

**CORPORATE GOVERNANCE AND FINANCIAL PERFORMANCE OF DEPOSIT-
TAKINGSAVINGS AND CREDIT COOPERATIVE SOCIETIES IN KERICHO
COUNTY, KENYA**

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DECLARATION

Declaration by the candidate

This research project is my original work and has never been presented for an award in any university or any other institution of higher learning.

Sign

Date.....

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Supervisor's Approval

I confirm that this research project has been submitted for examination with my approval as the university supervisor.

Signed

Date

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DEDICATION

I dedicate this work to my family members who have continually been instrumental and inspirational, understanding and the sacrifice they have towards starting my master program.

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ABBREVIATIONS AND ACRONYMS

CBK:	Central Bank of Kenya
DPO:	Dividend Pay Out
EPS:	Earning Per Share
FOSA:	Front Office Savings Activities
GDP:	Gross Domestic Produce
IOD:	Interest on Deposit
KUSCCO:	Kenya Union of Savings and Credit Cooperatives
OECD:	Organization for Economic Co-operation and Development
ROA:	Return of Assets
ROD:	Return on Deposit
SACCO:	Saving and Credit Co-operative Societies.
SASRA:	SACCOs Societies Regulatory Authority
SPSS:	Statistical Package for Social Science

OPERATIONAL DEFINITION OF TERMS

- Board Composition:** A board comprises of a group of people, who join their skills and capacities that all things considered speak to the pool of social capital for their firm that is contributed towards executing the administration work. The board arrangement incorporates board size, board autonomy, board gender, and board competency.
- Corporate Governance:** Corporate Governance is characterized as the procedure and structure used to coordinate and oversee business undertakings of the organization towards upgrading success and corporate bookkeeping with a definitive target of understanding investors' long - term esteem while considering the enthusiasm of different partners.
- DT SACCOs** These are SACCOs that require you to open a savings account and deposit money that you can easily withdraw similar to what commercial banks do.
- Financial Performance:** Financial performance is the extent to which business' financial goals are met or attained. It refers to how a firm effectively uses its resources especially assets to generate income in its daily business and it is a measure of organizations' financial strength.
- Leadership Style:** Leadership is a social impact process in which the pioneer looks for the intentional support of subordinates with an end goal to arrive at association objectives
- Rules and Procedures:** These are sets of methodologies, models, and rules characterized or got by a relationship to show up at its long stretch goals and normally conveyed in a booklet or other structure that is commonly open. Frameworks are the specific systems used to convey methodologies, all things considered, in regular exercises of the affiliation.

Structure:

The normally progressive game plan of lines of power, interchanges, rights and obligations of an association.

ABSTRACT

Savings and credit cooperatives in Kenya have contributed immensely to the country's gross domestic product. Currently, the deposit-taking savings and credit cooperative societies have experienced declining profitability and worsening liquidity problems. Governance is of great importance for financial performance in savings and credit cooperatives. In Africa, Savings and Credit Cooperative Societies have been growing as a strong tool to meet financial needs. This is because cooperatives are well placed to bring about equitable development and justice. However, deposit-taking Savings and Credit Cooperative Societies like any other businesses are faced with challenges in their quest for growth and corporate governance stand as one of the main challenges facing deposit Savings and Credit Cooperative Societies. This study sought to establish the effects of corporate governance on the financial performance of the deposit-taking Savings and credit co-operative societies in Kericho County. The specific objectives were; to establish the effect of the board, Leadership Style, structure and rules and regulations on the financial performance of savings and credit cooperatives in Kericho County. Agency, stewardship and stakeholders and resource dependency theories guided the study. The study employed correlational research design. The target population was the top management (chief executive officer, board members, chief finance managers) of deposit-taking SACCOs in Kericho County where a sample was drawn using stratified sampling and simple random sampling to obtain a sample of 36 respondents. Data was collected spanning from the year 2015 to 2019 where both primary and secondary data were collected for this study. Primary data was collected by administering questionnaires on a drop and pick basis. Secondary data was collected from the SACCO Societies Regulatory Authority. Data collected was analyzed using the statistical package of social sciences and presented using graphs and tables. The study found out that board composition had a positive and significant effect on the financial performance. Leadership style had a positive and significant effect on the financial performance. Board structure had a positive and significant effect on the financial performance. Rules and regulations had a positive and significant effect on the financial performance. The study would benefit the director of the savings and credit cooperatives and other stakeholders in improving the performance of DT SACCOs to be able to compete globally. The findings would also help the government in policy-making regarding cooperatives.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In made market economies for the twenty-first century, the concept of corporate governance has been a significant feature on the procedure plan. Aside from that, the African landmass is gradually warming as a result of rule stress. In reality, it is thought that the Asian crisis, along with the relatively poor execution of the corporate sector in Africa, has made the question of corporate organization a sticking point in the progress debate (Berglof & Thadden, 1999). Corporate governance right now to the frameworks and structures by which the business and endeavours of establishments are composed and administered, to upgrade long stretch shareholders' regard by improving corporate execution and duty, while thinking about the eagerness of various accomplices (Soludo, 2004). Corporate governance in helpful social orders is a touchy and complex issue since cooperatives are underlined on the law of majority rule government concerning dynamic and they have a more extensive proprietorship than other old-style firms (Labie & Périlleux, 2009).

Building legitimacy, assuring transparency and accountability, and maintaining a credible channel of information presentation that will promote remarkable corporate execution are all priorities for corporate organization right now. Globalization has progressed at a rapid rate, causing the money-related walled in region to become increasingly accessible to new goods and organizations. In any case, budgetary controllers throughout the world are

scrambling to examine the movements and contain the chaos (Sandeep, Patel & Lilicare, 2002).

Developing nations most in Africa are currently progressively grasping the idea of good corporate governance, given its capacity to affect emphatically on supportable development. It is accepted that acceptable governance creates financial specialist generosity and certainty. Firms are presently improving their corporate governance works on realizing it expands valuations and lifts the primary concern. Corporate governance is viewed as the procedure and structure used to coordinate and deal with the business issues of an organization towards improving business flourishing and corporate responsibility with a definitive goal of acknowledging long haul investor esteem while considering the enthusiasm of different partners. Claessens *et al.*, (2002) keep up that better corporate structures advantage firms through more prominent access to financing, lower cost of capital, better execution and progressively great treatment all things considered.

Corporate governance is significant because it advances great initiative inside the corporate segment. Corporate governance has the accompanying characteristics; administration for responsibility and straightforwardness, authority for proficiency, initiative for honesty and authority that regard the privileges all things considered. Compelling corporate governance is basic to firm execution and by augmentation investors' worth and particularly so after the prominent corporate breakdown and embarrassments, for example, Enron, WorldCom and others in the US, filling in as a hasty to such ongoing U.S. guidelines as the Sarbanes-Oxley Act of 2002, considering the most clearing corporate governance guidelines in the previous 70 years Metrick (2003),

the primary object of the Act being to ensure financial specialists by improving the precision and dependability of corporate disclosures made compliant with the protection laws and different purposes. Others are Parmalat in Italy, Marcos and Fortune and Baby Doc of Haiti. Back in Kenya, the breakdown of Kenya United Insurance, Lake Star Insurance, Goldenberg, Kenren and Anglo-Leasing outrage call attention to on the need for good corporate governance. Corporate governance has prevailed with regards to drawing in a decent arrangement of open intrigue due to its evident significance for monetary strength of partnerships what's more, society when all is said in done. Corporate governance is about the exercise of control over corporate substances (Claessens, 2003). It has gotten one of the focal issues in the running and guideline of the current undertaking today. Be that as it may, the hidden thoughts and ideas of corporate governance have been shockingly delayed to develop.

1.1.1 Corporate Governance

Corporate governance is concerned about methods for bringing the premiums of financial specialists and directors into line and guaranteeing that organizations are run to support speculators (Mayer, 1997). It is worried in manners by which all partners endeavour to guarantee that supervisors, workers and different insiders are continually taking proper estimates that defend their inclinations. Corporate governance is the framework by which associations are coordinated and controlled. It's a lot of connections between organization executives, investors and other partners as it tends to the forces of chiefs and of controlling investors over minority premium, the privileges of representatives, privileges of loan bosses and different partners (Muriithi, 2009). Metrick and Ishii (2002) characterize corporate governance as both the guarantee to reimburse a reasonable profit

for capital contributed and the pledge to work a firm proficiently given speculation. Corporate governance has likewise been characterized by Keasey *et al.*, (1997) to incorporate the structures, procedures, societies and frameworks that incite the fruitful activity of associations.

Corporate governance at its most fundamental level, manages issues that outcome from the detachment of proprietorship and control (Keasey *et al.*,1997). Yet, corporate governance goes past basically setting up an unmistakable connection among investors and supervisors. The nearness of solid governance gauges gives better access to capital and helps financial development. Corporate governance likewise has more extensive social and institutional measurements. Appropriately structured principles of governance should concentrate on actualizing the estimations of reasonableness, straightforwardness, responsibility, and duty to the two investors and partners. Great corporate governance guarantees that the business condition is reasonable and straightforward and that organizations can be considered responsible for their activities (Nicolaescu, 2012).

Corporate governance in agreeable social orders is a delicate and complex issue since cooperatives are underlined on the law of vote based system concerning dynamic and they have a more extensive possession than other old-style firms (Labie & Périlleux, 2009). Subsequently, Cuevas and Fischer (2006) clarified that DT SACCOs work under a high acknowledges chance just as operational dangers. Corporate governance is the procedure completed by the top managerial staff, and its related advisory groups, in the interest of and to assist the organization's investors and different Stakeholders, to give guidance, authority, and oversights to the board. It implies how to make harmony

between the board individuals and their advantages and the advantages of the investors and different partners (Kobia, 2012).

