

**PROJECTS GOVERNANCE AND PERFORMANCE OF DEPOSIT-TAKING
SAVINGS AND CREDIT COOPERATIVES IN MERU COUNTY, KENYA**

ZAKARY GITONGA NJERU

D53/OL/EMB/26976/2015

**A RESEARCH REPORT SUBMITTED TO THE SCHOOL OF BUSINESS IN
PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF
DEGREE OF MASTER OF BUSINESS ADMINISTRATION (PROJECT
MANAGEMENT) OF KENYATTA UNIVERSITY**

DECEMBER, 2021

DECLARATION

This research report is my original work. It has not been presented for examination for any degree to the best of my knowledge or for any other award in any other university or institution.

Sign: 

Date.....

Zakary Gitonga Njeru

D53/OL/EMB/26976/2015

This research report has been submitted for examination with my approval as the university supervisor.

Sign:

Date.....

Dr. David M. Nzuki

School of Business

Kenyatta University

DEDICATION

This work is a dedication to my nuclear family; my lovely wife Arnet Wambeti and my children Ronald and Claudia, for you stood strong during these involving moments and long absence from home.

ACKNOWLEDGEMENT

Great is the hand that leads the helpless to their destiny. It is with immense gratitude that I recognize the selflessness exhibited by Dr. David Nzuki in ensuring that this research project is a success and within the University Standards. Much appreciation also goes to my fellow postgraduate students; may the Lord hear your supplications blessing more so the work of your hands.

TABLE OF CONTENTS

DECLARATION.....	ii
DEDICATION.....	iii
ACKNOWLEDGEMENT.....	iv
LIST OF FIGURES	x
OPERATIONAL DEFINITION OF TERMS.....	xi
ABBREVIATIONS AND ACRONYMS.....	xii
ABSTRACT.....	xiii
CHAPTER ONE	1
INTRODUCTION	1
1.1 Background of the Study.	1
1.1.2 Deposit-Taking SACCOs.....	3
1.1.3 Project Governance.....	4
1.1.4 SACCOs in Meru County	5
1.2 Statement of the Problem.....	7
1.3 Objectives of the Study.....	8
1.4 Research Questions.....	9
1.5 Significance of the study.....	9
1.6 Scope of the Study	10
1.7 Limitations of the Study.....	10
1.8 Organization of the study.....	10
CHAPTER TWO	11
LITERATURE REVIEW	11
2.1 Introduction.....	11
2.2 Theoretical Review	11

2.2.1 Agency Theory.....	11
2.2.2 The Stakeholder’s Theory.....	13
2.2.3Shareholders Theory.....	14
2.3 Empirical Review.....	14
2.3.1 Internal Controls and Performance of SACCOs.....	15
2.3.2 Project management committee Responsibility and Performance of SACCOs	16
2.3.3 Transparency and Disclosure, and Performance of SACCOs	17
2.3.4 Project Risk Management Factors and Performance of SACCOs.....	19
2.4 Research Gaps.....	20
2.5 Conceptual Framework.....	20
CHAPTER THREE.....	23
RESEARCH METHODOLOGY.....	23
3.1 Introduction.....	23
3.2 Research Design.....	23
3.3 Target Population.....	23
3.4 Sampling Techniques and Sample Size	24
3.5 Data Collection Instruments	25
3.6 Data Collection Procedures.....	25
3.7 Data Analysis Methods and Presentation	26
3.8 Data Validity and Reliability	27
3.9 Ethical Considerations	28
CHAPTER FOUR.....	29
RESEARCH FINDINGS AND DISCUSSIONS	29
4.1 Introduction.....	29

4.2 Study’s Demographic Characteristics.....	29
4.2.1 Response Rate.....	29
4.2.2 Demographic Characteristics Analysis.....	30
4.3.2 Education Level of Respondents.....	30
4.4 Determinants of SACCOs Performance.....	31
4.4.1 Internal Controls and Performance of SACCOs.....	31
4.4.2 Project Management Committee Composition and Performance of SACCOs.....	32
4.4.3 Transparency and Disclosure and SACCOs Performance.....	34
4.4.4 Risk Management and Performance of SACCOs.....	35
4.4.5 Performance of SACCOs.....	36
4.5 Reliability of Study’s Instrument.....	37
4.6 Regression Results.....	37
4.6.1 Analysis of Variance.....	38
4.5.2 Coefficient of Regression.....	39
CHAPTER FIVE.....	40
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....	40
5.1 Introduction.....	40
5.2 Summary of Findings.....	40
5.2.1 Internal Controls.....	40
5.2.2 Project Management Committees.....	41
5.2.3 Transparency and Disclosure.....	41
5.2.4 Risk Management.....	41
5.3 Conclusions.....	42
5.4 Recommendations.....	42

5.4 Suggestions for Further Studies	43
REFERENCES	44
APPENDICES	50
Appendix 1: Introductory Letter	50
Appendix II: Questionnaire.....	51
Appendix III: Distribution of Deposit taking SACCOs in Meru County	55
Appendix IV: Location of Study-Meru County.....	56

LIST OF TABLES

Table 3.1 Target population Distribution.....	24
Table 3.3 Sample Size.....	25
Table 4.1 Response Rate.....	29
Table 4.2 Gender of Respondents.....	30
Table 4.3 Respondents Education Level.....	30
Table 4.4 Internal Control Statistics.....	31
Table 4.5 Project Management Statistics.....	33
Table 4.6 Transparency and Disclosure Statistics.....	34
Table 4.7 Risk Management Statistics.....	36
Table 4.8 Performance of SACCOs.....	37
Table 4.9 Reliability Test.....	38
Table 4.10 Model Summary.....	38
Table 4.11 ANOVA.....	39
Table 4.12 Regression Results.....	40

LIST OF FIGURES

Fig 2.1 Conceptual Framework	21
------------------------------------	----

OPERATIONAL DEFINITION OF TERMS

Internal Controls: These are financial and administrative controls instituted by the organization and the Board Committees to ensure that the integrity of financial transactions and activities, accounting information carried out in SACCOs projects is observed in order to promote accountability, transparency and responsibility.

Performance of SACCOs: The outputs of the SACCOs processes and inputs. The performance encompasses the return on the investment, the growth in sales that occur after the SACCOs have carried out various market and product development projects. The performance also includes the cost reduction programs and market development which are as a result of well thought out SACCOs projects.

Project Governance: This encompasses the internal control systems, project management committee responsibilities, transparency and disclosure, and risk management practices instituted within the SACCOs to ensure that SACCOs projects run as intended and reduce any kind of deviations that arises during the implementation phase of the SACCOs projects.

Project Management Committee Responsibilities: These are responsibilities held by the committee members like recruitment of expertise skills, publishing accounts of the projects, offering management advice to the management and providing technical advice to both employees and the management.

Risk Management: Refers to the process of identifying risks, assessing risks, monitoring risks and mitigating the risks with the aim of eliminating or reducing the chance of occurrence of negative events without undue costs.

Transparency and Disclosure: Refers to the extent of the completeness of financial statements and the ability of stakeholders to have readily available access to financial information such as audit reports, price levels, market in-depth reports and financial reports.

ABBREVIATIONS AND ACRONYMS

APA	American Psychological Association
DT	Deposit Taking
FIs	Financial Institutions
MCCG	Malaysian Code on Corporate Governance
NACOSTI	National Commission for Science, Technology and Innovation
OECD	Organization for Economic Cooperation and Development
SACCOs	Saving and Credit Cooperatives Societies
SASRA	Saving and Credit Cooperatives Societies Regulatory Authority
SPSS	Statistical Packages for Social Scientists
UK	United Kingdom
USA	United States of America

ABSTRACT

Compliance challenges to the set business regulatory environment have been experienced in the management and performance of SACCOs projects. This has seen an increased desire by SACCOs to embrace corporate governance practices when they are carrying various marketing, capacity development, new product development and infrastructural projects. In Kenya, Savings and Credit Cooperatives Societies (SACCOs) are popular as forms of investment and mobilization of resources, this is because of their ability to bring about equitable development and justice. Despite these accolades, the Kenyan SACCOs have experienced mixed results as regulators have noted that they have not been meeting their members' needs and requirements as well as failing to service loans extended to them by commercial banks and other international lenders. To ensure the objectives of enhancing shareholders value have been achieved, corporate governance comes into play. This therefore led to the main objective of the study which is to determine the effect of project governance factors on performance of Deposit Taking SACCOs in Meru County. Specifically, the study established the effect of internal controls, project management committee, transparency and disclosure, and risk management on the performance of projects instituted by deposit taking SACCOs in Meru County. The present study was premised on Agency theory, Stakeholder theory and Shareholders' theory. Structured questionnaire were administered on the target population. The 11 Deposit-Taking SACCOs regulated by SASRA formed the study target population. The study adopted a descriptive research design and made use of a census in to establish the status of project governance. The study unit of analysis was the 11 deposit taking SACCOs while the unit of observation were board of directors, chief executive officers and finance and marketing managers of the SACCOs. The number of respondents involved in the census were 55. The study adopted descriptive and multiple ordinary least squares regression model. Study's results showed that internal controls, project management committees and risk management practices had a positive and significant effect on the performance of the Deposit Taking SACCOs. The transparency and disclosure variable had a positive effect but it was not significant. The study recommended the integration of SACCOs departments using information technology for ease of communication and monitoring. This study was meant to benefit financial institutions especially on the relevance of observing project governance factors.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study.

The sustainability of modern projects is hinged on good project governance implemented with intention of injecting competitiveness to the whole organization (PMI, 2016). Project governance is intended to address the accountability, transparency and guide in decision making of the managers overseeing the implementation of the projects (APM, 2012). The allocation of resources, duties and responsibilities and authority flow within the project is also a key element of project governance in organizations. According to Anderson and Gupta (2009) corporate guidelines and regulations vary from continent to continent and from nation to nation but with common goal of securing the survival of the organization. In the United States of America (USA), the application of the Principles of Good Corporate Governance and Best Practice Recommendations (PGCGBPR), and the Sarbanes- Oxley Act of 200 safeguards the investors' investment and protect them from corporate scandals (Bhatt & Bhatt, 2017). In the Asian continent a country like Malaysia has based its corporate governance guidelines and legislations on the American Sarbanes- Oxley Act to develop their Malaysian Code of Corporate Governance (MCCG, 2012). This code is geared towards establishing specific roles for the organizations board as well as their responsibilities, process of board composition, upholding integrity and transparency in financial reporting, management of risks and recognize the role and relationship between the organization and its shareholders (MCCG, 2012)

In regional perspective there has been a recorded improvement in adoption of corporate governance codes in Africa. According to Perrin (2017) South Africa has been on the forefront of implementation of corporate governance guidelines and legislation having adopted majority of the European Union led Organization for Economic Co-operation and Development (OECD) corporate governance practices. Other countries like Kenya, Mauritius, Nigeria and Uganda according to Perin have put into practice the four pillars of corporate governance “compliance and monitoring, leadership and culture, strategy and performance and stakeholder engagement”. The outcome of the analysis by Perrin

(2017) establishes an improvement in adoption and implementation of corporate governance principles by organizations in Africa as compared to the status then when a similar study was conducted by Okeahalam and Akinboade (2003). According to Mputhia (2018) corporate governance in Kenya has kept on evolving and especially with the enactment of the Companies Act 2015 culminating in the separation of chairman and the chief executive roles beside other aspects like compliance and transparency. Ruparelia and Njuguna (2016) hold that development of corporate governance in Kenya has its origin on the seminar held in Nairobi in 1998 where it was agreed to form a body that would develop and formulate codes for best practices. In addition to the private sector initiative, the government through Capital Markets Authority in 2002 promulgated Guidelines on Principles of Corporate Governance for public listed companies.

