firm performance</td>
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<tr>
<td>Ekadah, John Wachudi &amp; Josphat Mboya (2012)</td>
<td>Effect of board gender diversity on the performance of commercial banks in Kenya</td>
<td>Statistically insignificant relationship between board gender diversity and performance of banks as measured by Return on Assets (ROA)</td>
<td>Focused on commercial banks. Other financial sectors should be considered</td>
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<tr>
<td>Daniel Kipkirong Tarus &amp; Evans M. Omandi (2012)</td>
<td>Business Case for Corporate Transparency: Evidence from Kenya</td>
<td>Corporate transparency has a positive and significant effect on firm performance.</td>
<td>Inclusion of other parameters that influence firm performance</td>
</tr>
<tr>
<td>Pascal Gantenbein &amp;</td>
<td>Director Characteristics and Firm Performance</td>
<td>Boards are in equilibrium, there is</td>
<td>Considering other dimensions of the</td>
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<tr>
<td>Author</td>
<td>Title</td>
<td>Findings</td>
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<td>Christophe Volonté. (2011)</td>
<td>no specific board composition according to profession or education level, on average, that can enhance firm value.</td>
<td>board structure</td>
<td></td>
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<tr>
<td>Chi-Jui Huang (2010)</td>
<td>Board size, numbers of outside directors, and family-owned shares are positively associated with bank performance.</td>
<td>Generalizability limits due to difference in business models, considering local firms</td>
<td></td>
</tr>
<tr>
<td>Afzalar Rashid (2010)</td>
<td>Negative and non-significant relationship between CEO duality and financial performance.</td>
<td>CEO duality on firm performance by controlling other corporate governance practices effect</td>
<td></td>
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<tr>
<td>David A. Carter, Frank D'Souza, Betty J. Simkins, and W. Gary Simpson (2010)</td>
<td>No significant relationship between the gender or ethnic diversity of the board, or important board committees, and financial performance for a sample of major US corporations.</td>
<td>Exploring other characteristics of the board composition</td>
<td></td>
</tr>
<tr>
<td>Guest, Paul M (2009)</td>
<td>Board size has a strong negative impact on firm financial performance.</td>
<td>Examining most recent board structures, board dynamics have changed with time</td>
<td></td>
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<tr>
<td>Maran Marimuthu (2008)</td>
<td>Ethnic diversity enhances firm financial performance.</td>
<td>Focusing on diverse ethnic communities as opposed to only non-citizens</td>
<td></td>
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<tr>
<td>Richard Bozec (2005)</td>
<td>Board size has a significantly negative on sales margin.</td>
<td>Considering other board characteristics and other measure of financial performance</td>
<td></td>
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<tr>
<td>David A.</td>
<td>Corporate Governance, Positive</td>
<td>Considering all</td>
<td></td>
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<tr>
<td>Carter, Betty J. Simkins &amp; W. Gary Simpson (2003)</td>
<td>Board Diversity, and Firm Value</td>
<td>relationships between the proportions of boards’ minorities and value of the firm</td>
<td>ethnic groups rather than just minorities</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Vinish Kathuria &amp; Shridhar Dash (1999)</td>
<td>Board Size and Corporate Financial Performance: An Investigation</td>
<td>Corporation’s performance is enhanced by increasing the board size. Contribution of an additional board member decreases as the size of the corporation increases.</td>
<td>Directors’ role and experiences of board members in improving their corporations’ performance</td>
</tr>
<tr>
<td>Martin Conyon &amp; SI Peck (1998)</td>
<td>Board size and corporate performance: evidence from European countries</td>
<td>A significant negative effect of board size on both market to book value and profitability of the firm</td>
<td>Considering longer period for lagged effect of board size and firm’s outcome</td>
</tr>
<tr>
<td>David Yermack (1996)</td>
<td>Higher market valuation of companies with a small board size of directors</td>
<td>Inverse association between board size and firm value</td>
<td>Extending to other jurisdictions in developing economies.</td>
</tr>
</tbody>
</table>

Source: Researcher, 2018
2.6 Conceptual framework

The researcher will seek to establish if board size, gender diversity of board members, board members education level, board’s ethnic mix, CEO duality and transparency and accountability affect financial performance of SACCOs as measured by Return on Assets.

![Conceptual Framework Diagram]

*Figure 2.1 Conceptual Framework*

Source: Researcher, 2018
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses research methodology adopted. Research design, a description of the population, data collection, data analysis, analytical model and ethical considerations are discussed.

3.2 Research design

According to Kothari, (2004) a research design is outlay of how problems being studied will be solved. Descriptive research is a procedure of gathering data keeping in mind the end goal of hypotheses testing or answering the research queries regarding the status of the subjects in the investigation at the present (Mugenda & Mugenda, 2003). As noted by Yin (2010) descriptive design is the on-point measurement and reporting of the aspects of the phenomena under investigation, it describes phenomena, situations and events. The research design adopted by this study is descriptive research design. The research design was used to examine how corporate governance practices influenced financial performance of SACCOs in Nairobi County. The decision of the descriptive study design was because the study focused on the situation existing in the field. The data was gathered in an attempt to describe accurately as possible the current situation of the impact of corporate governance on the financial performance of SACCOs in Nairobi City County.

3.3 Population of the Study

The population to which a researcher uses in conducting the study is the target population (Mugenda & Mugenda, 1999). The population of this study included all the 37 DT-SACCOs registered under Sacco Societies Regulatory Authority (SASRA) in Nairobi City County.
County from 2012 to 2016. The study targeted respondents from all deposit-taking SACCOs within Nairobi County which include staff (CEOs) and board members (executive officials).