Associations with great corporate governance can keep up top-notch administrations and to convey improvement. Poor governance game plans set the casing work inside which the hierarchical frameworks and procedures neglect to recognize or envision genuine help and monetary disappointments. Jones (2007) Good governance in associations, in light of receptiveness, lucidity and legitimate responsibility improve open trust and city commitment. Corporate governance is a lot of decides that characterize the connection between partners, the executives, and top managerial staff of an organization and impact how that organization is working. Globally, in Pakistan Ness, Miesing and Kang (2010) conducted a study on the impact of company board on financial performance during the Sarbanes-Oxley, it was established that board size, duality and expertise and the tenure of the board significantly influence the financial performance of a firm. In another study by Faisalet *al.* (2016) on the corporate governance and corporate performance of listed firms in Pakistan, the study found that, inside ownership, board size and presence of independence in the board of directors significantly influences the financial performance of listed firms in Pakistan.

Regionally, the African Corporate Governance Network (2016) observed that Africa is still at its early stages regarding corporate governance, however, Nations like South Africa, Nigeria, Kenya, Egypt and Mauritius have updated rules and codes on corporate governance. In 2000 Kenya hosted an African Consultative Meeting with representation from over 14 African countries, it was highly recommended that there ought to be orchestrated advancement of corporate governance measures and practices with regards

to Africa's needs (ACGN, 2016). However, Africa continues to grumble with difficulties in the implementation of the practices. Some of the challenges are insufficient understanding of the whole concept of corporate administration, lack of transparency and accountability, corruption, ineffective laws, bumpy relations between management and shareholders, false financial reports, weak controls internally and poor management of risk. Despite these challenges, the continent continues to have strong champions of corporate governance both in the private and public sector. African Corporate Governance Network report of 2016 indicates that African countries have embarked on a journey to develop their corporate governance frameworks within their respective political and economic environments. For instance, South Africa continues to be a leader internationally in corporate governance especially in defining the application of global standards in an emerging market environment, while Mauritius has made progress in establishing globally recognized corporate governance standards for its small island economy.

In Kenya corporate governance has gained prominence just like other nations. Centre for Corporate Governance in Kenya which has affiliations to the Commonwealth Association for Corporate Governance continues to advocate for corporate governance. According to private sector initiative for corporate governance (2002), different leading organizations 5 with specific interests developed a guide for voluntary companies to adopt. The framework entailed issues involving the board, for instance, board composition, audit committee role, duties of CEO and the Chairperson and the shareholders' rights. Capital Market Authority later in 2000 took the framework up for adoption at Nairobi Stock Exchange. The practices were later made compulsory. Kenya continues to embark on

ambitious programs of regulatory reforms to enhance corporate governance. The government continues to strengthen and improve institutional frameworks, and also regulatory and key guidelines to foster corporate governance. By the establishment of SASRA in 2009 per the DT SACCO Societies Act of 2008, Kenya seeks to improve institutional arrangements to strengthen different aspects of DT SACCO sub-sector including strengthening corporate governance framework.

1.1.2 Financial Performance

Financial performance is the extent to which a business' financial goal is met or attained. It refers to how a firm effectively uses its resources especially assets to generate income in its daily business and it is a measure of organizations' financial strength. Similarly, financial performance is an appraisal of a firm's financial strength and also an imperative measure of firms' management especially for the profit-making firm (Kiaritha, 2015). Financial performance is the degree of performance of a business over a predetermined timeframe, communicated as far as generally speaking benefits and misfortunes during that time. Assessing the financial performance of a business permits leaders to pass judgment on the consequences of business methodologies and exercises in objective fiscal terms. One of the most major realities about organizations is that the working performance of the firm shapes its financial structure.

The facts confirm that the financial circumstance of the firm can likewise decide its working performance. The subject of financial performance has gotten noteworthy consideration from researchers in the different zones of business and key administration. It has likewise been the essential worry of business specialists in a wide range of associations since financial performance has suggestions to association's wellbeing and at

last its endurance. Elite reflects the board adequacy and proficiency in utilizing an organization's assets and this thusly adds to a nation's economy everywhere (Naser and Mokhtar, 2004) Firm performance is an emotional proportion of how well a firm can utilize resources from its essential method of business to create incomes. There is a wide range of approaches to quantify firms' performance, yet all measures ought to be taken in total. These incorporate bookkeeping put together to measure, for example, come back concerning resources (ROA), return on value (ROE), bookkeeping benefits, Earnings per share (EPS), profit pay-out and financial exchange based measures.

Estimating association's performance utilizing bookkeeping proportion is basic in the Corporate governance writing Demaetz and Lehn, (1985), Ang et al.(2000), specifically, return on capital utilized, return on resources and profit for value. The investigation will concentrate on utilizing the Return on Asset (ROA) – Net Income separated by all-out resources which is the needy variable as a proportion of DT SACCO's financial performance. DT SACCO Societies Regulatory Authority (SASRA), rates the financial performance of store taking DT SACCOs dependent on complete resources, part stores, advances propelled, all-out capital and the surplus reflected in financial articulations which was the premise of estimating financial performance right now. Financial performance of a firm is a component of hidden variables and association which work solidly to deliver results. These perspectives incorporate yet constrained to board size, powers and capacity of the board, board-the board relationship, straightforwardness and divulgence, board synthesis, hierarchical qualities, authority styles and terms of the arrangement of executives (Mutunga, 2002).The study used liquidity, number of employees and profitability levels as measures of financial performance.

1.1.3 Deposit-Taking Savings and Credit Co-Operative Societies in Kericho County

A deposit-taking Savings and Credit Co-operative (DT SACCO) is a law-based, exceptional part determined, self-improvement association. It is claimed, administered and overseen by its individuals who have the regular security: working for a similar boss, having a place with a similar church, worker's guild, social crew or living/working in a similar network (KUSCO). In an agreeable society individuals meet up willfully to tackle their financial issues through self-improvement activities, common help and speculation adventures focused on similarly profiting the gathering and individuals (Brown, 2004).

Deposit-taking SACCOs have registered a huge growth since the late 1970s and have achieved an average rate of growth of twenty percent per annum in its assets and deposit. They also created employment for many people hence contributing to the effort by the government to attain the vision 2030 of full employment. Deposit-taking SACCOs have encouraged individuals to save and thus accumulating capital which contributes to the economic development of the country. Most of the problems which curtail the performance of deposit-taking SACCOs are bestowed on bad governance and poor economic management (SASRA. 2019). While leaders direct and control the organization and managers running them, DT SACCO members have the right to instil and demand good corporate governance in there deposit-taking SACCOs. If the deposit-taking SACCOs have to remain financially and economically viable for socio-economic development tool in the economy they must clinch to good corporate governance. Deposit-taking SACCOs and all cooperative and ruled by the elected members in the various committee who are in turn fully entrusted with management and control of the society acting on behalf of the members of the DT SACCOs.

The financial performance of deposit-taking SACCOs is greatly dependent on the decisions of the committees elected to manage the deposit-taking SACCOs which are attributed to the chief executive officer, board members and other top management (Ondieki *et al* 2011). It is therefore worth studying the relationship that subsists between corporate governance and financial performance of deposit-taking SACCOs in Kericho County. The number of deposit-taking Cooperative Societies in Kericho County has considerably expanded and similarly spread across both the urban and rustic regions because of their generous commitment to their individuals' financial lives. In any case, a large portion of them is tormented by various difficulties, for example, steady wrangles, debasement and blunder bringing about poor assistance conveyance and getting bankrupt.

This partly explains why the literature on cooperatives is overstocked with more stories of cooperative failure than stories of cooperative success (Bwisa, 2004). Deposit-taking Savings and Credit Cooperative Societies in Kericho County has been reporting a decline in their performance which has made some deposit-taking Savings and Credit Cooperative shut down their business, (SASRA, 2016). This justifies the reason why the researcher opted to research in Kericho County.

SACCO Society Regulatory Authority (SASRA) is a regulatory body governing the behaviour of all the deposit-taking SACCOs in Kenya. The Authority derives its powers to regulate the deposit-taking SACCO Societies in Kenya from the SACCO Societies Act 2008 and the Regulations issued thereunder. Any SACCO wishing to operate Front Office Service Activity (FOSA) must obtain authority to operate license from SASRA. SASRA conducts supervisory mandate over the deposit-taking SACCOs and every year

they issue a supervisory report to the public to instil confidence of the public, (SASRA, 2016).

1.2 Statement of the Problem

Over the last few years, several SACCOs in Kericho County have reported many cases of failure as a result of reasons not yet uncovered. According to the report by SASRA(2017), the loan loss allowance which is the indicator for the non-performing loan portfolio continued on an upward trend in to reach Kshs 10.7 Billion in 2017 reflecting an increase of 23.4% from Kshs 8.6 Billion in 2016. On the other hand, the SACCO membership declined by 1.35% in the same period in Kericho. From the same report on the analysis of SACCO performance, it established a diminishing rate of growth in total assets, gross loans and total deposits in 2017 which stood at 12.4%, 11.3% and 12% respectively, compared to growth rates of 14.8%, 15.3%, and 14.8% which was registered in 2016. From the aforementioned statistics, it tells that the SACCOs are not well-performing and may be associated with corporate governance.

Deposit-taking SACCOs in Kenya has assisted several thousands of disadvantaged people and communities to create effective solutions to social and economic challenges. Among these is employment, creation of capital for investments and social cohesion. However, as from the 1990s, cooperative societies faced a decline in their performance which has over time been associated partly to economic stagnation and partly to liberalization policies which have led to many SACCOs being closed because of persistent poor performance and deviation from the key purpose. This has been attributed to the governance of cooperative societies(Matengo, 2008).