Alie (2015) in her study on project governance critical success factors established that project governance scope of application is beyond the application in individual projects but extends to the management and performance of the whole organization as coordination, planning, resource sharing and decision making have to be integrated. According to APM 2012 project governance is the implementation of corporate governance practices in project design, implementation and evaluation. Further, Murry (2011) in his discussion of the elements of good project governance argues that they are one and similar to corporate governance principles. This finds concurrence with APM 2012 write up on good project governance where it's stated that they have been adopted from good corporate governance elements. The project governance elements are indicated as independent assurance, delegated authority, transparency and reporting, and decision making which are comparable to corporate governance elements like internal control, board decision making and responsibility, transparency and disclosure, and risk management (APM, 2012).

Corporate governance implies the management, monitoring and holding accountable the organization (Otieno, Mugo, Njenje & Kimathi, 2015; Rezaee, 2009). According to Kariuki (2016) and Brownbridge (2007) corporate governance concerns itself with the organizational system; structures, processes, developing solutions to problems, reporting

and integrity, transparency and behavior of the top management of firms. There are numerous definition of corporate governance rendering the subject without a universal acclaimed one. Therefore, this study considers it as a means through which the organization is managed, controlled, directed and organized to ensure optimal attainment of organizational objectives.

In most instances, corporate governance guidelines are utilized by the firm to safeguard it from fraud and maintain organizational and financial soundness (Black *et al*, 2014). These guidelines and regulations are usually issued by the government agencies and international bodies (Bhatt & Bhatt, 2017).

1.1.2 Deposit-Taking SACCOs

SACCOs subsector contribution to the economy has continued to grow enormously and immensely resulting to great impact on social economic welfare of Kenyans. For the last quarter of a decade the SACCO sector has grown tremendously, attracting many Kenyans to invest and be members in it thus becoming one of the top business models adopted by Kenyans (SASRA report, 2017). It is on this basis that the number of SACCOs registered by SASRA have shoot from a low of 1500 SACCOs in 1985 to a high of 7,500 SACCOs in 2017. Amid several financial challenges, the versatility in SACCOs was witnessed in 2008 as they were among the few businesses that survived the world financial meltdown. This was majorly helped by the unique people centered membership structure in which the cooperative movement operates on. Further, due to the pertinent role played by the SACCOs in attaining the Big 4 Agenda and a whole 90 per cent of Kenyans directly or indirectly being influenced by the SACCOs, there is need to refocus and restructure the sector not only as a resource mobilization vehicle but as a spur of economic growth and industrialization (SASRA Report, 2018). In this state of issue, the co-operative sector is therefore a key cog towards the fulfillment of Big 4 Agenda and Vision 2030.

The Cooperative movement in Kenya hosts the SACCOs as one of its sub-sectors. The SACCOs can be categorized within the Financial Co-operatives whereas the other category of Cooperatives hosts the non-monetary co-operatives (including agricultural and animal husbandry and produce sales, housing and building, water and irrigation, and

investment co-operatives). In the Procasur Africa Report (2012), the rate of growth in financial co-operatives (SACCOs) is more compared to that of non-financial cooperatives. Kenya's SACCOs are unique in that they are member centered, primarily concerned with resource mobilization thus enabling credit extension to their own at competitive prices. The members tend to be in the middle and low-income brackets or they share similarities like nature of employment, skills or business owned. As summarized by Ongwae (2003) the cooperative movement supports 45 per cent of the Kenyan economy. Therefore, to alleviate poverty within the Kenyan society and spur development there is need for a robust cooperative movement.

1.1.3 Project Governance

Project governance is a crucial component for the expected growth and improved performance to occur in an organization. According to Ssekiziyivu *et al.* (2018) good governance practices induces and improves performance of the organizations. This is buttressed by the OECD (2015) study who impute that transparency, accountability and observance of stakeholder's rights as the key guiding principles of good organizational governance. Competitiveness and success in organizations has been associated with the practice of observing and sustaining corporate governance practices in societies and organizations. Mpiira *et al* (2012) imputed that improved performance of SACCOs relied heavily on the application of corporate governance practices. This is associated to the fact that good governance in SACCOs not only attracts new members but it also enhances their savings and transactions. According to Olumbe (2010) internal control an element of corporate governance which primarily includes internal audits enhances transparency in organizational operations and responsibility in the organization. Similar studies such as Doyle *et al.* (2005) found that organizational performance was influenced by internal controls, such that organizations with poor internal control systems were found to be characterized with fraud, loss of revenues, and management conflicts. As implored by Otieno (2011) good corporate governance is premised on appropriate attitudes, ethical practices and values for society operating within a workable and balanced internal control systems. This enhances accountability and transparency ensuring equitable representation

of all the stakeholders and power sharing leading to improved and sustainable organizational performance (Letza. *et.al.* 2004).

According to Mudibo (2005) governance structures within SACCOs are made up of board of directors, various subcommittees ranging from finance, procurement to legal and other staff. Mudibo further clarifies that the board has a major responsibility in ensuring transparency and accountability more so in financial declarations of the organization. This is buttressed by UNCTAD (2006) report on corporate governance which argued that the board has a major responsibility of ensuring that the management discloses status of operations and financial performance of the organization to the stakeholders at the statutory indicated time and intervals. Keynes (2014) imputes that good governance in organizations depends on the qualifications of the board of directors, thus spelling the need of appointing or electing knowledgeable, with relevant expertise and experience, and embodied in strong ethics and integrity.

On the same stead an argument on good risk management practices is raised by Mutua (2016) who argues that the competency of management is vital in managing the different kinds of risks that may hamper the performance of the firm. Risk management is considered to be an element corporate governance for it not only impacts transparency and accountability but also investment decisions. The presence of fraud and managerial conflicts within organization would not arise with implementation of good risk management systems (Mutuku, 2016). The management of risks not only reduces the probability of occurrence of unexpected and costly events but also ensures effective and efficient allocation of resources (Saleem & Abideen, 2017).

1.1.4 SACCOs in Meru County

The growth of the Kenyan SACCO has been recognized and recognized in Africa. Kenya is ranked as the fastest growing SACCO in Africa and the 7th in the world (Gamba & Komo, 2014). Apart from improving the deposit of SACCOs from a low of Kshs 41.71 Billion in 2015 to Kshs 54.94 Billion in 2016, there are many written challenges regarding compliance and an increase in risky loan portfolio which increased from 5.12% in 2015 to in 2016% in 2016%. (SASRA, 2017). Although, Hezron and Muturi (2015) acknowledged the growth of SACCOs in Kenya they also found that despite large sums

SACCOs were unable to meet 100% of the loan requirements for their members and were full of incomplete projects. According to the study this may be related to the limited transparency and disclosure of financial statements to the Board and its members. This is also shown in the study of Chayaho et al. (2013) found that some SACCOs in Kenya were not achieving their goals and projects that had been initiated were lagging behind due to inadequate internal control systems.

The study is being conducted in Meru County of Kenya and targets all the DT- SACCOs registered to operate in the County by SASRA in 2019. Meru County is among the counties established by New Constitution of Kenya, 2010. It is one of the 47 counties created by the constitution located in the former North-Eastern Province. Meru County is geographically placed approximately 225 kilometers North - East of Nairobi. In the Northern direction Meru County borders Isiolo County, located South West of Nyeri County, West of Laikipia County and South East of Tharaka-Nthi County.

The Kenya Population and Housing Census of 2009 gives the Meru County population to be at 1.35 million people making it to be described as one of the highly densely populated county. The County is made up of nine sub counties namely; Imenti South, Imenti Central, Imenti North, Buuri, Tigania East, Tigania West, Igembe North, Igembe South and Igembe Central. Cooperative Movement activities in the county have been growing in the county. The growth of SACCOs in Meru County is attributed to increased and diverse agri-business, a vibrant entrepreneurship and geographical situated County that serves the Northern and Upper Eastern Kenya.

The first registered SACCO in Meru was in early 1970's and was the Imenti SACCO in 1972 located in the present day Imenti North Sub County. This was sequentially followed by Ntethio SACCO in 1975 from the same Sub County. The next SACCO was founded in Imenti South Sub County in 1977 and was named Kagumone SACCO. These SACCOs formed the benchmark of other SACCOs in the region and also acted as a breeding ground for new SACCOs. In Meru County the SACCOs have developed from the initial primary producer oriented SACCOs recently giving birth to SACCOs in financial and transport industries. It is recognizable that the most recent entrant to the SACCOs

business are Menany and Menya SACCOs whose core business is the growth of transport industry (Meru County Cooperative Task Force Report, 2016).

The latest studied on the Cooperative Sector by the County Government of Meru indicate that there were about 117 SACCOs in the County and were distributed among key sectors of the economy like; finance, agriculture, health and transport. There were a total of 221,122 members in the distributed among the 117 SACCOs and were distributed as follows when gender is considered ((3,392 females and 441 males). The capitalization of the SACCOs by the year 2016 was at KES 486,468,951 with withdrawable deposits standing at KES 1,432,463,440 while the non-withdrawable deposit amounted to 3,318,206,828. The SACCOs had extended credit facilities to members and other stakeholders to a tune of KES 6,327,411,038 (Meru County Cooperative Task Force Report, 2016).

1.2 Statement of the Problem

The growth of Kenya's SACCO has been credited and recognized in Africa. Kenya has been cited to have the fastest growing SACCO subsector in Africa and the 7th in the world (Gamba & Komo, 2014). Despite the improved capitalization of deposit taking SACCOs from a low of Kshs 41.71 Billion in 2015 to Kshs 54.94 Billion in 2016, there are numerous challenges documented on compliance and increased total loan portfolio at risk which increased from 5.12% in 2015 to 5.23% in 2016 (SASRA, 2017). Though, Hezron and Muturi (2015) acknowledged growth of SACCOs in Kenya they also established that despite the huge capitalization the SACCOs could not meet 100% the loan demands from their members and were littered with incomplete projects. According to the study this could be associated with limited transparency and disclosure of the financial statements to the Board and the members. This was also indicated in the study by Chayaho *et al.* (2013) who found that some of the Kenyan SACCOs were not meeting their objectives and the projects that had been initiated were falling behind schedule due to inadequate internal control systems.

Further, the SASRA Supervision Report of 2017 insinuated a scenario of mixed performance results. This was despite the growth in capital base, whereas the number of

registered SACCOs have kept on decreasing, which is attributed to failure of affected SACCOs in complying with set regulations. Other performance indicators like total loans to total deposits show that DT- SACCOs have been operating at more than against the recommended rate of less than 85%. This has been the trend from the year 2014. This is also replicated in the Non-Performing Loans which have kept on oscillating above the recommended standard of less than or equal to 5%. Another crucial indicator for SACCO's performance is the Earning Assets to Total Assets ratio which has been operating at less than the recommended 80% (SASRA, 2018).

Various researchers in Kenya have explored the interplay between performance and development of deposit-taking oriented SACCOs in Kenya with respect to financial and asset sustainability, socio-economic growth, poverty alleviation, resource mobilization and development among the poor (Hezron & Muturi, 2015). However, there are few documented studies examining and investigating the influence of project governance factors on the performance of deposit taking SACCOs in Meru County. A study conducted on governance elements effect on performance of SACCOs by Munoru (2017) was not conclusive and focused mostly on internal controls and board composition. Another study by Maingi (2014) evaluated factors affecting DT - SACCO's performance and thus turned out to be broad and was not exhaustible on the governance factor. Nkuru (2015) conducted a study dealing with factors influencing the growth of SACCOs in Kenya with a major focus of SACCOs in Meru County and limited to Agricultural based SACCOs with a noted exception of governance factors. There are limited studies relating to the effect of project governance factors thus leading to the present study desire to assess the project governance factors effecting the performance of DT- SACCOs in Meru County Kenya.