3.4 Reliability and Validity of data collection instruments

3.4.1 Reliability

The degree to which results are consistent over time and they have an exact portrayal of the population under research is referred to as reliability, if the results of a research can be recreated under a comparative procedure, at that point the examination instrument is thought to be dependable (Joppe, 2000). The procedure tries to acquire whether the estimating instruments give consistent outcomes (Cooper and schindler, 2003). Test-retest strategy was done to determine the reliability of the results. To allow for pre-testing of the research instrument, a pilot test was carried out using pre-test questionnaires to test the reliability of the instrument.

3.4.2 Validity

Validity shows if the research truly meets its intentions. It weighs if the study measures its intentions truthfully (Joppe, 2000). The validity for instrument for collecting data shows the degree to which the content of the questionnaire actually measures the concept (Gray, 2009). To ensure validity the research instrument was scrutinized by experts to check whether it measured what it intended to measure and whether designed according to study variables and their individual indicators of measurements to enhance content validity.
3.5 Data Collection

Data sources were both primary sources as well as secondary sources. The primary data source was questionnaires. The questionnaires were both open and close-ended. The inquiries were figured in view of the study objectives in order to ensure their validity. Secondary data provides a reliable source of the information needed by researcher to research on a phenomenon and seek efficient ways for problem solving situations (Uma, 2003). Secondary data was collected from published annual reports of the considered DT-SACCOS and submissions to SASRA.

3.6 Data Analysis

Data analysis involves editing, coding and tabulation of collected data (Kothari, 2004). Descriptive and quantitative statistics were used. The collected data was be sorted, coded, entered into SPSS-22 software and analyzed. Tables and other appropriate representations were used to present results. Regression analysis was performed to establish relationship between the independent and dependent variables.

3.7 Analytical Model

The study used a multiple linear regression model to establish how corporate governance practices and financial performance of DT-SACCOs of Nairobi City County relate. This was done through regressing factors such as board size, board gender diversity, board members education level, board ethnic diversity and transparency and accountability. The regression model employed was

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \varepsilon \]

Where,
Y = Firms financial performance as determined by return on assets (ROA) expressed as:

ROA = Net Income / Total Assets

β0 = constant or intercept - defines value of return on asset without inclusion of predictor variables

β1 = Regression coefficient for board size.

β2 = Regression coefficient for gender diversity

β3 = Regression coefficient for board members education level

β4 = Regression coefficient for boards ethnic diversity

β5 = regression coefficients for transparency and accountability

β6 = regression coefficient for CEO duality

X1 = Board size

X2 = Boards gender diversity

X3 = Education level of board members

X4 = Boards ethnic diversity

X5 = Transparency and accountability

X6 = CEO duality status

ε = the "error" term reflecting other factors that influence financial performance

3.8 Ethical Considerations

Ethics refers to the values by which we judge the conduct of individual researchers and the morality of the research strategies they use. The idea of ethics is to have agreed upon focal point to examine matters of right or wrong, ought to or ought not to, a good and a bad action (Kimmel, 1996). This study was guided by the ethical principles on research. Participants were informed about the study in great detail before being requested their
consent to participate. Information including the study’s objectives, methods, period of an individual’s participation and what it would entail, foreseeable benefits and risks, confidentiality safeguards, freedom of abstaining or withdrawing from the study at any time and institutional affiliations were provided to research participants. The data was only collected after deliberate educated assent was acquired. Educated assent secures a person’s freedom of choice. Research data remained confidential throughout the study. Fidelity and scientific integrity was observed.
CHAPTER FOUR
RESEARCH FINDINGS, PRESENTATION AND DISCUSSION

4.1 Introduction

Findings and discussions of the research as per the objectives of the study are presented in this chapter. The analysis has been computed for 31 DT SACCOs in Nairobi City County. The findings are presented on the corporate governance practices and how they impact on the financial performance of DT SACCOs in City County of Nairobi. The researcher first established the general information about the deposit-taking SACCOs in Nairobi which included; the current membership and the length of operation. Presentation, analysis and discussion have been done for the six objectives of the study.

4.2 Response rate

The research targeted all 37 DT SACCOs in Nairobi City County. Out of the total target, 31 respondents completed the questionnaire and returned it. This translates to a response rate of 83.8%. This fulfills Punch (2003) indications of that higher response rates are better and survey researchers should strive to attain a rate of response over 60%. The rate of response is illustrated in the figure 4.1 below:
4.3 Population characteristics

The study established the general information about the deposit-taking SACCOs in Nairobi which included; the present enrollment and the length of operation.

4.3.1 Membership of SACCOs

The respondents were required to put down the current membership of their SACCOs. Majority of the SACCOs registered a high membership of over 10,000 members, this represents 51.6% of the total SACCOs considered. SACCOs with membership ranging from 5,001 to 10,000 came in second representing 22.6%. Least membership was registered by SACCOs in the range of 1,001 to 5,000 and those with membership below 1,000 each representing 12.9% of the total SACCOs in consideration. The results were as tabulated below;

Figure 4.1: Response rate

Source: Researcher, 2018
Table 4.1: Membership in SACCOs

<table>
<thead>
<tr>
<th>Membership</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 1,000</td>
<td>4</td>
<td>12.9</td>
<td>12.9</td>
</tr>
<tr>
<td>1,001-5,000</td>
<td>4</td>
<td>12.9</td>
<td>25.8</td>
</tr>
<tr>
<td>5,001-10,000</td>
<td>7</td>
<td>22.6</td>
<td>48.4</td>
</tr>
<tr>
<td>Over 10,000</td>
<td>16</td>
<td>51.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher, 2018

4.3.2 Years in operation

Majority and the oldest of the DT SACCOs under consideration have been in operation for over 40 years but less than 50 years represented by 64.5%. The SACCOs that have been operating for 31 to 40 years represents 19.4%. Those that were established between 21 and 30 years ago take 9.5%. The most recent SACCOs to be put up, between 11 and 20 years ago represent 6.5%. The table below summarizes the findings.
Table 4.2: SACCO's years of operation.