Despite the tight regulatory framework, corporate governance continues to weaken in Kenya. According to Muriithi (2009), many companies have been characterized by scandals and embezzlement of member's resources. The decline in the financial performance of savings and credit cooperative has been majorly associated to the corporate governance that they have and has led to the introduction of corporate governance practices in the SACCO sector by SASRA in Kenya is expected to give a component to improve financial specialist certainty and trust in the board and advance monetary advancement of the nation. In any case, proficiency of the corporate governance structures and practices on SACCOs working in the profoundly serious condition in Kenya has not been observationally researched.

Accordingly, to comprehend the governance rehearses that contribute in upgrading the estimation of SACCOs directed by SASRA, this examination will target investigating the viability of corporate governance rehearses, which influence SACCOs performance bringing about responding to an investor and different partners through fitting corporate governance rehearses, which improves the estimation of the SACCOs in Kenya. The SACCO division is getting progressively significant in Kenya. This area is a key player in the economy, as it contributes near 43 percent of Kenya's total national output but not many specialists have inquired about on an immediate connection between corporate governance and financial performance inside this segment. This study, therefore, seeks to investigate the relationship between corporate governance on the financial performance of deposit-taking savings and credit cooperative societies in Kericho County, Kenya.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of this study is to investigate the effect of corporate governance on the performance of the SACCOs in Kericho County Kenya.

1.3.2 Specific Objectives of the Study

The specific objectives guiding this study include:

- i. To examine the effects of board composition on the financial performance of deposit-taking saving and credit co-operative societies Kericho County.
- ii. To find out how leadership style affects the financial performance of deposit-taking saving and credit co-operative societies Kericho County
- iii. To determine the extent to which structure affects the financial performance of deposit-taking saving and credit co-operative societies Kericho County.
- iv. To establish the influence of rules and regulations on the financial performance of deposit-taking saving and credit co-operative societies Kericho County.

1.4 Research Questions

The following research questions guided the study:

- i. What is the effect of board composition on the financial performance of deposit-taking saving and credit co-operative societies Kericho County?
- ii. How does leadership style affect the financial performance of deposit-taking saving and credit co-operative societies Kericho County?

- iii. To what extent does structure affect the financial performance of deposit-taking saving and credit co-operative societies Kericho County?
- iv. What is the influence of rules and regulation on the financial performance of deposit-taking saving and credit co-operative societies in Kericho County?

1.5 Significance of the Study

The findings and recommendations from the proposed study are of importance to the government and especially the department of cooperatives in strengthening policy consideration regarding cooperative societies. Also, this study will benefit the directors of deposit-taking SACCOs and the staff in improving the performance of cooperative societies and for them to be able to compete globally. Also, the study will benefit investors and other stakeholders who will use it to appreciate and promote issues of corporate governance of their SACCOs. The study will also open opportunities for future researchers who would want to carry out further research on cooperative societies and especially the deposit-taking SACCOs. The research could act as a reference to further research in the same area.

1.6 Scope of the Study

The proposed study examined the relationship between corporate governance and performance of deposit-taking savings and credit co-operative societies. It was carried out in Kericho County. Kericho County is selected for the study because of the declining performance of deposit-taking SACCOs. The period of interest was five years from 2015 to 2019. The duration selected for the study is long time sufficient to develop the trend in

corporate governance and performance of deposit-taking SACCOs and the duration is also very recently where all the relevant data can be accessed with ease and accuracy. For the primary data, a population of 11 DT Saccos was considered. This is as a case study to represent all other deposit-taking savings and credit cooperative in Kenya. The study was conducted from February to May 2020.

1.7 Limitations of the Study

The proposed study may suffer from the non-response limitation where all the administered questionnaires may not be returned. The effect of this limitation is that the sample size might be reduced significantly which may affect the basic recommendation by Mugenda and Mugenda (2000) that is at least 30% of the total population is deemed enough to give a meaningful inference of the total population. The researcher did overcome this limitation by increasing the sample size to attain at least a better response rate. Another limitation that was encountered during research is the confidentiality of the information collected. The target respondent might not give all the information helpful to make an inference as it might be used against them by the competitors and due to fear of victimization. To overcome this limitation, the researcher obtained informed consent by obtaining data collection letter from Kenyatta University. From the respondent and by explaining to the respondent the reasons for conducting the proposed study and that the data collected was treated with a high degree of confidentiality. The study is also restricted to Kericho County with its unique characteristics and may not be replicated in other counties.

1.8 Organization of the Study

This proposed study is organized into three chapters. Chapter one covers the introduction of the research project where the background of the study, statement of the problem, research objectives and significance of the study, scopes of the study and limitations. Chapter two covers the literature review where theoretical review alongside empirical review research gap and conceptual framework are explained. Chapter three covers research methodology where research design, target population, sampling and sampling design are discussed, data collection procedure reliability and validity and data analysis and presentation. Chapter four presented the findings and chapter five presented the conclusions and recommendations

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction to Literature Review

This chapter covers the literature review where theoretical review alongside empirical review research gap and conceptual framework are explained.

2.2 Theoretical Review

This part covers the theories of corporate governance. The major theories critiqued in this section include stewardship theory, agency theory, stakeholder theory and the resource dependency theory.

2.2.1 Stewardship Theory

Donaldson & Davis (1991&1993) developed Stewardship Theory as another viewpoint to comprehend the current connections among proprietorship and the board of the organization. The theory holds that there is no irreconcilable situation among supervisors and proprietors and that the objective of governance is absolute, to discover the instruments and structure that encourage the best coordination between the two gatherings (Donaldson, 1990). Stewardship theory expects that the directors are stewards whose practices are lined up with the destinations of their principals.

As indicated by Davis et al. (1997), where a steward is confronted with targets that are clashing with those of the partner, he will settle on a choice that will be for the wellbeing of the gathering. The choice will improve association performance which will, by and large, fulfil the entire gathering. The activities of the stewards depend on the conviction

that by seeking after association goals the investors will be fulfilled and their very own needs will be met in the end. The degree of inspiration from working workplace ordinarily decides the steward's performance. Chiefs are considered as being persuaded by a need to accomplish, to increase natural fulfilment through effectively performing inalienably testing work, to practice obligation and authority, and subsequently to pick up acknowledgement from friends and managers. Consequently, there are non-financial sparks for administrators, (Donaldson, 2008).

Since the steward is roused and can be believed the chief can save money on observing, what's more, holding cost and motivations (Davis et al. 1997). If the investors' endeavours to present controls, this will be counter-profitable to the stewards since their goals are as of now adjusted to those of the association. A steward secures and expands investors' riches through firm performance, because, by so doing, the steward's utility capacities are expanded. Therefore, this study supports the leadership variable in its relationship with financial performance.

2.2.2 Stakeholders Theory

Wheeler *et al.*, (2002) argued that stakeholder theory was gotten from a blend of the sociological and authoritative orders. The theory is worried about worth and convictions about the proper connections between the individual, the undertaking, and the state. It includes a talk on the equalization of duties, responsibility, and force all through the general public. It's anything but a prescient theory that can be looked into. Subsequently, this cultural perspective on corporate governance is a presumably better idea as a way of thinking instead of a theory. Blair (1995) characterized partners to be those entertainers who have contributed firm explicit resources. Donaldson and Preston (1995) gave the

accompanying definition, Stakeholders are distinguished through the genuine or potential damages and advantages that they encounter or envision encountering because of the 'decisive moves' or 'inactions'. Partners are depicted by Labie (2009) as 'key partners' as vital issues concerning the capacity of a firm to exist.

Stakeholder's theory can be characterized as any gathering or person who can influence or is influenced by the accomplishment of the association's targets. Partner scholars recommend that chiefs in associations have a system of connections to serve – this incorporate the providers, workers and colleagues. Also, it was contended that this gathering of the system is significant other than proprietor administrator worker relationship as in-office theory. On the opposite end, Sundaram and Inkpen (2004) battle that partner theory endeavours to address the gathering of partners meriting and requiring the executives' consideration. corporate governance is principally worried about how compelling distinctive governance frameworks are in advancing long haul speculation and responsibility among the different partners, (Williamson, 1985).

Kester (1992), for instance, expresses that "the focal issue of governance is to devise particular frameworks of motivators, shields, and question goals forms that will advance the progression of business connections that are produced within the sight of self-intrigued advantage". Blair (1995) additionally contended that corporate governance ought to be viewed as the arrangement of institutional courses of action for administering the connections among the entirety of the partners that contribute firm explicit resources. Organizations partners contend that organizations owe an obligation to each one of those influenced by their conduct. This calls for even executives to be responsible and mindful

to a wide scope of partners a long ways past organizations current organization law duty to investors.

Stakeholder theory was reprimanded by Jones and Wicks (1999), for expecting a solitary esteemed target (gains that gather to an association's voting demographics). It was brought up that the performance of a firm isn't and ought not to be estimated distinctly by increases to its partners. There are other key issues which are basic and ought to be viewed as, for example, the stream of data from senior administration to bring down positions, between close to home relations, working condition, and so on. An expansion of the theory called edified partner theory was proposed. Notwithstanding, issues identifying with exact testing of the expansion have restricted its significance. The theory underpins the structure, rules and regulation variables in this study.

2.2.3 Agency Theory

According to Jensen and Meckling (1976), Agency theory is coordinated on an office relationship, in which one gathering (the head) delegates another gathering (the specialist), to play out their work. This sort of relationship is portrayed by organization theory as far as an agreement. The chiefs or directors who are the investor's specialists are given the obligation of showing the business to the investors (Clark, 2004). The specialists are relied upon to act and settle on choices on the wellbeing of the head (Padilla, 2000). Office theory targets settling two issues that can happen in office connections. These issues emerge because of the irreconcilable situation between the head and the operator, which emerge because of the detachment of proprietorship and control (Davis, *et al.*, 1997).