1.3 Objectives of the Study

The general objective of the study is to examine the relationship between project governance practices and performance of Deposit Taking (DT) - Sacco's in Meru County, Kenya.

Specific Objectives.

This study seeks to;

- i. Examine the relationship between projects' internal controls and performance of DT- SACCOS in Meru County, Kenya.
- ii. Assess the influence of projects' management committee's composition on the performance of DT- SACCOS in Meru County, Kenya.
- iii. Establish the relationship between Projects' transparency and disclosure on the performance of DT- SACCOS in Meru County, Kenya.
- iv. Examine the relationship between projects' risk management and performance of DT- SACCOS in Meru County, Kenya.

1.4 Research Questions

The following questions shall guide the research:

- i. Do projects' internal controls have an effect on the performance of DT- SACCOS in Meru County, Kenya?
- ii. Does project management committee responsibility within projects have an effect the performance of the DT- SACCOS in Meru County, Kenya?
- iii. Does transparency and disclosure within projects have an effect the performance of DT- SACCOS in Meru County, Kenya?
- iv. Do risk management strategies within SACCOS projects have an effect on the performance of DT- SACCOS in Meru County, Kenya?

1.5 Significance of the study

The findings may be referenced by SACCOS in their endeavor to become world class and competitive in the market. The Government of Kenya may also reference the result for its continued improvement of SACCOS regulations. The theoretical and practical contributions may play an important role in developed ground breaking research that contributing to expansion of knowledge. The project governance results may lead to better managerial practices and principles that the management may implement in their respective societies thus affect attainment of maximum shareholder's wealth returns and respectable remuneration of the employees and other stakeholders. The policy makers are better suited to audit the whether there is value for money in activities and investment of

members as well as whether they are safeguarded from misuse and embezzlement by the management and the boards running these SACCOs. The study is bound to increase the investor confidence if it establishes presence of internal controls and good management of risks within the Deposit Taking SACCOs in Kenya. This way, the government would be able to accelerate development in the attainment of the objectives spelt out in the financial pillar of Vision 2030 and the financial strategy- Kenya.

1.6 Scope of the Study

The scope is related to project governance in deposit taking SACCOs and their influence towards performance. The project governance factors under consideration in this study are: internal controls, project management committee, risk management and transparency and disclosure. The study will adopt a survey method, focusing on the 11 licensed Deposit-Taking SACCOs in Meru County.

1.7 Limitations of the Study

A numerous number of challenges may be experienced in this study, and they include but not limited to; design of the research instrument, the administration of the questionnaire and filling of the questionnaire. The Sacco's are located within an expansive area and thus direct contact with all the intended respondent may turn out to be a challenge. This may result to increased time for undertaking the study. The nature of data required to make the study a success may not be readily available in the open data bases and will require the data collector to physically visit the management of each of the SACCOs. This may result to inaccessibility of the targeted respondents or rejected questionnaires. The other foreseeable limitation is the literacy levels and language barriers of some of the board members as they may have risen to board membership level due to their political and economic influence despite being challenged in the literate qualifications. This may require one to hire an interpreter in order to hasten the process of data collection.

1.8 Organization of the study

This study is premised on the Agency theory and Shareholder's theory. This is because they tend to explain the nexus between principal and agent within the study's context. The conceptual framework is depicted in chapter two.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter looked onto the past empirical and theoretical studies on project governance factors. It took into consideration to studies related to corporate governance and its association to performance of SACCOs. Specific areas of focus included the theoretical framework that guided this study and review of past empirical studies. Review on the association of the project governance factors and performance of SACCOs is conducted. The chapter includes the also the conceptual framework.

2.2 Theoretical Review

The review of theories that underpins project governance issues in organizations are evaluated and discussed in this section. The study's theories of interest that this chapter focused on were, Agency theory, Shareholders' theory and Stakeholder's theory.

2.2.1 Agency Theory

The origin of this is traced to, Adam Smith (Smith, 1776) who related the agency problem as the negligence of management when handling money that it's not their own. The major proponent of the agency theory has been Jensen and Meckling who in their 1976 article expounded the agency theory through an article that focused on the theory of the firm explaining on the behavior of the management, costs incurred by management and how the ensuing organizational configuration of ownership resulted to the framework of organizational relationships (Lan *et al.*, 2010). That is the association between stakeholders, management and shareholders. Through the exposition of this article Agency theory is considered and premised to offer a strong foundation for corporate governance literature and framework.

Panda and Leepsa (2017) argue that agency theory is driving force on implementation of corporate governance and the resulting organizational relationship configurations. They further argue that it tends to describe the conflict between the management interests and those of the owners, where management has control of the firm but the shareholders bear most of investment effects due to decisions made by management. This nature of conflict

had been expounded by Jensen and Meckling's in their 1976 model that described the lower management increased non-pecuniary spending without fully internalizing the costs involved (Heath, 2009). This view is premised on the fact that shareholders who exist outside the organization boundaries are not in a position to costless monitor the management actions.

To ensure that management does not ignore and abandon the shareholders and stakeholders interest a principal - agent relationship is instituted (Abdullah & Valentine, 2009). In the case at hand, the owners or shareholders of the SACCOs can be referred as the principals and their main role is to elect the management board as their agents in running the affairs of the SACCOs (Mitnick, 2006; Heath, 2009). The management board recruit, and delegate authority to managers whose key role is to steer the SACCOs towards its objectives through key decision making on resources utilization. The Agency theory therefore stipulates the existence of two groups; the owners and the agents who are expected to make decisions on the principals' interest (Shapiro, 2005). The agent is sometimes assumed not to be in a position to act in the best interest of the principal thus the need for agency theory to separate ownership and control. This study adopts agency theory as a base of explaining the relationship between ownership and management in pursuit of the organizational goals.

This theory plays leading roles for it brings into recognition of the separation of the ownership from the management and how this relationship may influence the performance of SACCOs. The internal controls instituted within the organization are supposed to safeguard the management interests, ensuring that they are in line with those of the principals (Bhimini, 2008). The Board having been elected by the owners are supposed to supervise and guide management towards attaining the SACCOs objectives. Agents sometimes act opportunistically, maximizing their compensation and thus the board need to ensure that the series of controls instituted within the organization are implemented as stipulated.

2.2.2 The Stakeholder's Theory

This theory focusses on the issues that concern the interests of the stakeholders in an organization. According to Otieno, Mugo, Njenje and Kimathi (2015) (2015) the stakeholder theory emphasis is on the reason for the existence of the organization where its interests are defined by the diversity of stakeholders. This requires balancing their interests in order to ensure each constituency is satisfied (Coleman, 2008). The major proponent of stakeholder theory has been Freeman who in 1984 coined the term stakeholder (Lauesen, 2013). According to Freeman (2008) stakeholders are groups of interest that impact the success and survival of the organization. The stakeholder's theory according to Clarkson (1995) distinguishes the different kinds of stakeholders and the nature of power each of these groups hold and the level of legitimacy and urgency each hold.

According to Jensen as referenced from Heath (2009) the maximization of value occurs together with satisfaction of the stakeholders. Actually Jensen puts it succinctly that lack of consideration of stakeholder's interest's leads to organizational failure in maximizing value. Hence, according to Freeman (2004) an organization cannot separate values from the economic interests of the organization. Stakeholder theory initial stage is that successful business accomplishments are premised on values and economic interests of the organization. This ensures that there is optimal consideration of all the stakeholders' interests within the organization (Sundaram & Ikpen, 2004). This concurs with Porters and Kramer (2002) visualization of the dichotomy between the social and economic benefits is a false one as organizations do not operate in an isolated environment from the society. Thus according to Friedman (1970) managers should also undertake social corporate responsibility so as to reach the larger stakeholders of the organization.

The rise of the stakeholder's theory is related to the failure by the agency theory to deliver in totality the corporate governance mechanism it promises (Keasey, 1997). The stipulations of agency theory like non-executive board members, the risk and audit system and threats of management takeover and prevention from misuse of power by management have been inadequate in maintaining the balance of power between the management and shareholders thus the need to rope in the external stakeholders (Hutton,

1995). According to Silberson (1995) stakeholder theory enables the management to exercise their power thus developing long term goals for the organization though they are still accountable and answerable to organization stakeholders. This theory is relevant to SACCOs governance as their key stakeholders are communities where majority of shareholders come from and directly benefit in terms of employment and also in any of the corporate social responsibility projects started and managed by SACCOs.

2.2.3 Shareholders Theory

According to Friedman (1970) the main task of management is to maximize the shareholders returns. This being a governance theory it tends to explain the principal-agent relationship thus shedding light on the obscure managerial practices in the organization. The principal-agent relationship should be based on the social drive perspective of maximizing the shareholders' wealth (Coelho *et al.*, 2003). The theory links with the Agency theory as the shareholder theory vests the power of wealth generation and management to the principals. The proponent of this theory believe that when the principal take their responsibility of wealth maximization as expected there is a possibility of the organization to contribute towards improvement of the country's economic wellbeing (Stout, 2013).

According to Jeffers (2005) the concept of principal-agent relationship refers to a system that ensures shareholders' interests are of high priority and therefore requires the management maximize value for their investments. This has influenced the development of certain aspects of legal frameworks that support this idea like in UK and USA. This is confirmed by Clarke (2016) who imputes that the Anglo-American have continued to support the dynamic market model as it orientates towards liquid capital that enhance quick pursuance of market opportunities.

2.3 Empirical Review

According to Haiyang (2014), empirical review refers to the critical analysis of previous studies conducted by other scholars based on the studies objectives and variables. This study presents a review of all the study objectives as depicted in chapter one. The discussion conducted herein this part of the study explores the main findings of the past

studies as pertaining to the corporate governance elements relationship with SACCOs performance. The empirical review also explores the similarities and differences between the past and present study to establish the study gaps.

2.3.1 Internal Controls and Performance of SACCOs

The management takes the lead role of implementing internal controls. They are supported by the board of management and other employees of the organization to ensure and assure the shareholders and stakeholders the attainment of organizational objectives in the most effective and efficient way (COSO, 2013). The internal control process should comply with the existing industry laws and adhere to the stipulated financial and management reporting. According to Muthusi (2017) internal controls include systems like internal audits that primarily focus on enhancing financial performance and accountability of the firm. As pointed out by Doyle et al (2005) a firm that lacks internal controls is bound to be faced by problems of lower revenues, fraud, and management conflicts and poor disclosure of information.

A study conducted by Kiyieka and Muturi (2018) whose main focus was internal controls systems and financial performance of SACCOs in Kisii County, returned a strong significant relationship. Kiyieka and Muturi (2018) study focused on the 10 deposit taking SACCOs operating under SASRA's license. The descriptive research design was adopted for this study. The 60 senior managers in the SACCOs made up the target population. Therefore the management of SACCOs were the majority respondents. Results from the study indicated that the SACCOs had functional audit departments as well as a functional audit manual. The study established weakness in the financial reporting system and presence of high risks of fraud. This research study deviates from that of Kiyieka and Muturi as it encompasses not only the management but also the board of directors. Further, the present study will also focus on the administrative aspect of internal controls that the Kiyieka and Muturi (2013) study has ignored.

In another study conducted by Muthusi (2017) majoring on the Commercial Banks as representatives of the financial institutions in Kenya found a presence of positive influence of internal controls on financial performance. There are same expectations in

this study due to similarities in the target populations being financial institutions. The study by Muthusi (2017) was within the purview of descriptive research design whereas the sampling methodology was stratified random sampling. This led to 129 prospective respondents drawn from the 43 banks. This study had similar conclusions with those arrived at by Mwachiro (2013). The Mwachiro (2013) study indicated that the presence of weak internal controls and disregard of ethics usually led to collusion, mismanagement of client's funds, loss of funds and unabated fraud. These studies are similar to the present study though the point of departure is the target population whereas Muthusi (2017) study majored on the banks the present study focus will be on SACCOs.