<table>
<thead>
<tr>
<th>Years of operation</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>11-20</td>
<td>2</td>
<td>6.5</td>
</tr>
<tr>
<td>21-30</td>
<td>3</td>
<td>9.7</td>
</tr>
<tr>
<td>31-40</td>
<td>6</td>
<td>19.4</td>
</tr>
<tr>
<td>41-50</td>
<td>20</td>
<td>64.5</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Researcher, 2018

4.4. Correlation Analysis

The study examined the population characteristics with regard to the independent variables considered and then established correlation between the variables. Pearson correlation analysis was thus conducted to establish linear association between the variables.

4.4.1 Board Size

The study examined board size effects on the financial performance of DT SACCOs in Nairobi City County. Respondents indicated number of board members as requested. Results from analysis shows firms maintained a minimum number of 7 directors to a maximum of 12 directors. Most of the SACCOs had nine board members representing 82.12%. The boards with twelve board members represented 8.76%. The least numbers of
board members were seven and eleven taking 5.11% and 4.01% respectively. Details are presented in the figure 4.4 below.

**Figure 4.2: Board size**

Source: Researcher, 2018

**4.4.2 Board size and financial performance.**

The Pearson Product Moment correlation analysis was conducted between size of the board and Return on Assets. The results were as shown below:
Table 4.3: Board size and financial performance.

<table>
<thead>
<tr>
<th></th>
<th>Return on Assets</th>
<th>Board Size</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pearson Correlation</td>
<td>-.521**</td>
</tr>
<tr>
<td>Return on Assets</td>
<td>Sig. (2-tailed)</td>
<td>.003</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>31</td>
</tr>
<tr>
<td>Board Size</td>
<td>Pearson Correlation</td>
<td>-.521**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.003</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>31</td>
</tr>
</tbody>
</table>

Source: Researcher, 2018

A strong negative correlation between size of the board and the return on assets was revealed. The correlation was -0.521. This is to mean that board size increase leads to financial performance decrease as measured by ROA by a factor of -0.521.

4.4.3 Gender representation in the boards

The study established the composition of the boards in terms of gender mix. Male took up the highest proportion representing 76.33% while women took up 23.67% as shown below;
4.4.4 Gender diversity and financial performance

The researcher further examined the nature of relationship exhibited by the two variables. It was established that gender diversity and financial performance had a positive correlation of 0.154. This is to mean that better balanced boards in terms of gender performs better compared to poorly balanced boards. The results are summarized below;

**Figure 4.3: Gender representation on boards**

*Source: Researcher, 2018*
Table 4.4: Gender diversity and financial performance.

<table>
<thead>
<tr>
<th>Gender Rep</th>
<th>Return on Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson</td>
<td>1</td>
</tr>
<tr>
<td>Correlation</td>
<td>.154</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.407</td>
</tr>
<tr>
<td>N</td>
<td>31</td>
</tr>
<tr>
<td>Pearson</td>
<td>.154</td>
</tr>
<tr>
<td>Correlation</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.407</td>
</tr>
<tr>
<td>N</td>
<td>31</td>
</tr>
</tbody>
</table>

Source: Researcher, 2018

4.4.5 Educational qualification of board members

The study first sought to get the characteristic of boards in terms of profession. The study revealed that there was at least one educationist in 14 SACCOs (45.16%). This was followed by legal officers (25.81%) the finance specialists and economists taking 22.81% each, accounting and informal sector registered 19.35% and other specialization took 3.23% as shown below;
### Board members profession

<table>
<thead>
<tr>
<th>Occupation</th>
<th>1 Percent</th>
<th>2 Percent</th>
<th>3 Percent</th>
<th>4 Percent</th>
<th>5 Percent</th>
<th>...9 Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal officers</td>
<td>8</td>
<td>25.81</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1 3.23</td>
</tr>
<tr>
<td>Finance specialists</td>
<td>7</td>
<td>22.58</td>
<td>9</td>
<td>29.03</td>
<td>4</td>
<td>12.90</td>
</tr>
<tr>
<td>Economists</td>
<td>7</td>
<td>22.58</td>
<td>10</td>
<td>32.26</td>
<td>6</td>
<td>19.35</td>
</tr>
<tr>
<td>Educationists</td>
<td>14</td>
<td>45.16</td>
<td>4</td>
<td>12.90</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Accounting</td>
<td>6</td>
<td>19.35</td>
<td>9</td>
<td>29.03</td>
<td>7</td>
<td>22.58</td>
</tr>
<tr>
<td>Informal sector</td>
<td>6</td>
<td>19.35</td>
<td>1</td>
<td>3.23</td>
<td>1</td>
<td>1 3.23</td>
</tr>
<tr>
<td>Other specialization</td>
<td>1</td>
<td>3.23</td>
<td>5</td>
<td>16.13</td>
<td>1</td>
<td>1 3.23</td>
</tr>
</tbody>
</table>

Source: Researcher, 2018

Further, the study sought to examine the characteristic of boards in terms of educational qualification. The analysis revealed that majority of the board members had a bachelor’s degree qualification represented by 61.48%. Board members with O’/A’ level qualification took 18.02%, those with master’s degree were represented by 16.25% and the least being those holding a doctorate represented by 4.24% as shown below;
4.4.6 Education qualification of the board and financial performance