Directors will in general create deft conduct because of authenticity authority that has been offered to them by the investors, this conduct prompts irreconcilable situation causing office issue. In Agency theory, despite the operator being given the dynamic authority by the chief, the specialist won't generally act to the greatest advantage of the principals. The chief needs to control or limit the conduct of the specialist for his enthusiasm to be sought after. The chief will attempt to accomplish controls through observing exercises or undertaking. To limit the potential for such office issues, Jensen (1983) perceives two significant advances: first, the head specialist hazard bearing system must be planned proficiently and second, checking costs are brought about through performance estimating, watching and controlling the activities of the principals.

These expenses incorporate performance-based motivators like rewards, cost of expulsion, cost of review reports, corporate reports and cost of consistence. The specialist brings about holding costs which incorporate the cost of extra data exposure to investors. Specialist quits causing holding cost when a negligible decrease in observing cost rises to minimal increment in holding costs (Jensen and Meckling, 1976). The chief hopes to be redressed if the operator makes a move that may hurt his speculation. For instance, if the governing body who is the operator settled on a choice to put resources into a more hazardous venture, the investors will request to be remunerated in this manner expanding the expense of capital. It is hence a test to adjust the enthusiasm of head and the specialist because of the accompanying zones of contention; moral danger, income maintenance, time skyline and hazard observation and which can be alluded as office issues (Jensen &Meckling, 1976; Shleifer &Vishny, 1989). Agency Theory relationship supports board composition variable in the study.

2.2.4 Resource Dependency Theory

The resource dependency theory was developed by Pfeffer (1972). The theory brings forth a picture of organizations which are dependent and interdependent with their environment. The organizations have a dependence on other organizations to ensure their sustainability in terms of acquiring resources and linkages with other external actors from without the spectrum of the organization thus having continuous association and flow of information-driven by the good relations maintained with the stakeholders without the organization.

The fostering of good relations pioneers the organization to be in a position to absorb external shocks driven by market focus owing to prior expert knowledge and the corruption of potential external threats into management. It makes the organization have a wealth of experience brought on-board by the various competing and conflicting interests and egos from organizations environments. The cooperative movement, however, has the leadership drawn from the membership from within (Afza and Nasir, 2014). This theory supports the objective number structure and rules and regulation variables.

2.3 Empirical Review

The empirical review in research involves reflecting on the information and theories available concerning a topic. Literature relating to the independent variables for this study which include board, Leadership Style, structure and rules and regulation have been discussed.

2.3.1 Board Composition and Financial Performance

The composition of the board may be utilized to enhance the head specialist issue. The support of outside executives is intended to upgrade the capacity of the firm to shield itself against dangers from the earth and adjust the association's assets for a more noteworthy preferred position. Notwithstanding, examine the effect of outside chiefs has developed altogether, however with blended outcomes. While the examination by Abor and Wen (2002) found a negative connection between the number of outside executives on the board and performance, Bhagat and Black (2002) found no connection between outside chiefs and performance. In another related work, the extent of outside executives was found to have a critical positive relationship to firm performance (Hermalinand Weisbach, 2003). Firms with a higher number of outside chiefs are relied upon to seek after exercises that would achieve low financial influence with a high market estimation of value (Enobakhare, 2004).

Smith *et. al.*, (2006) led an examination on in Denmark posing an inquiry do ladies in top administration influence firm performance? The investigation found that if females are chipping away at top of the firm it will offer a negative hint to the speculators and leads the firm performance toward decay. In another led by Ahern and Dittmar (2011) on the changing of the sheets found that nearness of female in the board shows either negative or impartial outcome on firm performance. The explanation is might be accepted of individuals that ladies are enthusiastic, forceful, hazard opposed, less sure and not knowledgeable and some undetectable hindrances, which are worked by society to keep ladies in a lower position.

Darmadi (2013) onboard individuals' training and firm performance in Pakistan. The investigation utilized an example involving 160 firms recorded on the Indonesia Stock Exchange (IDX). The investigation utilized as proportions of financial performance Tobin's Q and profit for resources (ROA). The investigation gave exact proof that the instructive capabilities of board individuals and the CEO matter, to a specific degree, in clarifying either ROA or Tobin's Q. For instance, CEOs holding degrees from lofty residential colleges perform altogether better than those without such capabilities. The quantity of directorate is accepted to have an impact on financial performance. The board is vested with obligation regarding dealing with the firm and its exercises. There is no understanding of whether an enormous or little board does this better. Madalla (1996) recommends that the littler the top managerial staff the better the company's performance. Madalla (1996) further contended that bigger sheets are seen as moderate hesitation making.

The checking costs and poor correspondence in a bigger board have additionally been viewed as a purpose behind the help of little board size (Norell, 2004). In any case, there is another way of thinking that accepts that organizations with bigger board size can push the directors to seek after lower expenses of obligation and increment performance. Studies by Abor and Wen (2002) detailed proof on the side of a positive connection between board size and influence. They contended that enormous sheets with better checking capacity seek after higher influence than raise the estimation of the firm.

Bhagat and Black (2002) likewise found a negative relationship between's board size and benefit when utilizing test of little and moderate size Finnish firms. Abdullah (2006) re-verberation the above discoveries in firms recorded in Singapore and Malaysia when

they found that firm valuation is most noteworthy when a board has five chiefs, a number thought about generally little in those business sectors. In a Nigerian report, Enobakhare (2010) found that firm performance is emphatically related to little, instead of huge sheets. Pandey (1980) contended that for the board to assume its oversight job of powerful checking, it ought to be made out of greater part of outside executives. He contended that outside chiefs will display impressive freedom from top administration. The size of the board has been appeared to materially affect the nature of corporate governance. A few examinations bolster the possibility that huge sheets can be broken. Hermalin and Weisbach (2003) accept that board size intermediaries for the board's movement, clarifying why littler board sizes are better than bigger ones that might be tormented with free rider and observing issues. For instance, Aluchna (2004) found a negative connection between board estimate and firm worth, showing that littler sheets are progressively successful since they experience less correspondence and coordination issues.

Norell (2004) contends that isolating CEO and administrator jobs is to the investors' advantage. Additionally, enormous firms that different the two capacities exchange at more significant expense to book products and have a better yield on resources and cost productivity proportions than firms where a similar individual holds the two titles. Investigations of the effect of board(s) viability on corporate gainfulness and investor esteem have commanded corporate governance inquire about in money. These scientists concentrated because of non-official chiefs, parting of the jobs of administrator and CEO, or the presentation of board sub-advisory groups which have improved board adequacy and thus added to investor esteem. For instance, Reily and Brown (1997) examined the

connection between top administration turnover (a proportion of board adequacy) and financial performance (proportion of the executive's viability). Others have examined the arrangement of nonexecutive chiefs and their job in checking organization the executives, for investors (Bhagat and Black, 2002).

Research has thought about whether there is a positive connection between the board size and corporate financial performance, for the most part demonstrating that there is. Specialist likewise researched the connection between official compensation and financial performance (Norell, 2004). A large group of corporate governance explore has concentrated on takeovers and mergers and their relationship with performance, coming from a fundamental report which distinguished takeover as a teaching instrument over the organization the board, again inside the money worldview of office theory (Norell, 2004).

2.3.2 Leadership Style and Financial Performance

According to Kher (2018) leadership means a system of providing strategy to help in motivating employees and to promote employees growth and development. Arrangements to the top managerial staff should, through an oversight and viable procedure, guarantee that a decent blend of capable people is made and that every one of those designated can include esteem and carry autonomous judgment to the dynamic procedure. The governing body ought to decide the reason and estimations of the partnership, decide the system that reason and execute its qualities to guarantee that the company endures and flourishes and that strategies and qualities that secure the benefits of the enterprise are set up (CBK, 2013). The individuals from the sub-board of trustees ought to have sound information on financial administration.

The board should screen and assess the usage of procedures, arrangements and the board performance criteria and the plans of the organization. Likewise, the board ought to continually survey the reasonability and financial supportability of the venture and should do as such in any event once every year (CBK, 2013). The board ought to distinguish the organization's inward and outside partners; concur on an arrangement or strategies deciding how the company ought to identify with, and with them, expanding riches, occupations and manageability of a financially stable enterprise while guaranteeing that the privileges of partners built up by law or customs are perceived and secured. The Board ought to guarantee that nobody individual or gathering of people has an uncontrolled force and that there is a fitting level of influence over the board with the goal that it can practice destinations and autonomous judgment.

2.3.3 Structure and Financial Performance

Mintzberg(2009) defined structure as to how people are organized and how their jobs are divided and coordinated. It refers to the organizational structure as the formal configuration between individuals and groups concerning the allocation of task and responsibilities of an organization which includes formalization and levels of hierarchy, centralization and decentralization. The author further posits that it is how power and responsibility are allocated and work procedures are done. The locus of dynamic alludes to the vertical locus of a dynamic expert in the firm. The significance of lower locus of dynamic has been featured as of late by the accentuation on representative strengthening or self-rule in both the scholastic and specialist literary works. Lessening layers and engaging low-level representatives to settle on the choices once made by chains of command are regularly done together. The other hierarchical structure variable is the idea

of formalization which alludes to the degree to furnish representatives with decides and methodology that deny yet not support imaginative, independent work and learning activities, (Dobbins, 2011).

Muriithi (2008) reported Organizational structure and Financial performance of state partnerships, the instance of the New KCC and determined that better Organizational structure will improve financial performance in that regard he distinguished the accompanying Organizational structure rehearses; arrangement and administration of the board structure of the association, reason and qualities, perceived leverage in the board, corporate correspondence and the evaluation of the performance of the board and its obligations. Ongore (2008) completed an examination on the impacts of proprietorship structure, Board adequacy and administrative prudence on the performance of recorded organizations in Kenya where the accompanying end was drawn from this investigation that; possession fixation is antagonistic to a chief imagination and advancement and window ornaments firm performance, likewise, increment in government shareholding of firm outcomes in negative performance.