2.3.2 Project management committee Responsibility and Performance of SACCOs

According to Cheruto (2015) the committees established by the SACCOs shareholders to oversee projects are pertinent in critically assessing and monitoring the performance of the organization. The role of monitoring performance with respect to organizational objectives should be continuous and consistent and are under purview of these committees. As established by Otieno *et al.* (2015), the board committees rank below the annual general meeting or the special general meeting who usually mandate the board to carry their responsibilities on their behalf of them. The board further is divided into specialist committee likes the supervisory, finance, audit and privileges committees among others. The committees work and report their findings to the board for their recommendations to be implemented. As a project governance principle, management boards have the responsibility of ensuring proper utilization of organizational resources, accountability and, monitoring and reviewing of organizational performance thus ensuring maximization of shareholders' wealth.

The study by Muiru, Kyongo and Onchomba (2018) conducted on SACCOs operating within higher levels of education. Their study established that corporate governance was related to financial performance positively. The element under consideration in the study was the role played by the board members which was found to be positive and significant as well as transparency and disclosures. The studies' focus was the members of Private Universities SACCOs in Kenya. The number of respondents were 120 and adopted a

descriptive research design, making use of regression models to find out the association between various corporate governance effects and performance of the SACCOs. Study by Muiru *et al.*, (2018) applied quantitative statistical methods for solving the research questions. Board members were included as part of the respondents in order to be appraised of present state of the study, with differences noted from this research study in kind and number of variables under consideration. The study by Muiru *et al.*, incorporate variables like ethical cultures and shareholders' rights that are missing in this study.

Another study by Chemakai, Alala and Charles (2018) found that board accountability strongly influenced monetary performance of SACCOs located within Kakamega County. The research design adopted for the study could be categorised under descriptive research design. The stratified random sampling applied on the target population generated a sample of 890 respondents. The respondents making the sample were of varied characteristics such as; shareholders, board members, top managers and financial managers. Descriptive and inferential statistics methods of data analysis were applied on the data collected through a questionnaire. The Chemakai *et al.*, 2013 study did not limit itself to SACCOs that are regulated by SASARA but all the SACCOs in operation in Kakamega County. This brings into focus the lack of an oversight authority in the operation of SACCOs operations thus limitations in standards as assured in the deposit taking SACCOs as regulated by SASRA.

2.3.3 Transparency and Disclosure, and Performance of SACCOs

Transparency is defined as a system nurturing accountability and responsibility between the organizational stakeholders (Kariuki, 2016). This is due to the fact that transparency reduces the level of information asymmetry within the organization. This is a governance mechanism which helps in distributing power and responsibilities ensuring smooth control of the organization. According to Alo (2008) this system of safeguarding accountability and responsibility between stakeholders lays down the framework for transparency and disclosure. Disclosure on the other hand is viewed as a process of providing both qualitative and quantitative information to help users make informed decisions concerning their interaction with the organization. According to Kariuki

(2016) disclosure includes information provided in end of year statements, management analysis, financial notes, audit analysis, corporate social responsibility reports, strategic management plans, information uploaded in social media platforms and bulletins on future outlook of the organization.

According to Mutuku (2016) full disclosure and transparency and trust which form the bedrock of corporate governance helps in mitigating the non-compliance costs thus impacting on level of taxes as well as increased legislations and regulations. Extending this line of argument, Wood and Sangster (2005) indicated that higher levels of disclosure led to high corporate governance index. Mutuku (2016) further, argues that the fair and true status of the SACCO can be realized through full disclosure of financial information. It is through this that the rights of minority shareholders, suppliers, creditors, and other peripheral stakeholders are protected. This mostly affects stakeholders that have minimal or no access to internal organization dealings and activities.

In a study by Makai and Olweny (2016) on the performance of SASRA registered SACCOs in Kirinyaga County- Kenya established that they were being affected by corporate governance practices. This study in Kirinyaga County found out a non-significant and negative relationship between transparency, accountability responsibility disclosure, and financial growth. The study by Makai and Olweny (2016) had adopted descriptive research design whose target population included all SACCOs operating under SASRA's and County Cooperative license in Kirinyaga County. The sample of 327 respondents had been generated through a stratified random sampling method. The Makai and Olweny (2016) adopted a structured questionnaire that resulted to uniform and structured data. Makai and Olweny (2016) study differs from our study on the basis of target population and the sampling methodology. The results of this study were contrary to that of Mugoto and Genga (2019) who found a positive-significant association between disclosures and financial oriented performance of SACCOs operating within Nairobi County. Analysis in Mugoto and Genga (2013) was facilitated by a regression model that analysed the primary data provided by the SACCOs management. The present study borrows heavily from this study in terms of context and variables under inspection.

2.3.4 Project Risk Management Factors and Performance of SACCOs

Management of different kinds of risks is critical for the stability and survival of financial institutions (FIs) (Mutua, 2016). It is for this that FIs need to identify the numerous risks that have a chance of affecting their businesses. Mutuku (2016) lists down the various types of risks that are associated with SACCOs, these include; premium risks, operational risks, business risks, bankruptcy risks, reeling risks and trade risks. This list is confirmed by Gweyi (2018) who explains the additional risks like liquidity risks, interest rate risks and credit risk. The management of these different kinds of risks not only reduces the probability of occurrence of unexpected and costly events but also ensures effective and efficient allocation of resources (Saleem & Abideen, 2017). In case of SACCOs the importance of risk management is highly regarded due to their perceived effect that usually results from the behaviour of clients and the characteristic of environment in which they operate in (Mukanzi & Musiega, 2016).

In a study conducted in Kakamega County by Mukanzi and Musiega (2016) whose main intention was to investigate the association between operational risk management processes and financial performance of Deposit Taking SACCOs found a positive relationship. The selected number of respondents were 56 from the four licensed deposit taking SACCOs in Kakamega County. The study by Mukanzi and Musiega (2016) made use of a described research design and involved the whole population of the study. The present study is similar to the study conducted in Kakamega County in terms of the choice of the sampling methodology and the research design. The present study will include the board of management that had been ignored in the Kakamega County Study and will focus beyond the financial risk management.

The results established by Mukanzi and Musiega (2016) are similar to those of the study conducted by Mwaniki and Wamioro (2018) who established that risk management practices associated with credit had an effect on financial performance of SACCOs in Mombasa County - Kenya. The effect of credit risk management process on performance of SACCOs was established be a positive and significant. Mwaniki and Wamioro (2018) study had made use of descriptive research design adopting the Nassiuma (2014) formula of establishing the sample size. The number of respondents who comprised of credit

managers administered the research instrument were 90 and the study generated a response rate of 55 per cent. The present study departs from Mwaniki and Wamioro study due to its focus on top management of SACCOs regulated by SASRA, whereas the elements of study are not limited to the credit risk management aspects and the study is not only based on theories focussed on maximizing shareholders' wealth rather than the portfolio management theories as applied in the Mwaniki and Wamioro study.

2.4 Research Gaps

Generally, studies on project governance factors and elements on their relationship with SACCO's performance and growth has been on the rise. Majority of the reviewed studies have not in totality addressed the intricacies surrounding the association between project governance factors and financial performance mainly of rural based SACCOs. There are limited empirical findings in the area of study especially those solely focusing on counties and developing countries the group where Kenya belongs to. The existing ones tends to have contradicting outcomes on the association between project governance and performance of SACCOs, with most of them focusing majorly on financial performance. On the other hand, there has been a case of some studies eluding criticism on the research design adopted and the target population of choice, a case in point of the studies ignoring the role played by regulatory authorities and board of directors.

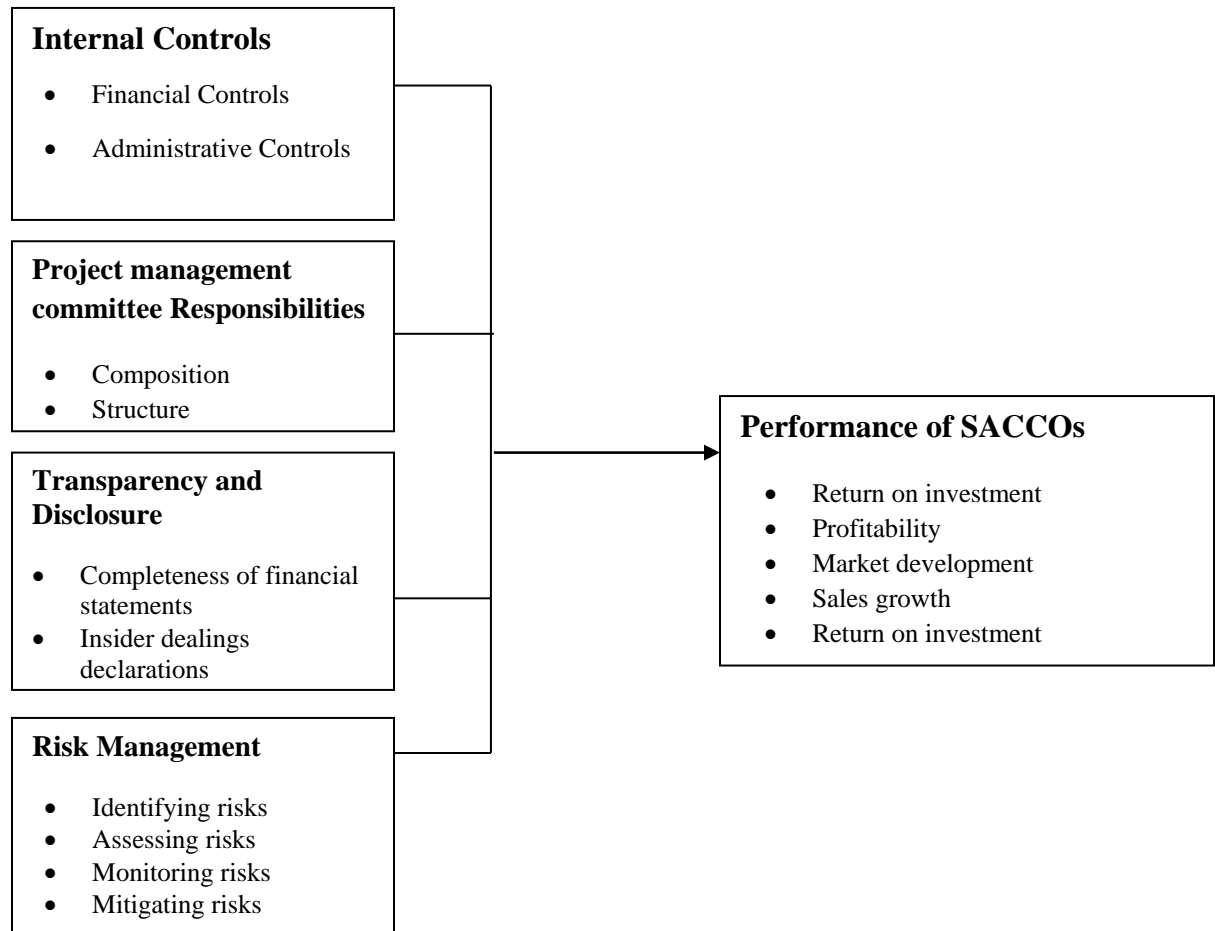
2.5 Conceptual Framework

The section and figure below presents the conceptual framework adopted for the study. It depicts the relationship between the exogenous variable and the endogenous variable.