The study determined the influence of level of educational of the board, as measured by the proportion of board members having college degrees or higher to total numbers of board members, on the financial performance of SACCOs. A weak positive correlation of 0.220 between the board education qualification and return on assets was revealed as shown in the table below;
Table 4.5: Education qualification of the board and financial performance

<table>
<thead>
<tr>
<th></th>
<th>Return on Assets</th>
<th>Board Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>.220</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.234</td>
</tr>
<tr>
<td>N</td>
<td>31</td>
<td>31</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.220</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.234</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>31</td>
<td>31</td>
</tr>
</tbody>
</table>

Source: Researcher, 2018

4.4.7 Ethnic diversity on the boards and financial performance

The fourth objective of the study was to explore the effects of board’s ethnic diversity on the financial performance of SACCOs. Respondents were requested to indicate the numbers of ethnicities represented in their boards. Ethnic diversity, measured by proportion of ethnicities represented to total numbers of board members was correlated with the return on assets. The analysis revealed a positive correlation of 0.131, this to mean that an increase in ethnic balance in the board would enhance financial performance of the SACCOs by a factor of 0.131. This is illustrated below;
Table 4.6: Ethnic mix of boards and financial performance

<table>
<thead>
<tr>
<th></th>
<th>Return on Assets</th>
<th>Ethnic Rep</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>.131</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.482</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>31</td>
<td>31</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.131</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.482</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>31</td>
<td>31</td>
</tr>
</tbody>
</table>

Source: Researcher, 2018

4.4.8 Transparency and accountability

The fifth objective of this study was to examine the impact of transparency and accountability on the financial performance of SACCOs. The respondents were required to indicate how far they agreed with statements given on a scale of 1-5 where 1= strongly disagree; 2= disagree; 3= neutral; 4= agree and 5= strongly agree. Results showed an average majority (45.57%) of the respondents agreed with the statements, 45.16% of the respondents agreed strongly, 6.45% remained neutral while only a small percentage of 2.82% strongly disagreed as shown below;
Relevant reports and audited accounts are presented and considered during Annual General Meeting:

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0(0%)</td>
<td>0(0%)</td>
<td>0(0%)</td>
<td>10(32.26%)</td>
<td>21(67.74%)</td>
</tr>
</tbody>
</table>

The financial statements accurately reflect the position and performance of the Sacco:

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1(3.23%)</td>
<td>0(0%)</td>
<td>0(0%)</td>
<td>15(48.39%)</td>
<td>15(48.39%)</td>
</tr>
</tbody>
</table>

Annual Reports on the business and financial performance and position of the Sacco are displayed in a conspicuous position, published and distributed to as wide an audience as is possible:

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1(3.23%)</td>
<td>2(6.45%)</td>
<td>4(12.95%)</td>
<td>9(29.03)</td>
<td>15(48.39%)</td>
</tr>
</tbody>
</table>

The information is disseminated in a timely manner and thus relevant to decision making:

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1(3.23%)</td>
<td>0(0%)</td>
<td>2(6.45%)</td>
<td>14(45.16%)</td>
<td>14(45.16%)</td>
</tr>
</tbody>
</table>
The Sacco management provides detailed information on its portfolio quality to its members in shareholders meetings. Audited accounts and auditors report are submitted to Authority (SASRA) at the end of each financial year. Board ensures that governance audit of the Sacco is undertaken at least every two years. Board exercise degree of care and diligence, takes informed and reasonable decisions for the best interest of the members.

<table>
<thead>
<tr>
<th></th>
<th>1 (3.23%)</th>
<th>0(0%)</th>
<th>2(6.45%)</th>
<th>14(45.16%)</th>
<th>14(45.16%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean total</td>
<td>1 (2.82%)</td>
<td>0(0%)</td>
<td>2(6.45%)</td>
<td>14(45.57%)</td>
<td>4(45.16%)</td>
</tr>
</tbody>
</table>
4.4.9 Transparency and accountability and financial performance

The research established the association between transparency and accountability and the SACCOs’ performance. A positive association between transparency and accountability SACCO’s financial performance \( (r = 0.144) \) was revealed by results. This means that an transparency and accountability enhancement improves financial performance of SACCOs by a factor of 0.144.

Table 4.7: Transparency and accountability and financial performance

<table>
<thead>
<tr>
<th>Return on Assets</th>
<th>Return on Assets</th>
<th>TA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>.144</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.441</td>
</tr>
<tr>
<td>N</td>
<td>31</td>
<td>31</td>
</tr>
</tbody>
</table>

| TA | Pearson Correlation | .144 | 1 |
| Sig. (2-tailed) | | .441 |
| N | 31 | 31 |

Source: Researcher, 2018

4.4.10 CEO duality

The sixth objective was to explore how CEO duality influence financial performance of the DT SACCOs in Nairobi City County. First, to get the views of CEO duality characteristics,
the respondents were requested to make indication of how far they agreed or disagreed with statements given on a scale of 1-5 where 1= strongly disagree; 2= disagree; 3= neutral; 4= agree and 5= strongly agree. Majority of the respondents (32.26%) agreed with the statement, 25.81% of the respondents strongly agreed with the statements, 19.35% disagreed, 12.90% strongly disagreed while 9.68% choose to be indifferent as shown below;