2.3.4 Rules and Regulations and Financial Performance

To be completely honest and straightforwardness of financial data are crucial segments of the corporate governance system (OECD, 1999) and are viewed as significant markers of corporate governance quality. Without a doubt, Wood and Sangster (2005) found that organizations with higher corporate governance quality make progressively instructive exposures. Straightforwardness is indispensable to corporate governance. Higher straightforwardness lessens the data asymmetry between a firm administration and financial partners relieving the office issue in corporate governance (Wanyama, 2009).

Coleman (2006) gives both hypothetical and observational proof that the open sharing of financial and investigator reports has improved factor profitability and monetary development in 30 nations.

The third bit of leeway is that consistence to great straightforwardness and divulgence rehearses mitigates the political expenses of resistance and subsequently decreases the danger of higher duties, prosecution and an excessive amount of guideline. Straightforwardness, divulgence, and trust which comprise the basic piece of corporate governance can give strain to improved financial performance. Financial performance, present and forthcoming is a benchmark for a venture. The Mckinsey quarterly overviews recommend that institutional financial specialists will pay as much as 28% more for the portions of all-around administered organizations in developing markets (Deakin, 1972). As indicated by the corporate governance study 2002, completed by the Kuala Lumpur stock trade and bookkeeping firm Price Water House Coopers, most of the speculators in Malaysia are set up to pay 20% premium for organizations with unrivalled corporate governance rehearses.

2.4 Summary of Literature and Research Gaps

To inform this proposed study, the following gaps were identified in the past research in which the research sought to fill.

Table 2.1 Summary of Literature Review and Research Gaps

Author	Title	Objectives	Findings	Gap to be Filled
Omwenga,J., O (2017)	The effect of Corporate Governance and Financial Performance on large tier savings and credit cooperative societies in Kenya	To examine the effect of Corporate Governance and Financial Performance on large tier savings and credit cooperative societies in Kenya	It was found out that board size has a negative significant relationship with corporate governance	The study concentrated on the large tier category of SACCOs while the current study concentrated on all the SACCOs
Tshipa J. (2017)	Corporate governance and financial performance on listed companies in Johannesburg stock, South Africa	To examine the relationship between corporate governance financial performance	There was a strong correlation between corporate governance and financial performance	This study conceptual corporate governance as board composition while the current study conceptualizes corporate governance board, leadership, structure and rules and regulation
Kimani, J., Mwangi, Z., Nyachwaya,C heruyoit, K. (2015)	Effect of Corporate Governance Practices On Financial Performance of SACCOs In Kericho Municipality	To establish the effect of corporate governance practices on the financial performance of Savings and Credit Cooperatives in Kericho Municipality	The study indicated that board of directors have a great role they play in the running of the SACCOs which include proper utilization of funds, proper supervision of management staff and the entire SACCOs and to ensure proper internal controls are in place	The study was skewed to Kericho Municipality and also targeted all the employees are no in the governance of SACCOs with a small sample size of 28. The proposed study targeted top management of the SACCOs who are in charge of governance

Olomy, C.(2015)	An investigation of the relationship between corporate governance and financial performance of savings and credit cooperative societies in Tanga region, Tanzania	To explore the relationship between corporate governance and financial performance of savings and credit cooperative societies	The size of the board had an impact on the quality of corporate governance and a large board could be dysfunctional. A smaller size is better than larger ones	The study was an exploratory research design while the proposed study was descriptive. The study was also conducted in Tanzania while the proposed research was in Kenya
Ndwiga, J., J., (2014)	The effect of organizational structure on financial performance of SACCOs Kenya	To determine the effect of organizational structure on financial performance of SACCOs in Kenya	The conclusion from the study findings was that organization structure affected the financial performance of commercial state corporations.	The study focused on organizational structure only which is a component of corporate governance. The proposed was corporate governance conceptualized as board, leadership, structure and rules and regulation
Wanjiku M. (2013)	The Effect of Corporate Governance on Financial Performance of companies listed at Nairobi Security Exchange	To establish the effect of corporate governance on the financial performance of the companies listed at Nairobi Securities Exchange.	The study found that various aspects of board size affect the financial performance of companies to a great extent	This study was on corporate governance and financial performance of commercial banks while the proposed study was for SACCO
Mwololo, J.(2011)	The relationship between corporate governance and financial performance of SACCOs with the front office in Nairobi	1) To establish the corporate governance practices of SACCOS with FOSA in Nairobi 2) To establish the relationship between corporate governance and financial	The findings are inconsistent with most of the prior study made on corporate governance element, which suggests	This research was skewed to the SACCOs operating as FOSA and also in Nairobi county. The

		performance of SACCOS with FOSA	that the implementation of corporate governance elements have an impact towards organizations performance	proposed study was in all the categories of SACCOS and Kericho county
Ranjbar, A. (2009)	Corporate Governance and Financial Performance (A Study of Malaysian Listed Companies)	To determine the relationship between Corporate Governance and Financial Performance	The study found out that corporate governance plays a key role in the determination of the financial performance of the listed companies	The study was conducted in the listed companies in Malaysia. The proposed study was done in Kenya and SACCOS

Source:Researcher (2020)

2.5 Conceptual Framework

The researcher sought to establish the effect of board composition, the structure Leadership Style influence and rules and regulation affect the financial performance of SACCOs as measured by the surplus or deficit they report in their financial statements

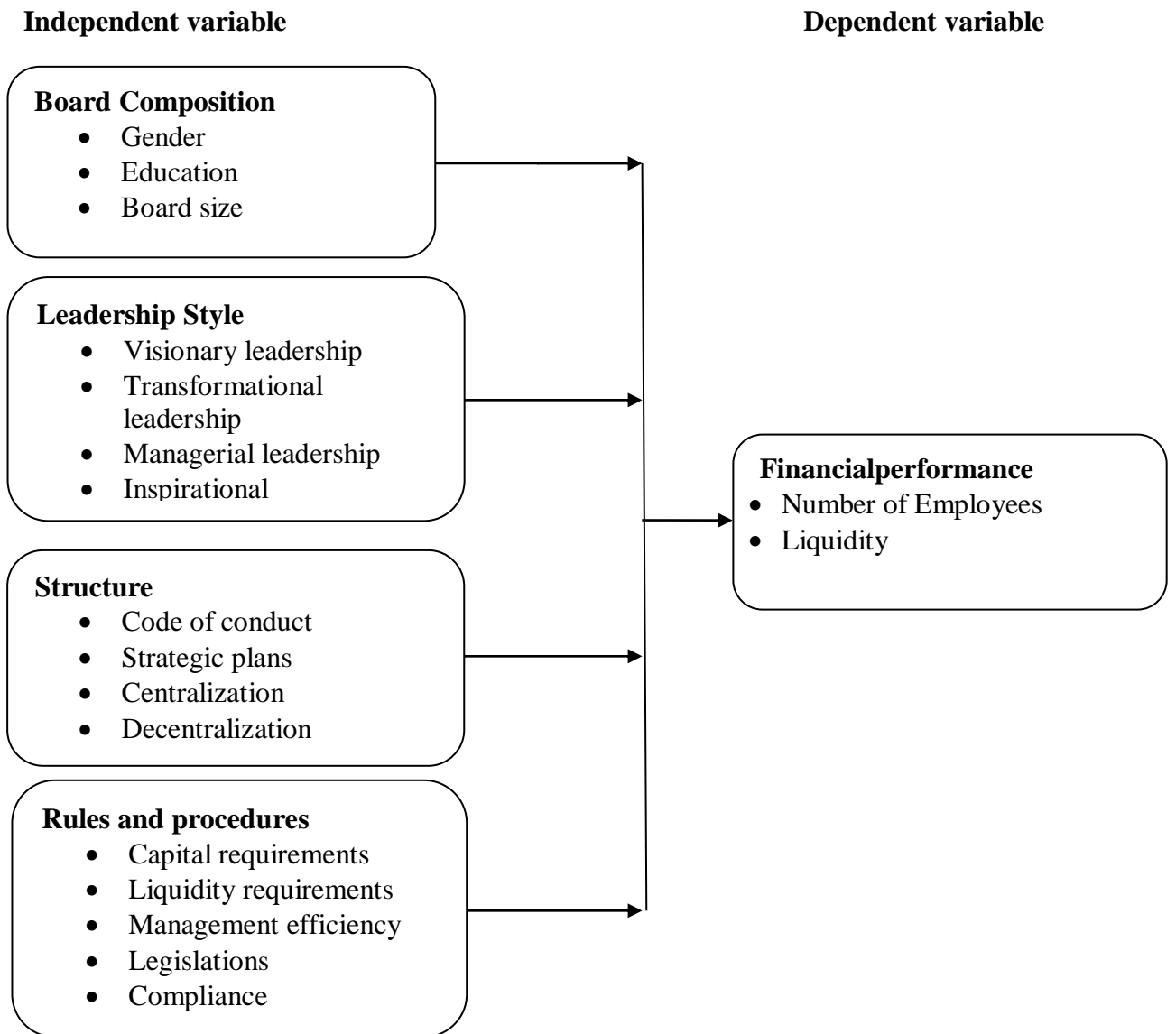


Fig 2.1 Conceptual Framework

Source: Researcher (2020)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers the research design, target population, sampling procedure, data collection methods, validity and reliability, data analysis and presentation.

3.2 Research Design

The proposed study used descriptive and correlational research design. A correlational study is concerned with the comparison of two or more variables with which something occurs or the relationship between variables. As indicated by Cooper and Schindler (2003), a correlational report is worried about discovering the what, where and how of a marvel. Hence, this methodology is proper for the proposed examination as the scientist plans to gather itemized data through portrayals which are valuable for distinguishing factors and theoretical develops.