Fig 2.1 Conceptual Framework

Independent Variables

Dependent Variable



Source: Researcher, 2021

Internal Controls

These are mechanisms applied in organizations to ensure that project objectives are met. In most cases internal controls are implemented for the organization to comply with certain regulations that it's supposed to operate within. Internal controls maybe administrative or audit oriented where they ensure that the project management is able to take charge of day to day organizational activities and meets the standards set respectively. Internal controls influence the performance of organizations because when

they are observed it means targets are met, misappropriation of funds are eliminated or occur minimally and resources are allocated efficiently.

Project Management Committee Responsibilities

The participation of the project management committees appointed by the board in overseeing the project management activities undertaken by the organization is designed to enhance protection from environmental threats and more so direct the effective and efficient allocation of resources. The committee members are expected to safeguard and maximize shareholders interest and wealth respectively. In the process of maximizing the shareholders' wealth through strategic decision making the organization ends up improving its financial performance.

Transparency and Disclosure

Transparency and disclosure does not only bring into the projects a system of checks and balances but also an avenue for information access to all kinds of shareholders and stakeholders. Through transparency a governance mechanism is instituted that distributes power and responsibilities thus improving the performance of employees within the project due to personal accountability of ones' activities. Timely, clear, concise and precise of organization disclosures portrays integrity and raises the organization image in the market. This attracts potential and potential customers to the organization for the purchase of its products.

Risk Management

Risk management is a process instituted within the firm for safeguarding it from unexpected happenings and risks. The system put in place identifies, assess and prioritizes risks either for elimination or mitigation thus reducing their effects on the projects designed by the organization. The risk management activities tend to control financial risks among other risks in order to limit financial losses.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The review of study's methodology and design was conducted in this section. It focuses on the study's design used to plan for problem evaluation up to data collection and analysis. It sets the rules and procedures to be observed when defining the target population and the sampling methodology. The study's instrument is also put into perspective in this section to ensure that they meet the standards and test the intent of the study as well as the research problem. The chapter took into consideration data analysis methods, context and content of study's tools and the study's ethics. The chapter also describes the data analysis models, data processing tools, results and data presentation.

3.2 Research Design

Research design represents the plan adopted which ensures study's objective are met. The versatility of descriptive research design has led to its adopted in this study as it assures effective description of study's phenomenon. The descriptive research design helped in collecting the target population views, attitude and opinions and putting them into perspective for better description (Kipchumba, 2015). The selected study design has been adopted due to its ability to describe and explain the relationship of the study variables. The underlying connections and relations between the variables were brought into fore thus helping the study in unearthing the causality aspects between the variables. The study design was applied in guiding the choice of data collection tools and data collection process.

3.3 Target Population

This encompassed all SACCOs registered with SASRA, and Trade and Cooperatives Department of Meru County and whose area of operation is within Meru County. The study further narrows down the target population to the deposit taking SACCOs due to the regulatory requirements that they are supposed to meet for them to be in operation.

There are 11 DT- SACCOs which are registered with SASRA. The task force on cooperatives report confirms this. The study focuses on corporate governance principle

leading to consideration of well-structured and nationally regulated SACCOs. Therefore, the unit of analysis of this study included top officers and employees of the DT- SACCOs operating in Meru County.

The top officers and employees of the DT - SACCOs involved in decision making, directing and supervising as well as governance; Sacco Chairman, CEO, Finance manager, Operations Manager and Marketing Manager will be the main focus of this study. The target population had a total of 55 elements depicted in the table below.

Table 3.1: Target Population Distribution

Sub County	Target number of Sacco's	Target Respondents per Sacco	Target population
Imenti North	4	5	20
Imenti South	3	5	15
Imenti Central	1	5	5
Igembe South	3	5	15
Total	11		55

Source: SASRA (2018) & Department of Cooperatives, Trade & Tourism, Meru County (2018)

3.4 Sampling Techniques and Sample Size

For representative data and meaningful one that can be utilized for analysis and taking into consideration the size of target population it was deemed wise to make use of census methodology as advised by Copper and Schindler (2014). This enabled the study to make inferences as it took into consideration the total accessible population.

Therefore, this study focused on SACCOs that are nationally regulated by SASRA and take deposits numbering 11. The SACCOs operate in the four Sub Counties of Meru

County. The respondents were selected from the CEOs, management and Sacco Chairmen. The total sample size therefore was 55 as presented below.

Table 3.2 Sample Size

	Target Population	Percentage %	Sample Size
Chairmen	11	100	11
CEOs	11	100	11
Finance Managers	11	100	11
Operation Managers	11	100	11
Marketing Managers	11	100	11
Total	55		55

Source: SASRA (2019)

3.5 Data Collection Instruments

The process of collecting relevant data to be utilized for the study (Kothari, 2016). The study adopted a structured questionnaire as the research instrument of choice as it intended to gather primary data from the SACCO's management and Board Chairs. A questionnaire ensures systematic articulation of the studies objective, providing the right rigor in collecting the requisite information for answering the research questions (Kumar, 2011). A questionnaire is a robust data collection instrument due to its ability to be self-administered, administered through an interviewer or sent over long distances.

The questionnaire had two sections with the first part designed to establish or collect background and demographic data from respondents while the second part sought to elicit information that could be used to test the various study hypothesis.

3.6 Data Collection Procedures

The procedures start with seeking permission through a letter from the School of Post Graduate Studies – Kenyatta University. After permission was granted an application was

submitted to the body regulating research ethics, Kenya National Commission of Science, Technology and Innovation (NACOSTI) for a permit to collect data. Another permit was sought from the Meru County Commissioners Offices for administrative purpose. The study sought help from management of participating SACCOs to bring on board to the study their respective Board Members of the SACCOs and the other respondents. The research assistants administered the semi-structured questionnaire to the selected respondents. The filled questionnaires were picked up after an agreed period of time.

3.7 Data Analysis Methods and Presentation

The research tools and instruments administered to respondents were collected, inspected for errors, cleaned and edited where necessary. Those that were incomplete were rejected. Thereafter, coded data was entered into the statistical software SPSS version 23. A statistical package was utilized in quantitative analysis that enables description of data demographics as well as the inferential statistics for establishing effect in study's variables. The package helped the study in establishing the association between the variables of the study if any and also in determining if there is a causal influence between project corporate governance factors and performance of SACCOs. The descriptive statistics of choice that this study intends to make use of are percentages, mean and frequencies. The inferential statistics included the regression analysis where significance tests were conducted to help us in answering the research questions.

A multiple linear regression model derived from the study objectives and empirical review was developed and its form is represented as;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon.$$

The model is a representation of the association between project corporate governance factors and performance of SACCOs, where:

Y = Performance of SACCOs

X₁ = Internal Controls

X₂ = Project management committee

X_3 = Transparency and Disclosure

X_4 = Risk Management

β_0 the model Constant

β_1 to β_4 Model Coefficients

ϵ representing the Error term

3.8 Data Validity and Reliability

Reliability measures the extent of consistency of outcome when you administer the research instrument to the same population at different intervals of time (Ko, Lee, Birch & Lee, 2017). As reliability measures consistency, the test-retest method offers a better recourse during the initial preparation phase of research instrument development. This was conducted in a population where the elements of study have similar characteristics. The same questionnaire was administered to the same respondents after a duration of time. The pilot population consisting of the top management of deposit taking SACCOs located in the Isiolo County are the targeted respondents during this stage of the study. Cronbach's Alpha was resorted to so as to establish the reliability of the study's instrument. The alpha value of 0.6 and above generated from the Cronbach's Alpha measure is considered to be acceptable (Mugenda and Mugenda, 2003).

In addition, to above the face to face validity was utilized to enhance questionnaire consistency. At least 10 questionnaires were administered to Non-Deposit Taking SACCOs management located within Meru Municipality. This also helped in determining the optimal time it took to fill or administer the questionnaire. Areas that needed to be improved or removed from the questionnaire were also identified. Through this administration it was easier to identify whether the content of the questionnaire elicited the expected information on the subject under study. Secondly, before proceeding with questionnaire administration expert opinion was also sought from the supervisors, lecturers and practitioners on the suitability of the research instrument on generating information on corporate governance and performance of organizations.

3.9 Ethical Considerations

To meet stipulated ethical standards a permit was sought before conducting of the study. The request was made to the body mandated with maintaining ethical research standards in Kenya - NACOSTI. To enhance meeting of ethical standards, respondents were voluntary recruited to participate in the study. The research assistant were first to introduce himself or herself, the reasons for carrying out the study and the expected contributions of the respondent before commencing data collection. The research assistant were also required to guarantee confidentiality and privacy of the respondent's participation to any third parties. The study steered clear from the respondent's privacy and personal information to ensure that they gain confidence in the study.

To gain confidence of the respondent the research assistant were supposed to avail an introduction letter from the Graduate school that indicates the student's name, study title, the reason for study to be conducted and the duration of conducting the study. In addition, consent was sought from County Administrators for access within the County in order to seek information from the respondents. To ensure ethics are maintained in development of this study, all sources of information were cited and acknowledged as guided by the American Psychological Association (APA). The study limited itself to the stipulated objectives and analysis of collected data only.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

The chapter evaluated the extent to which application of the independent variable (corporate governance factors) influenced the dependent variable (performance) of DT-SACCOs in Meru County, Kenya. The population target was the 55 senior management employees involved in decision making. A structured questionnaire was administered to the target population to collect pertinent data for analysis. Means and standard deviation on various constructs in the variables were calculated to represent the descriptive statistics. Regression analysis and correlational analysis were calculated with the intention of establishing the size of effect of performance due to corporate governance factors.

4.2 Study's Demographic Characteristics

4.2.1 Response Rate

The study considered the 55 senior management within the Deposit-Taking SACCOs in Meru County capable of or undertakes decisions on the implementation of various SACCOs projects. Of the 55 questionnaires administered, the defined sample returned 48 of them that could be subjected to data analysis process. This represented 87.27% of the total target population which according to Kumar (2017) is admissible for data analysis and inferential analysis.

Table 4.1: Response Rate

Rate	Frequency	Percentage
Response	48	87.27
Unresponsive	7	12.73
Total	55	100

Source: Resource findings (2020)

4.2.2 Demographic Characteristics Analysis

The Table 4.2 indicates the distribution of the gender of respondents in this study.

Table 4.2: Gender of Respondents

Gender	Frequency	%	
Valid	Male	30	62.5
	Female	18	37.5
	Total	48	100.0

Source: Primary Data (2020)

The results from the Table 4.2 indicate that Deposit Taking SACCOs in Meru County have employed more male than females in managerial positions. The results implied that gender presence is vital in the performance of financial organizations. These results confirm those of Munoru (2017) who had found that majority of SACCO managerial employees were male in Meru County.

4.3.2 Education Level of Respondents

The level of education of the respondents was established through demographic analysis. This was conducted in order to understand the distribution of employees in terms of education more so those occupying senior management positions and whether they had the right skills to lead the implementation process of the organizational projects. The results are presented in Table 4.3 below.

Table 4.3 Respondents Education Level

Level of Education	Frequency	%	
Valid	Secondary	2	4.2
	College	9	18.8
	Degree	37	77.1
Total	48	100.0	

Source: Primary Data (2020)

Results from Table 4.3 indicate that majority of the respondents were well educated as they had Degree qualifications which stood at 77.1%. Those with College qualifications stood at 18.8% while those with Secondary School Certificate represented 4.2% of the

total population under study. This is a good indicator that the respondents had the requisite skills to make informed decisions concerning projects' implementation within the SACCOs. The results are consistent with those of Ndungu (2016) who found that SACCOs employees in Nairobi County were well educated with more than 50% being graduates

4.4 Determinants of SACCOs Performance

4.4.1 Internal Controls and Performance of SACCOs

The study examined the relationship between internal controls instituted in implementing projects and the performance of SACCOs. Using a scale of 1 to 5 the study sought to establish to what extent do SACCOs projects audit, fraud detection, standards of audits on projects, management of audits and commitment of project managers influenced performance of SACCOs. The findings were presented in the Table 4.4 below. The results indicate that the SACCOs undergo frequent project audits as well as the maintenance of audit standards. This is because their frequency means is above 3. This is consistent with the results established by Mwachiro (2013) which established that SACCOs that underwent frequent audits had increased performance. This is replicated in the performance of audits and commitments of the management to the implementation of projects as their value of mean stood well above 3 which signifies moderate extent.