<table>
<thead>
<tr>
<th>Role of Chairman of the board and CEO</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roles of Chairman of the board and CEO should be clearly defined and not vested in the same person</td>
<td>1(3.23%)</td>
<td>2(6.45%)</td>
<td>4(12.90%)</td>
<td>13(41.94%)</td>
<td>11(35.48%)</td>
</tr>
<tr>
<td>The monitoring role of board is weakened when CEO is also the Chair of the board</td>
<td>1(3.23%)</td>
<td>2(6.45%)</td>
<td>3(9.68%)</td>
<td>12(38.71%)</td>
<td>13(41.94%)</td>
</tr>
<tr>
<td>CEO duality hinders transparency in a SACCO</td>
<td>1(3.23%)</td>
<td>2(6.45%)</td>
<td>3(9.68%)</td>
<td>15(48.39%)</td>
<td>10(32.26%)</td>
</tr>
</tbody>
</table>
A CEO who is also the Chair of the board is well positioned to give a clear direction of the SACCO. Efficiency and Effectiveness of the SACCO is enhanced when the CEO doubles up as the Chair of the board.

<table>
<thead>
<tr>
<th></th>
<th>8(25.81%)</th>
<th>13(41.94%)</th>
<th>3(9.68%)</th>
<th>6(19.35%)</th>
<th>1(3.23%)</th>
</tr>
</thead>
</table>

Mean total | 4(12.90%) | 6(19.35%) | 3(9.68%) | 10(32.26%) | 8(25.81%) |

4.4.11 CEO duality and financial performance

To explore CEO duality effect on return on assets, on request, the respondents indicated whether their boards practiced CEO duality. The researcher planned to measure the variable as a dummy variable 1 if CEO and Chairman were the same person; and 0 if CEO and Chairman were different persons. All the SACCOs recorded no CEO duality situation hence the variable was shelved.
4.4.12. Financial performance

SACCOs’ financial performance was measured using Return on Assets (ROA). This is a widely common accounting based measures of corporate governance in literature (Finkelstein & D’Aveni 1994; Weir, Laing & McKnight, 2000). ROA is measured as amount of net income earned expressed as a percentage of total assets decomposed as follows:

\[
\text{Return on Assets} = \frac{\text{Net Income}}{\text{Total Assets}}
\]

The deposit-taking SACCOs in Nairobi City County recorded a mean ROA of 0.120, with the best performing recording a value of 0.375 and least performing generating a return on assets value of 0.0133 as shown in the table below;

**Table 4.8: Financial performance**

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on Assets</td>
<td>31</td>
<td>0.0132628</td>
<td>0.3748853</td>
<td>0.120209361</td>
<td>0.0932834799</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>31</td>
<td>0.0132628</td>
<td>0.3748853</td>
<td>0.120209361</td>
<td>0.0932834799</td>
</tr>
</tbody>
</table>

Source; Researcher 2018.

Return on assets was found to correlate with the study independent variables apart from CEO duality. Return on assets and board size recorded the strongest correlation amongst the variables, a negative correlation of -0.521. Return on assets and ethnic mix recorded the least correlation, a positive correlation of 0.131. Financial performance was found to be
influenced by the considered independent variables but on different extents. Education qualification of board members was found to influence financial performance more. A unit change on board members education qualification would result to a change in financial performance with a factor of 0.070.

4.5 Regression analysis

The study established the influence of each of predictor variables to the SACCO’s financial performance by conducting a multiple regression analysis as shown below;

Table 4.9: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>.349</td>
<td>.248</td>
<td>1.407</td>
<td>.172</td>
</tr>
<tr>
<td>Board Size</td>
<td>-.045</td>
<td>.016</td>
<td>-.475</td>
<td>-2.748</td>
</tr>
<tr>
<td>Gender Rep</td>
<td>.016</td>
<td>.138</td>
<td>.022</td>
<td>.116</td>
</tr>
<tr>
<td>Board Education</td>
<td>.070</td>
<td>.064</td>
<td>.191</td>
<td>1.105</td>
</tr>
<tr>
<td>Ethnic Rep</td>
<td>.054</td>
<td>.128</td>
<td>.074</td>
<td>.422</td>
</tr>
<tr>
<td>TA</td>
<td>.020</td>
<td>.033</td>
<td>.114</td>
<td>.615</td>
</tr>
</tbody>
</table>

Source: Researcher, 2018

The established regression equation was from data above is:-
\[ Y = 0.349 - 0.045B + 0.016X_2 + 0.070X_3 + 0.054X_4 + 0.020X_5 \]

Where

- \( Y \) = Financial performance (Return on assets)
- \( X_1 \) = Board size.
- \( X_2 \) = Gender diversity
- \( X_3 \) = Board members education qualification
- \( X_4 \) = Boards ethnic diversity
- \( X_5 \) = Transparency and accountability

From the results above it was revealed that Board Size, gender diversity, board members educational qualification, ethnic mix of boards, transparency and accountability at constant zero would amount to financial performance of SACCOs considered to be at 0.349. The model further gave the picture of how the dependent variable would change with change of individual independent variables. Holding other independent variables constant, a unit increase in board size would result to a decrease in financial performance as measured by return on assets by a factor of 0.045. Unit increases in gender diversity, board members educational qualification, board’s ethnic mix and transparency and accountability would trigger an increase in return on assets by factors of 0.016, 0.070, 0.054 and 0.020 respectively.

These findings agree with the earlier ones which showing board size and financial performance of SACCOs having a negative association (\( r = -0.521 \)), positive association between gender mix of boards and SACCO’s financial performance (\( r = 0.154 \)), a positive association between board members educational qualification and financial performance (\( r \))
= 0.220), a positive association ethnic diversity of boards and SACCO’s financial performance \((r = 0.131)\) and a positive association between transparency and accountability and SACCO’s financial performance \((r=0.144)\).