3.3 Target Population

According to Mugenda and Mugenda, (1999) population is defined as a well-defined set of people, services, elements, events, group of things or households that are being studied. The population of interest are the top management who are in charge of governance formulation and implementation in the deposit-taking SACCOs. It composed of the chief executive officers, board members, and chief finance managers in the deposit-taking savings and credit co-operatives in Kericho County. According to SASRA a

SACCO has one chief executive officer, nine board members, and one chief finance managers, (SASRA, 2017). The SASRA report of 2017 indicates that there was a total of 11 active deposit-taking SACCOs hence the target population for this proposed study was 121 as shown in table 3.1

Table 3.1 Target Population

Category	Population frequency	Percentage
Chief Executive Officers	11	9
Board members	99	82
Chief Finance Officers	11	9
Total	121	100

Source: SASRA (2020)

3.4 Sampling Design

The process of selecting a portion of the population to represent the entire population is known as sampling. The researcher employed simple random sampling to obtain the sample that was used for the proposed study. According to Kothari (2004), simple random sampling is deemed fit as it gives a sample that is truly representative of the population and also it is cost-effective. According to Mugenda and Mugenda (2003), a sample of at least 30% of the total population is enough to make a meaningful inference in research, however, to ensure that the sample size is representative of the population, the proposed research took thirty percent from each category of target respondent.

$$30\% * 121 = 36.3$$

A sample of 36 was therefore drawn from the population as shown in table 3.2 on the following page.

Table 3.2: Sample Size

Category	Population frequency	Sample Ratio	Sample Size
Chief Executive Officers	11	0.3	3
Board members	99	0.3	30
Chief Finance Officers	11	0.3	3
Total	121		36

Source: Researcher (2019)

3.5 Data Type

The study utilized both primary and secondary data for analysis. According to Kothari (2004), primary data refers to the first-hand information from the person who was present when an event took place while secondary data is data which are second hand, compiled by someone and exists in written materials such as journals, magazines and reports among others.

3.6 Data Collection and Instruments

The primary data was collected relating to corporate governance of deposit-taking savings and credit cooperative societies in Kericho County by administering questionnaire while secondary data relating to performance was collected from the SACCO society's regulatory authority for every SACCO that is licensed to operate in Kericho County. The

performance of all deposit-taking SACCO's regulated by SASRA is normally in the public domain and the data was obtained from the Authority. The secondary data therefore was obtained from the SASRA deposit-taking savings and credit cooperative societies.

The research instrument that was utilized right now the survey. In building up the survey things, the shut finished and open-finished arrangement of the things was utilized. Be that as it may, in the fixed decision things, it included "putting words" in the respondents' mouth, particularly while giving adequate answers, in which case there was an impulse to maintain a strategic distance from genuine speculation concerning the respondent (Saunders *et al.*, 2009). The respondents may wind up picking the least demanding other option and give fewer chances to self-articulation. It is a result of these reasons that it is important to join this configuration of things with a couple of open-finished reaction things.

3.6.1 Validity

Validity is the extent to which an instrument measures what it is supposed to measure (Gray, 2009). The researcher conducted both content and external validity by doing a pilot test. The pilot was conducted to 10% (4 respondents) of the sample size. The pilot was conducted to two CFOs and two CEOs. The content and construct validity were okay.

3.6.2 Reliability

Reliability refers to the level to which the measuring instruments provide consistent results (Cooper and Schindler, 2003). To test the reliability of the instrument that is used

in the proposed study, the test-retest method was used by administering the questionnaire to a chosen group of people twice within two weeks.

3.7 Data Analysis and Presentation

Before processing the responses, the finished surveys were altered for culmination and consistency. A substance examination and clear investigation were utilized. The substance investigation was utilized to break down the respondents' perspectives. The information was at that point coded to empower the reactions to be gathered into different classes. Expressive measurements were utilized to condense the information including rates and frequencies. Tables and other graphical portrayals as suitable were likewise utilized to introduce the information gathered for simplicity of comprehension and investigation. SPSS version 22 was utilized was used to do the analysis.

3.8 Model Specification

The following relationship was then developed to depict the relationship that exists between the corporate governance and financial performance of savings and credit cooperative societies in Kericho County.

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

Where: β_1 , β_2 , β_3 and β_4 is the regression coefficients of the independent variables

Y = Dependent variable (financial performance), β_0 = Constant, X_1 = Board composition, X_2 = Leadership Style, X_3 = Structure, X_4 = Rules and regulations and ε = The error term

Table 3.3 Operationalization and Measurement of Variable

Variable	Symbol	Indicators	Measurement
Board Composition	X ₁	Gender Level of education Board size Number of outside directors	A Likert Chart was used to rank the level of performance, 1 shall be the lowest and 5 being the highest
Leadership Style	X ₂	Visionary leadership Transformational leadership Managerial leadership Inspirational	A Likert Chart was used to rank the level of performance, 1 shall be the lowest and 5 being the highest
Structure	X ₃	Code of conduct Strategic plans Centralization Decentralization	A Likert Chart was used to rank the level of performance, 1 shall be the lowest and 5 being the highest
Rules and regulation	X ₄	Capital requirements Liquidity requirements Management efficiency Legislations Compliance	A Likert Chart was used to rank the level of performance, 1 shall be the lowest and 5 being the highest
Financial performance	Y	Return on Asset Return on Equity Earnings per Share Dividend Payout	Collected from secondary sources

Source:Researcher (2020)

3.9 Ethical Consideration

The researcher was aware of ethical standards as specified in the constitutional rights of each individual and the confidentiality of each participant was taken into account during the study to allow the data collecting effectively. Privacy was enhanced and the research ensured that the reluctant individual were not pushed on to take part in data collecting. The participants were informed about the purpose and value of study in order to guarantee complete participation. In addition, the researcher sought permission from NACOSTI and university management before gathering of data.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.1 Introduction

This chapter presents the data analysis, presentation and its interpretation based on the descriptive and inferential statistics.

4.1.1 Response Rate

The response rate was based on the total number of 36 questionnaires administered to the top management who are in charge of governance formulation and implementation in the deposit-taking SACCOs. This was composed of the chief executive officers, board members, and chief finance managers in the deposit-taking savings and credit co-operatives in Kericho County.

Table 4.1 Response Rate

Response	Frequency	Percentage
Returned	30	83.3
Unreturned	6	16.7
Total	36	100.0

Source: Field Data (2020)

Table 4.1 indicates that those respondents who responded account to 83.3% and those who did not account for 16.7%. Mugenda and Mugenda (2003) a response rate of 50% is adequate for a study, 60% is good and 70% is excellent for a study. Therefore this response rate was considered ideal and reliable for the study.

4.2 Pilot Test Results

The study carried out reliability and validity tests to improve on the dependability of instruments. A pilot tests was carried out in 4 respondents (10% of 36 respondents).

4.3.1 Reliability Tests Results

Cronbach Alpha Value was used to test the reliability of the study instruments. The threshold was 0.7. The Alpha values ranged from 0 to 1. The values close to one indicates high reliability and the values close to 0 indicates low reliability (Creswell, 2017). The researcher accepted values which were 0.7 or above.

Table 4.1 Reliability Test Results

Constructs	Value	Remarks
Board Composition	0.814	Reliable
Leadership Style	0.789	Reliable
Structure	0.808	Reliable
Rules and regulation	0.799	Reliable
Financial Performance	0.810	Reliable

Source: Survey Data(2020)

The results in table 4.1 indicates that board composition had an Alpha value of 0.814, leadership style had an Alpha value of 0.789, structure had an Alpha value of 0.808, rules and regulation Alpha value was 0.799, and financial performance was 0.810. This clearly indicated that the Alpha values were all above the accepted threshold of 0.7 and thus the research instrument was assumed to be reliable.

4.2.2 Validity Test Results

Consultation with competent resources personnel such as the university supervisor was used to improve the legitimacy of the contents, facial and construct validity. The project also increased the trustworthiness and validity of the data collection instrument through pilot testing.

4.3 Background Information

The background information of the respondents was analyzed based on SACCOS' years in operation, employee population and employee years of experience.

Table 4.2: SACCOS' years in operation

Category	Frequency	Percentage
1-5 years	13	43.3
11-15 years	9	30
16-20 years	6	20
Over 20 years	2	6.7
Total	30	100

Source: Field Data (2020)

Table 4.2 indicates that majority (43.3%) of the SACCOS had been in operation between 1 to 5 years, 30% had been in operation for 11 to 15 years, 20% had worked for a period between 16 to 20 years and 6.7% for over than 20 years. These results confirm that the SACCOS involved in this study had a necessary period of operation to provide the information that was of interest to the researcher.

Table 4.3 Respondents Years of Service in the SACCO.

Category	Frequency	Percentage
0-5 years	10	33.3
6-10 years	12	40
11-15 years	4	13.3
16-20 years	3	10
Over 20 years	1	3.33
Total	30	100

Source: Field Data (2020)

The results in Table 4.3 shows that majority (40%) of the respondents had work experience in a SACCO between 6-10 years, 33.3% had a work experience in a SACCO between 0-5 years, 13.3% had a work experience in a SACCO of between 11-15 years, 10% had a work experience in a SACCO of between 16-20 years and 3.33% had a work experience in a SACCO for 20 years and above. These findings show that the study participants have for a fairly long period had work experience in a SACCO.

Table 4.4 SACCOs Employee population

Category	Frequency	Percent
1-50 employees	9	30
51-100 employees	11	36.7
101-150 employees	7	23.3
over 150 employees	3	10
Total	30	100

Source: Field Data (2020)

The results in Table 4.4 shows that majority (36.7%) of the respondents had 51-100 employees in working in the SACCO, 30% had 1-50 employees working in the SACCO, 23.3% had 101-150 employees working in the SACCO and 10% had over 150 employees working in the SACCO. These findings show that the study participants have a fairly long big population of employees working in the SACCOs.