Table 4.4 Internal Controls Statistics

Items on Internal Control	N	Mean	Std. Deviation
The SACCO projects undergo frequent audits	48	4.1042	0.69158
Fraudulent activities and fraud detection are inherently unpredictable and difficult to detect in projects thus affecting overall performance of the SACCO	48	2.7917	1.00970
The standards of audit and audit related services implemented in the projects influence the performance of SACCOs	48	3.8750	0.89025
The extent of implementation of audit manual management in SACCOs projects influences performance	48	3.8125	0.84189
Project management are committed to ethical values	48	4.0833	0.76724

Source: Resource findings (2020)

The results of the study indicated consistent with those of Kiyieka and Muturi (2018) who found a strong causal link between the internal control systems within the DT - SACCOs and their performance in Kisii County. The present study included the Board of Directors which had not been included in the Kiyieka and Muturi (2018) work. The study came into a conclusion that DT - SACCOs had functional audit departments and there was presence of an audit manual. The results of the study were also similar to those of Muthusi (2017) who had conducted a study on internal control effects on Kenyan Commercial Banks. The results had established positive significant influence of internal controls on performance of commercial banks.

4.4.2 Project Management Committee Composition and Performance of SACCOs

The study wanted to establish the relationship between the project management committee roles and the performance of SACCOs. Using a scale of 1-5 the study sought to establish the technical functions discharged by the committee, expertise and skills, effectiveness of internal control systems, publishing of accounts and recruitment of employees and their influence on the performance DT - SACCOs. As indicated in Table 4.5 the project management committee. The results show that to a great extent that there is a board committee in charge of projects that discharge various technical functions of the board like technical advice (Mean = 4.125, Standard Deviation = 0.959). The study also established that to a great extent project management committee's ensured that SACCOs were managed effectively and had strong internal control and monitoring systems that were functional (Mean = 4.00, Standard Deviation = 0.945). The least mean value was associated with the indicator that project management committee have an established criteria bordering on expertise and professionalism for one to be a board member which stood at (Mean = 3.250, Standard Deviation = 1.120). This is consistent with Cheruto (2015) study which established that to a great extent majority of boards had committees for discharging various technical functions.

Table 4.5 Project Management Committee Statistics

Items on Project Management Committee	N	Mean	Std. Deviation
There is a board committee in charge of projects that discharge various technical functions of the board like technical advice	48	4.1250	0.95928
The project management committee has an established criteria bordering on expertise and professionalism for one to be a board member	48	3.2500	1.12041
The project management committees ensures that the SACCO is managed effectively and a strong internal control and monitoring system is functional.	48	4.0000	0.94531
The project management committee are responsible for the publishing statements of account for the projects they are in charge of.	48	3.7917	0.98841
The project management committee are involved in the recruitment of project employees	48	3.8750	1.12278

Source: Resource findings (2020)

The results of this study were similar to those established by Cheruto (2015) that project committees are vital in ensuring that the SACCOs purposes are met. The study by Cheruto (2015) established that the relationship between project committee and performance of SACCOs was a positively significant. The study emphasised the need of having a skilled committee that can also play a monitoring role to the SACCOs projects for them to be able to offer the relevant advice to the management in order to induce improved SACCOs performance. These results are in concurrence with those of Otieno *et al.*, (2015) who established that the committee of the boards play pertinent roles in ensuring that skilled expertise is offered to the management when running the projects of the SACCOs thus leading to improved performance. The study by Otieno *et al.*, (2015) insists that the selection of the project committee members is vital as it determine the level of performance of the SACCO.

4.4.3 Transparency and Disclosure and SACCOs Performance

Using a scale of 1-5 where 1 is the lowest score graduating up to five as the highest score, the study wanted to know the extent to which transparency and disclosure practices in a project influenced its performance. Through the Table 4.6 the following was established; that the element periodical financial statements are prepared and presented to the management and the board as required by the law had the greatest influence towards financial performance as had a mean of 4.458 and standard deviation value of 0.743. This was followed closely by the element big risk exposures, investment portfolio, any regulatory reports, and internal reports which are relevant to the completion of projects are declared whose mean was 4.271 and standard deviation value of 0.609. The element with the least influence under transparency and disclosure was Periodical reports on all insider dealings and non- performing insiders loans are disclosed whose mean was 3.646 and standard deviation value of 1.041

Table 4.6 Transparency and Disclosure Statistics

Items on Transparency and Disclosure of Projects	N	Mean	Std. Deviation
Periodical financial statements are prepared and presented to the management and the board as required by the law	48	4.4583	0.74258
Equipment's acquired, commitments entered into and resources set aside for projects are disclosed to the management and the Board	48	4.2292	0.62704
Big risk exposures, investment portfolio, any regulatory reports, and internal reports which are relevant to the completion of projects are declared	48	4.2708	0.60983
Periodical reports on all insider dealings and non-performing insiders loans are disclosed	48	3.6458	1.04147
Comprehensive statement of income	48	4.2500	1.00000

Source: Resource findings (2020)

The results in terms of the indicators when measured using a Likert Scale were similar to those of Mutuku (2016). All the indicators returned an above average measure indicating

the pertinent role that transparency and disclosure should play in a SACCOs performance. The point of divergence is when the size of effect and significance is compared. The present study did not return a significant effect though the size of the effect are nearly equal. The study by Mutuku (2016) insists on full disclosure of the financial information and statements to the customers and members as this would build the confidence of the members to the organization thus raising their contributions and support.

4.4.4 Risk Management and Performance of SACCOs

The fourth objective of the study wanted to examine how projects risks management practices affected the performance of SACCOs. Using a Likert Scale where 1 is the lowest score, graduating up-to five as the highest score, the study sought to know the contribution of risk management practices discharged by the management, risk analysis, communication and consultation, review and monitoring influenced the performance of the SACCOs. As established in Table 4.4 the project management committee, effective communication and consultation had the greatest influence to the performance of SACCOs as its mean stood at 4.167 and standard deviation of 0.630. The next element on line was project analysis and treatment whose mean was 4.125 and standard deviation of 0.841. The element with the least influence was establishing the context of project risks whose mean stood at 3.75 and standard deviation at 0.911

Table 4.7 Risk Management Statistics

Items on Risk Management	N	Mean	Std. Deviation
There is a guided and well directed continuous risk identification process in the SACCOs projects	48	3.9167	1.00707
Establishing the context of the projects risks influences the performance of the SACCO	48	3.7500	.91093
Proper project risk analysis and treatment influences the performance of the SACCO	48	4.1250	.84110
Effective communication and consultation within the project process influences SACCOs performance	48	4.1667	.63021

Review and monitoring of project risks influences the performance of SACCOs	48	3.9792	.69923
---	----	--------	--------

Source: Resource findings (2020)

The results of this study are similar to those established by Kakamega County by Mukanzi and Musiega (2016) who established a causal link that was significant between organizational risk management and SACCO’s performance. The study indicated that each of the SACCOs project had to have a risk management system and policy to safeguard it from unforeseen risks. The two studies also had similarities in research design as both made use of descriptive research design. This study is also similar in design and result to that of Mwaniki and Wamioro (2018) who established that risk management elements associated with credit had an effect on financial performance of SACCOs in Mombasa County - Kenya.

4.4.5 Performance of SACCOs

The study wanted to interrogate the state of performance in the SACCOs. Using a Likert scale where 1 is the lowest score in terms of performance, graduating up-to five as the highest score, the study sought to determine the performance in the SACCOs located in Meru County. From the Table 4.8 it was established that cash flow from operations had the highest mean at 3.8333 and standard deviation of 0.6631 and it was followed closely by research and development which had an equivalent mean but a different standard deviation which stood at 1.038. These two performance indicators were followed by employee health and safety at a mean of 3.750 and standard deviation of 0.7855. The least influential indicator was personnel development with a mean value of 3.270 and standard deviation value of 0.939. The results are consistent with those of Ndungu (2016) who established that corporate governance practices influenced the return on investment and profitability of selected SACCOs in Nairobi County.

Table 4.8 Performance of SACCOs

Items on Performance of SACCOs	N	Mean	Std. Deviation
Operating profits	48	3.7292	0.84399
Return on investments	48	3.5417	0.74258
Market share	48	3.6250	0.76144

Sales growth rates	48	3.6667	0.66311
Cash flow from operations	48	3.8333	0.66311
Market development	48	3.6875	0.92613
New products/services development	48	3.7292	0.73628
Cost reduction programmes	48	3.6875	0.85443
Personnel development	48	3.2708	0.93943
Research and Development	48	3.8333	1.03827
Work place relations	48	3.6875	0.58913
Employee health and safety	48	3.7500	0.78551

Source: Resource findings (2020)

4.5 Reliability of Study's Instrument

The study resorted to Cronbach's Alpha measure to establish the reliability of the study's instrument. From the Table 4.9 it is realized that each of the variables had a Cronbach Alpha coefficient value greater than 0.6. According to (Ko, Lee, Birch & Lee, 2017) the research instrument could be considered acceptable to be utilized in this study.

Table 4.9 Reliability Test

Variable	No. of Items	Cronbach Alpha Value
Internal Controls	5	0.612
Project Management Composition	5	0.742
Transparency and Disclosure	5	0.861
Project Risk Management	5	0.894
Performance of SACCO	12	0.756
Total Items	32	0.781

Source: Resource findings (2020)

4.6 Regression Results

To determine the influence of project internal controls, project management committee composition, transparency and disclosure, and project risk management practices influence on performance of Deposit Taking SACCOs in Meru County, a multiple linear

regression model was applied. Table 4.8 presents the summary of the model indicating the value of coefficient of determination.

Table 4.10: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.906 ^a	0.822	0.803	0.498

a. Predictors: (Constant), Internal Controls, Project Committee Composition, Transparency and Disclosure, Project Risk Management

Source: Resource findings (2020)

As shown in table 4.10, the coefficient of determination indicated adjusted R^2 equivalent to 0.803. This means that 80.3 percent of variation in the performance of Deposit Taking SACCOs in Meru County was attributed to the four variables; projects internal controls, project committee composition, transparency and disclosure, and project risk management practices. The remaining 19.7 percent of variation could be related to chance or other factors not included in the study’s analysis. This was consistent with the results of Ndungu (2016) study who established that the corporate governance practices measures explained more than 80% of the variance in the financial performance of selected SACCOs in Nairobi County.

4.6.1 Analysis of Variance

Table 4.11 presents an ANOVA table derived from the regression model. The ANOVA table reports the $F = 7.561$ with 4 and 43 degrees of freedom with a significant level ($p=0.00$). This result imply that the regression model was appropriate for fitting the data as indicated by the p-value lower than 0.05. From the results, the significant regression equation can be written as follows $F_{(4, 43)} = 7.561, p=0.00$. This indicates that a regression model with the said independent variables (Internal Controls, Project Committee Composition, Transparency and Disclosure, Project Risk Management) fits better compared to a regression model with null variables. The results were consistent

with those of Munoru (2017) study on role of governance issues on financial performance of deposit taking SACCOs where the F value was more than two and was significance.