4.5.1 Regression Model Summary

The model fitting information was as shown in the table below;

**Table 4.10: Model Summary**

<table>
<thead>
<tr>
<th>Mode</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.565*</td>
<td>.319</td>
<td>.183</td>
<td>.0843330576</td>
</tr>
</tbody>
</table>

Source: Researcher, 2018

R measures the quality of prediction of the dependent variable. A value of 0.565 was revealed which indicated a good correlation between the predicted and independent variables. \(R^2\) which is the coefficient of determination shows the proportion of variance in the return on assets that can be explained by the independent variables. \(R^2\) from the table above was 0.319 implying that the independent variables explain 31.9% of the variability of the dependent variable which is return on assets.

4.6 Chapter summary

With regards to the study findings, majority of deposit-taking SACCOS in Nairobi City County have been in operation for over 40 years representing 64.5% of all the deposit-
taking SACCOs in the County. The SACCOs have been able to grow their membership over the years with the majority of them (51.6%) recording a membership of over ten thousands members. Majority of the boards of the deposit-taking SACCOs in the County were found to be comprised of nine members of which majority were men representing 76.3% and women taking 23.67%. Board dynamics have been found to have effects on financial performance of the SACCOs. Board size has recorded a negative correlation with financial performance of the SACCOs \( (r = -0.521) \). Other dynamics of the board; board members educational level, gender diversity, ethnic mix of the boards revealed positive correlations of 0.220, 0.154 and 0.131 respectively. Transparency and accountability in the SACCOs also had a positive association with return on assets recording a correlation coefficient of 0.144. Further revelation showed that all the SACCOs studied had zero CEO duality in which case the CEO and Chairman were different persons.

The findings further showed that the dependent variable (ROA) would change with change of every individual independent variables. Unit changes in independent variables; board size, gender diversity of the boards, education qualification of boards, ethnic mix of the boards and transparency and accountability in SACCOs would result in changes on return on assets by factors of -0.045, 0.016, 0.070, 0.054, 0.020 respectively. A strong positive association among the study variables, the correlation coefficient \( R \) was 0.565. \( R^2 \) was 0.319 implying that the independent variables explain 31.9% of the variability of the dependent variable which is return on assets.
CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

Summary of the findings, conclusions and recommendations as per objectives of the study are presented in this chapter. The focus of the study was corporate governance practices and the financial performance of DT SACCOs in Nairobi City County.

5.2 Summary

The study considered all the deposit-taking SACCOs in the county and data from thirty one SACCOs out of thirty seven SACCOs was availed and used. Primary and secondary data was used. The Pearson Correlation and regression analysis were used in establishing relationships between the variables. The variables that were used as corporate governance mechanisms were board size, gender diversity of the board, educational qualification of the board, ethnic mix of the board and transparency and accountability. CEO duality as an independent variable was dropped as no SACCO recorded the CEO duality situation in their boards.

Correlation analysis were conducted and various revelations made. The board size, which most SACCOs maintained at nine members was found to be negatively correlated with the return on assets of the SACCOs. The correlation coefficient for the two variables was -0.521. The board size was also found to cause variation of -0.045 on the return on assets with its unit increase. Other independent variables correlated positively with the financial performance. Boards were found to be male dominated with women only occupying 23.67%. The gender diversity however correlated positively with the return on assets.
yielding a value of 0.154. From the regression model, other variables held constant, gender diversity was found to cause an increase in the return on assets by a factor of 0.016 with its unit increase. Majority of board members (81.97%) had attained a college degree or higher and the board education qualification had a positive correlation with return on assets of 0.220. Ethnic mix of the boards and transparency and accountability also yielded a positive correlation of 0.131 and 0.144 with the return on assets respectively. Unit changes in board education qualification, ethnic mix in the boards and transparency and accountability would trigger changes in returns on assets by factors of 0.070, 0.054 and 0.020 respectively.

5.3 Conclusion

The study findings indicate that corporate governance practices in deed influence the financial performance of the deposit-taking SACCOs in Nairobi City County. Each corporate governance practice; board size, board’s gender diversity, education qualification of the board members, board’s ethnic mix and transparency and accountability, explains SACCOs’ financial performance in its own way. The board size correlated negatively with SACCO’s financial performance. This is to mean that larger board size adversely affects the financial performance of the SACCOs while the boards with fewer members perform better. Large boards have an adverse effect from communication, monitoring and coordination challenges.

The boards gender mix reveals that overall the boards are male dominated. The gender diversity has a positive influence on the financial performance accounting though not very profound. Board educational qualification also revealed a positive influence on financial
performance. High fraction of directors having college degree or better carry significant positive influence on the financial performance of the DT SACCOs in Nairobi City County. Ethnic balancing in the board exhibited a positive effect on return on assets of these SACCOs. The study also answered the question of whether transparency and accountability have effect on financial performance of the SACCOs by observing existence of a positive association between the two variables.

5.4 Recommendations

The study recommends that stakeholders in deposit-taking SACCOs should take in to account the corporate governance practices variables i.e. board size, gender balance, board members education level, ethnic diversity in boards and transparency and accountability. Since findings from the study reveals large board sizes affect financial performance of the deposit-taking SACCOs adversely, there should not be too many members on the board since small board size is associated with better financial performance. A large board makes slows decision making process, critical decision may take a while to pass and sometime it might become too late.