4.4 Descriptive Statistics

Descriptive statistics such as means and standard deviations were used to present that quantitative data with the use of Statistical Package for Social Sciences (SPSS) version 25. The findings of the descriptive statistics were based on study variables which include: Board composition, Leadership style influence, SACCO structure, Rules and regulation, the financial performance of SACCO. The findings are presented as follows.

Key: SA – Strongly Agree, A – Agree; U – Undecided; SD – Strongly Disagree, D – Disagree; M – Mean; SD – Standard Deviation.

4.4.1 SACCO Performance

Table 4.5: SACCO Performance

Statement	SA	A	U	D	SD	M	S
	%	%	%	%	%		Dev
SACCO performance has been as a result of the composition of the board of directors	35.6	39.7	15.8	8.2	0.7	4.5	0.515
The fluctuation in SACCO performance can be attributed to boards' decisions	48.6	33.6	10.9	4.8	2.1	4.2	0.715
Guiding juniors employees help in improving SACCO performance	37.4	31.5	20.3	7.3	3.4	4.4	0.578
The liquidity requirement by SASRA affectsthe financial performance of the SACCO	28.9	30.4	37.2	6.3	3.7	4.2	0.532
Having employee code of conduct affectsthe financial performance of the SACCO	37.6	33.8	21.05	6.65	2.48	4.33	0.585
Departmentalization of the SACCO influences SACCO performance	42.4	49.2	3.4	3.4	1.7	4.3	0.287
The levels upon which a decision passes before it is being implemented influences performance of SACCO	36.3	41.8	0.0	6.8	15.1	4.3	0.301
Centralization of decision making influences financial performance	23.3	65.1	1.4	4.1	6.2	4.2	0.764
There is a strong correlation between academic qualification and financial performance of SACCO	45.2	25.3	0.0	13.0	16.4	3.8	0.494
Corporate governance has impact on financial performance of your SACCO	28.1	67.8	0.0	3.4	0.7	2.9	0.823
Aggregate Score	36.3	41.8	11.0	6.4	5.3	4.1	0.559

Source: Field Data (2020)

The findings in Table 4.5 shows that the respondents agreed that SACCO performance has improved as indicated by the aggregate mean score of 4.1 and which vary

significantly as shown by the standard deviation of 0.559. The majority (39.7%) of the respondents agreed that SACCO performance has been as a result of the composition of the board of directors, 35.6% strongly agreed, 15.8% undecided, 8.2% disagreed, and 0.7% strongly disagreed with a mean of 4.5 and a standard deviation of 0.515. The majority (48.6%) strongly agreed that the fluctuation in SACCO performance can be attributed to boards' decisions, 33.6% agreed, 10.9% undecided, 4.8% disagreed and 2.1% strongly disagreed with a mean of 4.2 and a standard deviation of 0.715. The majority (37.4%) strongly agreed that guiding juniors employees help in improving SACCO performance, 31.5% agreed, 20.3% undecided, 7.3% disagreed and 3.4% strongly disagreed with a mean of 4.4 and a standard deviation of 0.578. The majority (28.9%) strongly agreed that the liquidity requirement by SASRA affects the financial performance of the SACCO, 30.4% agreed, 37.2% were undecided, 3.7% strongly disagreed and 6.3% disagreed with a mean of 4.2 and a standard deviation of 0.532.

The majority (37.6%) strongly agreed that having employee code of conduct affects the financial performance of the SACCO, 33.8% agreed, 21.05% undecided, 6.65% disagreed and 2.48% strongly disagreed with a mean of 4.33 and a standard deviation of 0.585. The majority (49.2%) strongly agreed that departmentalization of the SACCO influences SACCO performance, 42.4% agreed, 3.4% undecided, 3.4% disagreed and 1.7% strongly disagreed with a mean of 4.3 and a standard deviation of 0.287. The majority (41.8%) agreed that the levels upon which a decision passes before it is being implemented influences performance of SACCO, 36.3% strongly agreed, 15.1% strongly disagreed and 6.8% disagreed with a mean of 4.3 and a standard deviation of 0.301.

The majority (65.1%) agreed that centralization of decision making influences financial performance 23.3% strongly agreed, 6.2% strongly disagreed, 1.4% were undecided and 4.1% disagreed with a mean of 4.2 and a standard deviation of 0.764. The majority (65.1%) agreed that centralization of decision making influences financial performance 23.3% strongly agreed, 6.2% strongly disagreed, 1.4% were undecided and 4.1% disagreed with a mean of 4.2 and a standard deviation of 0.764.

The majority (45.2%) strongly agreed that there is a strong correlation between academic qualification and financial performance of SACCO 25.3% agreed, 16.4% strongly disagreed, 13.0% disagreed with a mean of 3.8 and a standard deviation of 0.494. The majority (67.8%) agreed that corporate governance has an impact on the financial performance of your SACCO, 21.8% strongly agreed, 0.7% strongly disagreed, 3.4% disagreed with a mean of 2.9 and a standard deviation of 0.823.

SACCO financial performance is an emotional proportion of how well a SACCO can utilize resources from its essential method of business to create incomes. There is a wide range of approaches to quantify SACCOs performance, yet all measures ought to be taken in total. These incorporate bookkeeping put together, for example, come back concerning resources (ROA), return on value (ROE), bookkeeping benefits, Earnings per share (EPS), profit pay-out and financial exchange based measures. Estimating association's performance utilizing bookkeeping proportion is basic in the corporate governance writing Demaetz and Lehn, (1985), Ang *et al.*, (2000), specifically, return on capital utilized, return on resources and profit for value.

4.4.2 Board Composition

The study sought to establish the effect of board compositions on the financial performance of deposit-taking saving and credit co-operative societies Kericho County. The findings are presented in Table 4.6.

Table 4.6: Board Composition

Statement	SA	A	U	D	SD	M	SD
	%	%	%	%	%		
Age category of the board greatly influence financial performance of your SACCO	50.7	43.2	2.7	3.4	0.0	4.4	0.161
Gender of the board has effect on the financial performance of your SACCO	60.9	38.4	0.7	0.0	0.0	1.1	0.431
Academic qualification of board members has effect of financial performance of your SACCO	40.4	55.5	0.0	0.7	3.4	3.5	0.785
Number of outside director has effect of performance of your SACCO	28.1	67.8	0.0	3.4	0.7	2.9	0.823
The size of the board in the SACCO has effect on financial performance of your SACCO	45.0	51.2	0.85	1.5	0.8	3.0	0.5
Aggregate Score	45.02	51.2	0.85	1.8	0.98	2.98	0.542

Source: Field Data (2020)

The findings in Table 4.6 shows that the respondents agreed that board compositions affected the financial performance of deposit-taking saving and credit co-operative societies Kericho County as indicated by the aggregate mean score of 2.98 and which vary significantly as shown by the standard deviation of 0.542. The majority (50.7%) strongly agreed that age category of the board greatly influence the financial performance of their SACCO, 43.2% agreed, 2.7% undecided, 3.4% disagreed with a

mean of 4.4 and a standard deviation of 0.161. The majority (60.9%) of the respondents strongly agreed that gender of the board affects the financial performance of your SACCO, 38.4% agreed, 0.7% undecided with a mean of 5.1 and a standard deviation of 0.431. The majority (55.5%) of the respondents agreed that academic qualification of board members has the effect of the financial performance of your SACCO 40.4% strongly agreed, 3.4% strongly disagreed and 0.7% disagreed with a mean of 3.5 and a standard deviation of 0.785. The majority (67.8%) of the respondents agreed that the number of outside directors has the effect of performance of your SACCO, 28.1% strongly agreed, 3.4% disagreed and 1.7% strongly disagreed with a mean of 2.9 and a standard deviation of 0.823.

The majority (51.2%) of the respondents agreed that the size of the board in the SACCO affects the financial performance of your SACCO, 45.0% agreed, 1.5% disagreed and 0.8% strongly disagreed respectively and 0.85% of the respondents were undecided with a mean of 3.0 and a standard deviation of 0.5. These findings are in line with the findings of Abor and Wen (2002) who gave a detailed proof on the side of a positive connection between board size and influence. They contended that enormous sheets with better checking capacity seek after higher influence than raise the estimation of the firm. These findings are in line with the findings of Pandey (1980) contended that for the board to assume its oversight job of powerful checking, it ought to be made out of greater part of outside executives. He contended that outside chiefs will display impressive freedom from top administration. The size of the board has been appeared to materially affect the nature of corporate governance. This, therefore, has the ultimate effect of improving the financial performance of the SACCO.

Similarly, studies by Hermalin and Weisbach (2003) accept that board size intermediaries for the board's movement, clarifying why smaller board sizes are better than bigger ones that might be tormented with free rider and observing issues. Madalla (1996) recommends that the smaller the top managerial staff the better the company's financial performance.

4.4.3 Leadership style influence

The study sought to establish how leadership style affects the financial performance of deposit-taking saving and credit co-operative societies Kericho County. The findings are presented in Table 4.7.