Table 4.11 ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5.334	4	1.333	7.561	.000 ^b
	Residual	7.583	43	.176		
	Total	12.916	47			

a. Dependent Variable: Performance of SACCOs

b. Predictors: (Constant), Internal Controls, Project Committee Composition, Transparency and Disclosure, Project Risk Management

Source: Resource findings (2020)

4.5.2 Coefficient of Regression

To establish the size of effects for each of the independent variables on the dependent variable the regression model was run. The results indicated that internal controls had a positive and significant effect on the performance of Deposit Taking SACCOs ($\beta=0.678$, $p=0.032$). This means a unit increase on internal control would lead to a 0.678 in performance of SACCOs. There were two other independent variables (project committee composition and project risk management) that had positive and significant effect on performance of SACCOs ($\beta=0.373$, $p=0.013$; $\beta=0.456$, $p=0.018$) respectively. However, transparency and disclosure had a positive but non-significant effect on performance of SACCOS ($\beta=0.152$, $p=0.717$). The results are consistent with those of Mukanzi and Musiega (2016) for project risk management and Mutuku (2016) for transparency and disclosure who established a positive and significant results respectively

Table 4.12: Regression result

Model	B	Std. Error	Beta	T	Sig.
(Constant)	0.153	2.937		3.052	0.049
Internal Controls	0.678	0.312	0.412	2.173	0.032
Composition of Project Management Committees	0.373	0.348	0.278	1.071	0.012

Transparency and Disclosure	0.238	0.412	0.089	0.370	0.717
Project Risk Management	0.456	0.342	0.0679	2.370	0.018

a. Dependent Variable: Performance of SACCOs

Source: Resource findings (2020)

The regression equation of the model could therefore be written as:

Performance of SACCOs = 0.153 + 0.678 Internal Controls + 0.373 Composition of Project Management Committee + 0.238 Transparency and Disclosure + 0.456 Project Risk Management

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This section dwells on conclusions and recommendations as well as the suggestions for further studies. There is also as provision for a section on recommendations for further studies that academicians can explore and delve into in a bid to unravel the question of how to improve the performance off SACCOs carrying out projects. The discussion in this part of the study is based on the research questions developed earlier in this study of the projects’ governance factors and their effect on performance of SACCOs that are involved in deposit taking within Meru County. This chapter tends to derive meaning from the data analysis results and develop conclusions which when adopted would act as a blueprint for improving the performance of the SACCOs.

5.2 Summary of Findings

5.2.1 Internal Controls

The first objective of the study sought to investigate the existence of association between project’s internal controls on performance of DT- SACCOs in Meru County. This was done by applying the Likert scale that measured the extent to which frequent audits,

fraudulent activities, standards of audit and observance of ethical values influence the performance of deposit taking SACCOs. The results indicated that audit and ethical values plays a very pertinent role in improving the performance of the SACCOs. The results also indicated that standards of audit, audit manual management to a large extent influenced performance outcomes of DT- SACCOs in Meru County.

5.2.2 Project Management Committees

The second objective of the study was aimed at assessing the influence of project management committee on the performance of DT- SACCOs in Meru County. This was done by applying the Likert scale to measure the extent to which the respondents agreed with indicators like professionalism, expertise, technical capability of committee members in influencing their performance towards various projects implementation. Each of the indicators in the project management committee returned a value higher than the average thus leading to the deduction that the nature and skill levels of the committee members really mattered in determining not only project performance but also the SACCOs performance.

5.2.3 Transparency and Disclosure

The third objective focussed in establishing the influence of transparency and disclosure on the performance of DT- SACCOs in Meru County. The maintenance of high levels of transparency and disclosure within the organizational is vital for organizational sustenance. Despite the Likert scale measurements for the indicators returning above average results the coefficient of regression is not significant. This indicates that the indicators are important though their effect to the total performance of the SACCOs projects is not that significant compared to the other independent variables. The SACCOs need to reconsider the ways that they view the presentation of the periodical financial statements to the Board and the kind of risk exposure that the SACCOs are subjected to.

5.2.4 Risk Management

One of the study's objective was to assess the effect of risk management on the performance of DT - SACCOs. To attain this objective, Likert type scale data was applied in order to determine the nature of relationship. After running the regression

analysis, it was established the presence of a positive causal link between risk management and financial performance. The indicators of risk in this study were identification of risks, project risk analysis and review and monitoring of project risks coupled with communication of risk effect to the management of the organization.

5.3 Conclusions

This study's main aim was to establish the association between projects' governance principles and performance of DT - SACCOs in Meru County, Kenya. The empirical results generated from the data analysis and the literature review conducted, leads to a conclusion that internal controls, project management committee composition and skills and project risk management practices are pertinent to the performance of SACCOs. Ways should be sought to improve the internal controls of the SACCOs in order to improve their performances. The audit of the processes within the DT - SACCOs should be emphasized as well as implementation of fraud detection systems. When these are put in place the SACCOs are bound to improve their performance.

The study also concludes that project management committee's plays vital role in propelling SACCOs towards their purpose. Therefore, the management and the members should be vigilant when the election or appointment of committee members arises. Appointment to these committees should be according to ability and prowess of the individual or rather merit should be preferred to politics and patronage.

5.4 Recommendations

The study recommends DT - SACCOs to strengthen their audit processes within their SACCOs. The audit processes should be frequent to ensure that no fraudulent activities are occurring within the SACCOs. The study noted that Audit standards are vital for the organizations to maintain good performance. In addition, there is need for the ethical standards to be observed by the management and employees within the organization. For instance, when it comes to submission of financial statements to Board and shareholders, employees should adhere to the accounting standards as well as agree to observe and practice ethics. SACCOs should explore strategies in which they can improve their internal control systems. Implementation of good control systems ensures early detection

of risks and failures of management processes. Operations tend to run as planned when the internal processes are working.

In addition, SACCOs should streamline their information technology systems to offer support to the established internal control systems. The SACCOs through the operationalization of the information technology should be in a position to network their departments and at the same time use it as a platform for offering financial products. This would serve as one way in which transparency and disclosure would be taken care of within the SACCOs. This is because queries from customers would be in real time, transaction trails would be easier to establish and the onus of maintaining good relationship with customers would increase. The risk management aspect within the SACCOs projects should also be addressed due to the pertinent role that this study has established in relating the performance off the SACCOs with their risk management practices. SACCOs should explore better methods of communication with their stakeholders to safeguard growth of the business and shield it from unfounded rumours that may affect the growth and the sustainability of the projects. Frequent monitoring and review of the projects processes should be instituted.

5.4 Suggestions for Further Studies

An exploratory study that determines the factors that explained 19.7 percent of the dependent variable need to be conducted.

REFERENCES

- Alexander, M. (2010). *A survey of the use of financial performance indicators by Savings and Credit Cooperative Societies in Kenya*. Unpublished Masters of Business Administration Thesis, University of Nairobi, Nairobi.
- Alo, O. (2008). Ethics and corporate governance: Issues in technology driven economy. The Director, July Edition
- Baker, B. (2008). *Capital Requirements and Bank Behavior: Empirical Evidence for Switzerland*, Swiss National Bank.
- Bhatt, P. & Bhatt, R. (2017). Corporate governance and firm performance in Malaysia- Corporate Governance: *The International Journal of Business in Society*, Vol. 17(5), 896-912
- Bhatt, R. & Bhattacharya, S. (2015). Do board characteristics impact firm performance? An agency and resource dependency theory perspective. *Asia-Pacific Journal of Management Research and Innovation*, Vol. 11(4), 274-287.
- Bhimani A. (2008). Making corporate governance count. The fusion of ethics and economic rationality. *Journal of Management and Governance*, 12(2), 135-147.
- Clarkson, M. B. E. (1995). A stakeholder framework for analysing and evaluating corporate social performance. *Academy of Management Review*, 20(1), 92–117.
- Cooper, D. & Schindler P. (2008). *Business Research Methods*. (8th ed.); New Delhi; MacGraw-Hill.
- Copper, R. & Schindler, S. (2014). *Business Research Methods*. India: Tata McGraw-Hill
- Coso. (2013). *Internal Control-Integrated Framework*.
- Diamond, D. & Dybvig, P. (1983), 'Bank Runs, Deposit Insurance, and Liquidity', *Journal of Political Economy*, 91,401-19.
- Doyle, J. W., & McVay, S. (2005). Determinants of Weaknesses in Internal Control over Financial Reporting and the Implications for Earnings Quality. *Journal of Accounting, Auditing and Finance*, 8 (1), 31-52.
- Edward, K. (1997). "Ethical foundations of financial Regulations" Working paper 1620.

- EUSS (2012). *Egerton University Sacco Society Ltd - Impact of Government Regulations on Sacco Societies*. Egerton University
- Financial Sector Deepening. (2009) *Saving Credit Cooperative Societies Large SACCO Restructuring Facility outline*.
- Freeman, R. E. (2008). *A stakeholder theory of modern corporations*. In T. L. Beauchamp & N. E. Bowie (Eds.), *Ethical theory and business* (8th ed.). Englewood Cliff, N.J, Pearson Prentice Hall.
- Freeman, R. E., Wicks, A. C., & Parmar, B. (2004). Stakeholder theory and the corporate objective revisited. *Organization Science*, 15(3), 364–369.
- Friedman, M. (1970). The social responsibility of business is to increase its profits. In L. B. Pincus (Ed.), *Perspectives in business ethics* (pp. 246–251). Singapore: McGraw-Hill.
- Gay, L. (1976). *Education Research Competencies for Analysis and Application*. Ohio: Charles E. Meri Publishers.
- Gweyi, M. (2018). *Influence of financial risk on financial performance of Deposit Taking SACCOS in Kenya*. Unpublished PhD thesis submitted to Jomo Kenyatta University.
- Hardy, D., Holden, P. & Prokopenko, V. (2003). Microfinance institutions and public policy. *The Journal of Policy Reform*, Vol. 6(3), 147-158.
- Heath, J. (2009). The use and abuses of agency theory. *Business Ethics Quarterly*, Vol. 19 (4), 487 - 528
- Kariuki, D. (2016). *Examination of the relationship between corporate governance and financial soundness of licensed deposit taking SACCOS in Kenya*. Unpublished MBA Thesis Submitted to Strathmore University, Nairobi.
- Kelly, É. (2010). *Governance rules! The principles of effective project governance*. Paper presented at PMI® Global Congress 2010—North America, Washington, DC. Newtown Square, PA: Project Management Institute.

- Keyes, C. P. (2014). Top-5 corporate governance best practices that benefit every company. Retrieved February 06, 20120, from <http://www.mcinnescooper.com/publications/legal-update-the>
- Kirkpatrick, C. & Maimbo, S. (2002). The implications of the evolving micro finance agenda for regulatory and supervisory policy. *Development Policy Review*, 20(3): 293-304.
- Kothari, C & Gaurav, G. (2016). *Research Methodology: Methods and Techniques*. (3rd Ed.). New Delhi, New Age International.
- Kumar, R. (2019). *Research Methodology: A Step-by- Step Guide*. (5th Ed.). Thousand Oaks, California, Sage.
- La Porta, R., Lopez-de-Silanes, F., Shleifer, A. and Vishny, R. (2002): "Investor protection and corporate valuation", *Journal of Finance*, 57, 1147-1170.
- Leonard, R. L (2009). "The power of financial ratios III detecting fraudulent financial reporting, *Journal of Applied Corporate Finance*, vol.1 (1). 40 - 45.
- Lila, R. (2010). *Micro - Finance regulations in Bangladesh: Development and experience*.
- Makai, J. & Olweny, T. (2016). Corporate governance and financial growth of SACCOs: a case of SACCOs in Kirinyaga County, Kenya. *International Journal of Economics, Commerce and Management*, Vol. 4 (8): 395 – 430.
- MCCG (2000). *Malaysian Code on Corporate Governance*, Securities Commission. Kuala Lumpur.
- MCCG (2012). *Malaysian Code on Corporate Governance*, Securities Commission, Kuala Lumpur.
- Mitnick, B. (2006). The theory of agency: The policing ‘paradox’ and regulatory behavior. *Public Choice*, 24(1), 27–42.
- Mpiira, S., Kiiza, B., Katungi, E., Staver, C., Tabuti, J. S., Kyotagalimye, M., Tushemerereirwe, W. K. (2013). Factors influencing the SACCOs programs in Uganda. *African Journal of Agricultural Research*, vol. 8(43): 5276–5284.