Most boards are men dominated as shown from the study. Since gender mix in board affects financial performance positively the shareholders should ensure that they maintain gender balance in the boards of directors since during election at annual general meetings. An affirmative action would also help raise the number of women in boards and their roles. From the finding education qualification associates positively with Sacco’s financial performance, it would thus be appropriate for SACCOs to have boards that are highly qualified individuals. Continued diversification of boards in terms of ethnic representation
is also recommended since it also showed to impact positively on the SACCOs’ financial performance.

SASRA, should invoke their regulations and where need be sanction SACCOs that do not adhere to transparency and disclosure requirements. The access to financial information (transparency and disclosure) by the investors and the public at large is a key driver of the financial performance of SACCOs since it is the variable that was highly associated with good financial performance. Transparency and accountability affects Sacco’s financial performance positively. Sacco Societies Regulatory Authority (SASRA) should reinforce existing laws on transparency and accountability and if need be sanction SACCOs that do not follow the guidelines set in regards to transparency and accountability. SACCOs should enhance accessibility of financial information by shareholders and general public to encourage transparency and accountability.

5.5 Suggestions for further study

It would be beneficial to extend the study in other counties to find out the state of corporate governance in their SACCOs and how it influences their financial performance. For the purpose of the overall picture on corporate governance in SACCOs and their financial performance, further research should consider those SACCOs offering back office services too. Further study should still be carried out to evaluate the effectiveness of SASRA in ensuring compliance with corporate governance guidelines in SACCOs and the challenges the SACCOs face in the implementation of the guidelines. A similar study should also be done for other financial sector players like the banks and microfinance institutions for the purpose of making comparisons of the findings with those of the current study.
REFERENCES


Akyoo, L. K. (2011). Professionals for agricultural entrepreneurship, business mind Africa. [Case series number 2]


Bhagat, S., Black, B. (2002). The non-correlation between board independence and long-term firm performance. *Journal of Corporation Law, Vol. 27*


Co-operative Societies (Amendment) Act (2008), Laws of Kenya


*Academy of Management Review, 22*, (1) 20-47.


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Smith R. (2003): Audit committees combined code guidance. London. Available at:


Note for the respondent: Dear respondent, the motivation behind this study is to examine the impacts of corporate governance on financial performance of DT-SACCOs in Nairobi City County in partial fulfilment of the requirements for a Masters of Business Administration Degree. Your response will have paramount contribution for the success of the study and I would kindly like to request for your genuine responses for each question. I would like to guarantee you that the information provided here will be utilized just for scholarly purposes and thus will be treated with most extreme secrecy.

PART A: SACCO PROFILE

1. Name of the Sacco………………………………………………………………

2. Year of Establishment……………………………………………………………

3. What is the current membership in your Sacco? (Tick where appropriate)

   Up to 1,000

   1,001 – 5,000

   5,001 – 10,000

   Over 10,000
PART B: BOARD SIZE

4. How many members does the board of directors have? ..........................

5. How is the board of directors elected in your Sacco?
   i) Elected during AGM by majority
      ____________________________
   ii) Nominated
       __________________________
   iii) Inherited
        __________________________
   iv) Any other (Specify)
        __________________________

6. In your own opinion, what would you consider to be an optimal board size for an
efficient and effective board? ...............................
PART C: BOARD GENDER DIVERSITY

7. Out of the total number of directors, how many are women? .........................

8. Do women go through the same selection criteria to the board as men?  YES  
   NO

9. If NO from the question above, what is the laid mechanism for gender balancing on 
   the board?
   .................................................................................................................................
   .................................................................................................................................

10. Briefly, would you consider gender diversity on boards as a factor to be considered 
    on boards and why?
    ............................................................................................................................... 
    ............................................................................................................................... 

PART D: BOARD MEMBERS EDUCATIONAL LEVEL

11. Is there minimum academic qualification for one to be selected to the board?  YES  
    NO

12. If YES from the above question, what is the minimum qualification?
    .................................................................................................................................

13. Please indicate board composition in terms of academic qualifications.(Specify 
    how many per level)
i) Primary level (KCPE/CPE) 

ii) O’ level / A’ level 

iii) Bachelor’s degree 

iv) Master’s degree 

v) Doctorate degree 

14. What is the composition of the board in terms of occupation? (Tick where applicable and specify the number of members for that occupation)

i) Legal officers 

ii) Finance specialists 

iii) Economists 

iv) Educationists 

v) Accountants 

vi) Informal sector 

vii) Other specialization
PART E: BOARD ETHNIC DIVERSITY

15. How many ethnic communities are represented in your Sacco’s Board of Directors?

(Kindly tick or mark the appropriate number)

1 2 3 4 5 6 7 8 9 10

Any other ………………………………

16. Is there a mechanism for ethnic mix balancing for the board?  YES  NO

17. If YES from question 14 above, what is the laid mechanism for ethnic balancing in the board?

…………………………………………………………………………………………

…………………………………………………………………………………………

18. In your own opinion, is it a concern to consider ethnic diversity on boards and why

…………………………………………………………………………………………

…………………………………………………………………………………………
PART F: TRANSPARENCY AND ACCOUNTABILITY

19. Indicate the extent to which you agree or disagree with the following statements on transparency and accountability practices in your SACCO.

1= Strongly Disagree 2= Disagree 3= Neutral 4= Agree 5= Strongly Agree

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relevant reports and audited accounts are presented and considered during Annual General Meetings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The financial statements accurately reflect the position and performance of the Sacco</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual Report on the business and financial performance and position of the Sacco are displayed in a conspicuous position, published and distributed to as wide an audience as is possible.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The information is disseminated in a timely manner and thus relevant to decision making</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Sacco management provides detailed information on its portfolio quality to its members in shareholders meetings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audited accounts and auditors report are submitted to Authority (SASRA) at the end of each financial year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board ensures that governance audit of the Sacco is undertaken at least every two years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board exercise degree of care and diligence, takes informed and reasonable decisions for the best interest of the members</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
20. Generally what can you say about transparency and accountability in your Sacco

........................................................................................................................................
........................................................................................................................................
........................................................................................................................................

PART E: CEO DUALITY

21. Does your CEO also double up as the Chairman of the Board?

i) YES    ii.) NO

To what extent do you agree with the following statements regarding CEO duality?

(please use the scales indicated below)

1= Strongly Disagree 2= Disagree 3= Neutral 4= Agree 5=Strongly Agree

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roles of Chairman of the board and CEO should be clearly defined and not</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>vested in the same person</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The monitoring role of board is weakened when CEO is also the Chair of</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>the board</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEO duality hinders transparency in a SACCO</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A CEO who is also the Chair of the board is well positioned to give a</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>clear direction of the SACCO</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Efficiency and Effectiveness of the SACCO is enhanced when the CEO</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>doubles up as the Chair of the board</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
22. Are you in support of the concept of CEO duality and why

........................................................................................................................................

........................................................................................................................................

........................................................................................................................................

PART F: FINANCIAL PERFORMANCE

23. Please give the following financial information on the performance of your SACCO for the last five (5) years.

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings before Interest and Taxes (EBIT)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

24. Briefly, what in your opinion should be done to improve the performance of the SACCO?

........................................................................................................................................

........................................................................................................................................

........................................................................................................................................

Thank you very much for your participation
APPENDIX II: LICENSED D-T SACCOS IN NAIROBI CITY COUNTY 2017

1. AFYA SACCO SOCIETY LTD
2. AIRPORTS SACCO SOCIETY LTD
3. ARDHI SACCO SOCIETY LTD
4. ASILI SACCO SOCIETY LTD
5. CHAI SACCO SOCIETY
6. CHUNA SACCO SOCIETY
7. ELIMU SACCO SOCIETY
8. HARAMBEE SACCO SOCIETY
9. HAZINA SACCO SOCIETY LTD
10. KENPIPE SACCO SOCIETY LTD
11. JAMII SACCO SOCIETY LTD
12. KENYA BANKERS SACCO SOCIETY LTD
13. KENYA POLICE SACCO SOCIETY LTD
14. MAGEREZA SACCO SOCIETY LTD
15. MAISHA BORA SACCO SOCIETY LTD
16. MWALIMU NATIONAL SACCO SOCIETY LTD
17. MWITO SACCO SOCIETY LTD
18. NACICO SACCO SOCIETY LTD
19. NAFAKA SACCO SOCIETY LTD
20. NASSEFU SACCO SOCIETY LTD
21. NATION SACCO SOCIETY LTD
22. NYATI SACCO SOCIETY LTD
23. SAFARICOM SACCO SOCIETY LTD
24. SHERIA SACCO SOCIETY LTD
25. SHIRIKA SACCO SOCIETY LTD
26. SHOPPERS SACCO SOCIETY LTD
27. STIMA SACCO SOCIETY LTD
28. TAQWA SACCO SOCIETY LTD
29. TEMBO SACCO SOCIETY LTD
30. UFANISI SACCO SOCIETY LTD
31. UKRISTO NA UFANISI WA ANGALICANA SACCO SOCIETY LTD
32. UKULIMA SACCO SOCIETY LTD
33. UNAITAS SACCO SOCIETY LTD
34. UNITED NATIONS SACCO SOCIETY LTD
35. WANANDEGE SACCO SOCIETY LTD
36. WANAANGA SACCO SOCIETY LTD
37. WAUMINI SACCO SOCIETY LTD
APPENDIX III: APPROVAL LETTER - KU

KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke
Website: www.ku.ac.ke

FROM: Dean, Graduate School
TO: Richard Mwedia M.
C/o Accounting and Finance Dept.

DATE: 11th September, 2017
REF: D53/CTY/PT/32577/2015

SUBJECT: APPROVAL OF RESEARCH PROJECT PROPOSAL

This is to inform you that Graduate School Board at its meeting of 6th September, 2017 approved your Research Project Proposal for the M.B.A Degree Entitled, "Corporate Governance Practices and financial performance on deposit-taking savings and Credit Cooperatives in Nairobi City County, Kenya".

You may now proceed with your Data Collection, Subject to Clearance with Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed Supervision Tracking Forms per semester. The form has been developed to replace the Progress Report Forms. The Supervision Tracking Forms are available at the University's Website under Graduate School webpage downloads.

Thank you.

HARRIET ISABOKE
FOR: DEAN, GRADUATE SCHOOL

cc: Chairman, Accounting and Finance.

Supervisors:

1. Mr. Gerald Atheru
C/o Department of Accounting and Finance,
Kenyatta University
APPENDIX IV: NACOSTI AUTHORIZATION LETTER

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Ref. No: NACOSTI/P/17/32737/19533

Date: 30th October, 2017

Richard Mwenda Maina
Kenyatta University
P.O. Box 43844-00100
NAIROBI.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on “Corporate governance practices and financial performance on deposit taking Savings and Credit Cooperatives in Nairobi City County, Kenya” I am pleased to inform you that you have been authorized to undertake research in Nairobi County for the period ending 30th October, 2018.

You are advised to report to the County Commissioner and the County Director of Education, Nairobi County before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit a copy of the final research report to the Commission within one year of completion. The soft copy of the same should be submitted through the Online Research Information System.

GODFREY P. KALERWA MSc., MBA, MKIM
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The County Commissioner
Nairobi County.

The County Director of Education
Nairobi County.