- Mudibo, E. K. (2005). Pan-African consultative forum on corporate governance, Dakar, Senegal: *Corporate governance in co-operatives the East African experience* (pp. 12–26). Dakar: Pan-African Publication.
- Mugenda & Mugenda (2008) Building theories from case study research. *Academy of Management Review*, 14(4): 532-550.
- Mugoto, M & Genga, P. (2019). Disclosure requirements and financial performance of deposit taking SACCOs in Nairobi County, Kenya. *International Academic Journal of Economics and Finance*, vol. 3 (3), 18-36
- Muiru, A., Kyongo, J. & Onchomba, M. (2018). Corporate governance and performance of SACCOs in selected private universities in Nairobi County, Kenya. *International Journal of Economics and Commerce and Management*, vol. 6(2), 482-495
- Mukanzi, C. & Musiega, M. (2016). Influence of operational risks on financial performance of deposit taking SACCOs in Kakamega County, Kenya. *International Journal of Communication and Commerce Innovations*, vol. 4(2), 509-518.
- Mulwa, F.W., & Mala, S. (2000). *Management of Community Based Organizations* (CBOs). Nairobi:
- Munoru, E. (2017). Role of governance on financial performance of deposit taking SACCOs in Meru County. *Unpublished MBA Research Project Submitted to School of Business and Economics, Kenyatta University, Nairobi.*
- Murray, A. (2011) *White Paper: PRINCE2 and Governance*, November 2011, London,
- Mutua, R. (2016). *Impact of credit risk management on financial performance of SACCOs in Kitui County*. Unpublished MBA Thesis submitted to Southern Eastern University, Kenya.
- Mutuku, C. (2016). *The effect of risk management on the financial performance of Commercial Banks in Kenya*. Unpublished MBA Thesis, submitted to the School of Business, University of Nairobi, Kenya.

- Mutuku, D. (2016). *Effects of corporate governance on financial performance of SACCOs in Machakos and Athi-river sub-counties*. Unpublished MBA Thesis Submitted to South-Eastern University, Machakos, Kenya.
- Muthusi, D. (2017). *Internal controls and financial performance of Commercial Banks in Kenya*. Unpublished Msc. Thesis Submitted to Kenyatta University, Nairobi.
- Mwachiro, D. (2013). *Effect of internal controls on revenue collection in KRA*. Unpublished MBA Project, Submitted to University of Nairobi, Nairobi.
- Mwaniki, E. & Wamioro, G. (2018). Effects of credit risk management practices on the financial performance of SACCOS in Mombasa County, Kenya. *IJARKE Business & Management Journal*, Vol. 1(1): 91-106
- Ndungu, S. (2016). Effects of corporate governance practices on financial performance of selected SACCOs in Nairobi County. *Unpublished MBA Research Project Submitted to School of Graduate and Research Studies, KCA University, Nairobi*.
- OECD, (2015). *G20/OECD principles of corporate governance*. OECD report to G20 finance ministers and central bank governors.
- Okeahalam, C. & Akinboade, O. (2003). A review of corporate governance in Africa. Literature, issues, and challenges. *A paper prepared for the global corporate governance forum presented on 15th June 2003*
- Ongwae, A. (2003). Good Governance for Pension Funds. Nairobi, Daily Nation, Comments and Analysis, Smart Company, March 8, 2011, p.8
- Otieno, K., Mugo, R., Njenje, D., & Kimathi, A. (2015). Effect of corporate governance on financial performance of Savings and Credit Cooperatives in Kenya. *A R.J of Finance and Accounting*, Vol. 6 (1): 48-58.
- Panda, B. & Leepsa, N. (2017). Agency theory: Review of theory and evidence on problems and perspectives. *Indian Journal of Corporate Governance*, 10(1), 74-95.
- Perrin, S. (2017). How investors friendly is corporate governance in Africa. <https://www.accaglobal.com/in/en/member/discover/cpd-articles/governance-risk-control/corp-govcpd.html>

- Shapiro, S. (2005). Agency theory. *Annual Review of Sociology*, Vol. 31 (2005), 263 – 284.
- Ssekikiziyivu, B., Mwesigwa, R., Bananuka, J. & Namusobya, Z. (2018). Corporate governance in microfinance institutions: Evidence from Uganda. *Cogent Business & Management*, Vol. 5 (1), 1-19
- Stiger J. G. (1971). *The Theory of Economic Regulation - Bell Journal of Economics and Management Science*. University of Chicago.
- Saleem, S. & Abideen, Z. (2011). Do effective risk management affect organization performance? *European Journal of Business Management*, vol. 3(3), 258-267
- Saunders A. & Cornett, M. (2002). *Financial Institutions Management: A risk management approach* (4th edition). McGraw Hill, New York.
- Schmidt R. (2000) 'Banking regulation contra microfinance'. *Savings and Development* 24(1),
- Staschen S. (2003) 'Regulatory requirements for microfinance. A comparison of legal Frameworks in 11 countries worldwide'.
- Sundaram, A. & Inkpen, A. (2004) Stakeholder theory and the corporate objective revisited: A reply. *Journal of Organization Science*, Vol. 15(3), 370-371
- Wood, F., & Sangster, A. (2005). *Business Accounting 1*, 10th edition, Pearson education Ltd, London.

APPENDICES

Appendix 1: Introductory Letter

Zakary G, Njeru.

P.O Box 654-60100

Meru

Dear Concerned Kenyan,

RE: STUDY QUESTIONNAIRE

As part of the requirements for attainment of a Masters in Business Administration (Project Management) degree a candidate is required to carry out a study. It's on this strength that a research tool focusing on establishing the association between project governance factors and SACCOs performance has been developed.

To collect relevant data that will help in attaining the purpose of the study; the attached research tool is to be filled by the selected board of management, management and employees. You are encouraged to read through the instrument, weigh your opinion and write the best answer that fits the issue at hand. Know that your opinion matters greatly towards restructuring the SACCOs policy recommendations. Clarifications will be highly appreciated on any part of the instrument that is not clear.

I indeed guarantee to ensure feedback generated in this study to be utilized for academic purpose only unless otherwise advised.

Yours faithfully,

Zakary Gitonga Njeru

D53/OL/EMB/26976/2015

Appendix II: Questionnaire

Making use of either a cross(x) or tick (√) indicate the best option that represents the state of play within the organization.

Section A: Personal Information

1. Please indicate your gender (Tick where applicable)

Male

Female

2. Please indicate your level of education?

Primary

Secondary

College

Degree

3. Indicate the nature of project you are involved in?

Infrastructural	
Promotion and Branding	
Information Technology	
Policy and Strategy Development	
Membership Recruitment Drives	
Other (State)	

Section B: Internal Controls

The questions in this section seeks to bring into fore the association between internal controls within SACCOs projects and financial performance. Please provide sincere opinion by designing the statements provided in order of: 1 - Not at all, 2 – Small Extent, 3 – Moderate Extent, 4 – A Great Extent, and 5 – Very Great Extent.

No.	Statement	1	2	3	4	5
1	The SACCO projects undergo frequent audits					
2	Activities that are fraudulent are unpredictable and hard to detect in projects thus affecting overall performance of the SACCO					
3	The standards of audit and audit related services implemented in the projects influence the performance of SACCOs					
4	The extent of implementation of audit manual management in SACCOs projects influences performance					
5	The commitment of project managers to the ethical values in the SACCOs operations influences its performance					

Section C: Project Management Committee Composition

The questions in this section seeks for information on Project management committee influence on financial performance of SACCOs. Please provide sincere opinion or extent of agreement with the given statements by allocating the following criteria; 1 - Not at all, 2 – Small Extent, 3 – Moderate Extent, 4 – A Great Extent, and 5 – Very Great Extent.

No.	Statement	1	2	3	4	5
1	There is a board committee in charge of projects that discharge various technical functions of the board like technical advice					
2	The project management committee has an established criteria bordering on expertise and professionalism for one to be a board member					
3	The project management committees ensures that the SACCO is managed effectively and a strong internal control and monitoring system is functional.					
4	The project management committee are responsible for the publishing statements of account for the projects they are in charge of.					
5	The project management committee are involved in the recruitment of project employees to ensure right skills and capabilities are in place					

Section D: Transparency and Disclosure

The questions in this section seeks to establish the relationship between transparency and disclosure in project activities and their effect on performance of SACCOs. Please provide sincere opinion by designing the statements provided in order: 1 Strongly Disagree, 2 Disagree, 3 Neutral, 4 Agree, and, 5 strongly Agree

No.	Statement	1	2	3	4	5
1	Periodical financial statements are prepared and presented to the management and the board as required by the law					
2	Equipment's acquired, commitments entered into and resources set aside for projects are disclosed to the management and the Board					
3	Big risk exposures, investment portfolio, any regulatory reports, and internal reports which are relevant to the completion of projects are declared					
4	Periodical reports on all insider dealings and non-performing insiders loans are disclosed					
5	Comprehensive statement of income comparing actual and budgeted is prepared and presented to board					

Section E: Risk Management

The questions in this section seeks for information on the relationship between risk management in projects and performance of your SACCO. Please provide sincere opinion by designing the statements provided in order of; 1 - Not at all, 2 – Small Extent, 3 – Moderate Extent, 4 – A Great Extent, and 5 – Very Great Extent.

No.	Statement	1	2	3	4	5
1	There is a guided and well directed continuous risk identification process in the SACCOs projects					
2	Establishing the context of the projects risks influences the performance of the SACCO					

3	Proper project risk analysis and treatment influences the performance of the SACCO					
4	Effective communication and consultation within the project process influences SACCOs performance					
5	Review and monitoring of project risks influences the performance of SACCOs					

Section F: Performance of SACCOs

The questions in this section seeks for information on the performance of your SACCO. Please give your sincere opinion by ranking each statement in order of: 1- Significantly below average, 2- Below average, 3- Average, 4- Above average, 5- Significantly above average

No.	Statement	1	2	3	4	5
1	Operating profits					
2	Return on investments					
3	Market share					
4	Sales growth rates					
5	Cash flow from operations					
6	Market development					
7	New products/services development					
8	Cost reduction programmes					
9	Personnel development					
10	Research and Development					
11	Work place relations					
12	Employee health and safety					

Thanks for your Patience

Appendix III: Distribution of Deposit taking SACCOs in Meru County

S/N	Sacco Name	Sub county
1.	Capital Sacco	Imenti North
2.	Centenary Sacco	Imenti North
3.	Solution Sacco	Imenti North
4.	Imenti Sacco	Imenti North
5.	Yetu Sacco	Imenti South
6.	Times u Sacco	Imenti South
7.	Kathera Rural Sacco	Imenti South
8.	Smart Champions Sacco	Imenti Central
9.	Dhabiti Sacco	Igembe South
10.	MMH Sacco	Igembe South
11.	Nyambene Arimi Sacco	Igembe South

Source: SASRA (2018)

Appendix IV: Location of Study-Meru County