Table 4.7: Leadership style influence

Statement	SA	A	U	D	SD	M	SD
	%	%	%	%	%		
Having clear mission increases on the market share of the SACCO	23.3	65.1	1.4	4.1	6.2	4.2	0.764
Setting new targets affects outcome of the SACCO	45.2	25.3	0.0	13.0	16.4	3.8	0.494
Number of target setting meetings leads to good formulation of targets of the SACCO	60.3	37.7	0.7	1.4	0.0	3.5	0.655
Managerial leadership style adopted affects productivity	43.2	48.6	1.4	2.1	4.8	3.9	0.706
Managerial leadership adopted by the SACCOs affects its efficiency and in turn financial performance	55.5	40.4	0.6	0.0	3.5	3.7	0.797
Managerial experience as per the number of senior managers improves efficiency of the firm	45.5	43.4	0.8	4.1	6.2	3.8	0.683
Training of workers reduces wastage hence efficiency and enhances the performance of the SACCO	50.7	43.2	2.7	3.4	0.0	4.4	0.161
Motivating employees helps to minimize employee turnover	60.9	38.4	0.7	0.0	0.0	1.1	0.431
Motivating employees results in efficiency in the organization and consequently improved performance	40.4	55.5	0.0	0.7	3.4	3.5	0.785
Employee rewards encourage efficiency in your SACCO	28.1	67.8	0.0	3.4	0.7	2.9	0.823
Innovation in the SACCO leads to new products development	45.0	51.2	0.85	1.5	0.8	3.0	0.5
New product and service development leads to increased performance of the SACCO	63.0	34.2	0.0	2.1	0.7	3.3	0.593
Innovation helps improve on efficiency of a SACCO	57.5	39.7	0.7	2.1	0.0	3.0	0.826
Aggregate Score	47.6	45.4	0.8	2.9	3.3	3.4	0.06

Source: Field Data (2020)

The findings in Table 4.7 shows that the respondents agreed that leadership style affects the financial performance of deposit-taking saving and credit co-operative societies Kericho County as indicated by the aggregate mean score of 3.4 and which vary significantly as shown by the standard deviation of 0.06. The majority (65.1%) of the respondents agreed the having clear mission increases on the market share of the SACCO, 23.3% strongly agreed, 6.2% strongly disagreed, 1.4% undecided and 4.1% disagreed respectively with a mean of 4.2 and a standard deviation of 0.764. The majority (45.2%) strongly agreed that setting new targets affects the outcome of the SACCO, 25.3% agreed, 16.4% strongly disagreed and 13.0% disagreed with a mean of 3.8 and a standard deviation of 0.494.

The majority (60.3%) strongly agreed the number of target setting meetings leads to the good formulation of targets of the SACCO, 37.7% agreed, 1.4% disagreed and 0.7% undecided with a mean of 3.5 and a standard deviation of 0.655. The majority (48.6%) agreed that the managerial leadership style adopted affects productivity 43.2% strongly agreed, 4.8% strongly disagreed, 2.1% disagreed and 1.4% undecided. with a mean of 3.9 and a standard deviation of 0.706. The majority (55.5%) strongly agreed that managerial leadership adopted by the SACCOs affects its efficiency and in turn financial performance, 40.4% agreed, 3.5% strongly disagreed and 0.6% undecided with a mean of 3.7 and a standard deviation of 0.797.

The majority (45.5%) strongly agreed that managerial experience as per the number of senior managers improves the efficiency of the firm 43.4% agreed, 6.2% strongly disagreed, 4.1% disagreed and 0.8% undecided. with a mean of 3.8 and a standard deviation of 0.683. The majority (50.7%) strongly agreed that training of workers reduces

wastage hence efficiency and enhances the performance of the SACCO, 43.2% agreed, 3.4% disagreed and 2.7% undecided with a mean of 4.4 and a standard deviation of 0.161. The majority (60.9%) of the respondents strongly agreed that motivating employees helps to minimize employee turnover 38.4% agreed and 0.7% undecided with a mean of 5.1 and a standard deviation of 0.431. The majority (55.5%) of the respondents agreed that motivating employees results in the efficiency in the organization and consequently improved performance, 40.4% strongly agreed, 3.4% strongly disagreed and 0.7% disagreed with a mean of 3.5 and a standard deviation of 0.785. The majority (67.8%) of the respondents agreed that employee rewards encourage efficiency in their SACCO, 28.1% strongly agreed, 3.4% disagreed and 1.7% strongly disagreed with a mean of 2.9 and a standard deviation of 0.823.

The majority (51.2%) of the respondents agreed that innovation in the SACCO leads to new products development 45.0% agreed, 1.5% disagreed, 0.8% strongly disagreed and 0.85% undecided with a mean of 3.0 and a standard deviation of 0.5. The majority (55.5%) of the respondents agreed that new product and service development leads to increased performance of the SACCO, 63.0% strongly agreed, 34.2% agreed 2.1% disagreed, 0.7% strongly disagreed with a mean of 3.3 and a standard deviation of 0.593. The majority (57.5%) of the respondents strongly agreed that innovation helps improve on the efficiency of a SACCO, 39.7% agreed, 0.7% were undecided, 2.1% disagreed with a mean of 3.0 and a standard deviation of 0.826.

These findings agree with the findings of Kher (2018) who describes leadership as meaning a system of providing strategy to help in motivating employees and to promote employees growth and development. Arrangements to the top managerial staff should,

through an oversight and viable procedure, guarantee that a decent blend of capable people is made and that every one of those designated can include esteem and carry autonomous judgment to the dynamic procedure. This ultimately leads to an increase in the financial performance of SACCOs.

4.4.4 Board Structure

The study sought to determine the extent to which board structure affects the financial performance of deposit-taking saving and credit co-operative societies Kericho County. The findings are presented in Table 4.8.

Table 4.8 Board structure

Statement	SA	A	U	D	SD	M	SD
	%	%	%	%	%		
Subordinates staff participate in decision in decision making on matters relation to day to day operations of the SACCOs	36.3	41.8	0.0	6.8	15.1	4.3	0.301
All investment decisions must be approved by the board of directors before they are being undertaken by the SACCO	63.0	34.2	0.0	2.1	0.7	3.3	0.593
Staffs are given chance to contribute in decision on the adoption of new policies and procedures	69.9	29.5	0.0	0.7	0.0	4.2	0.774
There are few levels of hierarchy there a decision passes before being adopted	57.5	39.7	0.7	2.1	0.0	3.0	0.826
The levels in the SACCO influences financial performance	56.7	36.3	0.23	2.9	4.0	3.7	0.624
None or small actions can be undertaken by junior staff on any matter without being supervised	60.3	37.7	0.7	1.4	0.0	3.5	0.655
There are several departments/divisions/units established to deal with a specific issue in the organization	43.2	48.6	1.4	2.1	4.8	3.9	0.706
There are written guidelines on how to deal with every operational activity and or situation which are available to staff	55.5	40.4	0.6	0.0	3.5	3.7	0.797
Aggregate Score	55.3	38.5	0.5	2.3	3.5	3.7	0.28

Source: Field Data (2020)

The findings in Table 4.8 shows that board structure affects the financial performance of deposit-taking saving and credit co-operative societies Kericho County as indicated by the aggregate mean score of 3.7 and which vary significantly as shown by the standard deviation of 0.28. The majority (41.8%) of the respondents agreed that subordinates staff participate in the decision in decision making on matters relating to day to day operations of the SACCOs, 36.3% strongly agreed, 15.1% strongly disagreed and 6.8% disagreed with a mean of 4.3 and a standard deviation of 0.301. The majority (63.0%) strongly agreed that all investment decisions must be approved by the board of directors before they are being undertaken by the SACCO, 34.2% agreed, 2.1% disagreed and 0.7% strongly disagreed with a mean of 3.3 and a standard deviation of 0.593. The majority (69.9%) of the respondents strongly agreed that staffs are given chance to contribute in the decision on the adoption of new policies and procedures 29.5% agreed and 0.7% disagreed with a mean of 4.2 and a standard deviation of 0.774.

The majority (57.5%) of the respondents strongly agreed that there are few levels of hierarchy there a decision passes before being adopted 39.7% agreed, 2.1% disagreed and 0.7% undecided with a mean of 3.0 and a standard deviation of 0.826. The majority (56.7%) of the respondents strongly agreed that the levels in the SACCO influence financial performance, 36.3% agreed, 23% were undecided, 2.9% disagreed and 4.0% strongly disagreed with a mean of 3.7 and a standard deviation of 0.624. The majority (60.3%) strongly agreed that none or small actions can be undertaken by junior staff on any matter without being supervised, 37.7% agreed, 0.7% were undecided, 1.4% disagreed with a mean of 3.5 and a standard deviation of 0.655. The majority (48.6%) of the respondents agreed that there are several departments/divisions/units established to

deal with a specific issue in the organization 43.2% strongly agreed, 1.4% were undecided, 2.1% disagreed, 4.8% strongly disagreed with a mean of 3.9 and a standard deviation of 0.706. The majority (55.5%) of the respondents strongly agreed that there are written guidelines on how to deal with every operational activity and or situation which are available to staff 40.4% agreed, 0.6% were undecided, 3.5% strongly disagreed with a mean of 3.7 and a standard deviation of 0.797.

These findings concur with the findings of Muriithi (2008) who studied the organizational structure and financial performance of state partnerships, the instance of the New KCC and decided that better Organizational structure will improve financial performance. In that regard, he distinguished the accompanying organizational structure rehearses; arrangement and administration of the board structure of the association, reason and qualities, perceived leverage in the board, corporate correspondence and the evaluation of the performance of the board and its obligations. These findings concur with the findings of Ongore (2008) completed an examination on the impacts of proprietorship structure, board adequacy and administrative prudence on the performance of recorded organizations in Kenya. He found a positive significant effect of proprietorship structure, board adequacy and administrative prudence on performance firms in Kenya.

4.4.5 Rules and Regulations

The study sought to establish the influence of rules and regulations on the financial performance of deposit-taking saving and credit co-operative societies Kericho County. The findings are presented in Table 4.9.

Table 4.9 Rules and regulations

Statement	SA	A	U	D	SD	M	S. Dev
	%	%	%	%	%		
The regulations of the banking industry are particularly important to the financial performance of the SACCO	47.5	28.8	10.2	10.2	3.4	4.1	1.134
The SACCO has been faced with a lot of challenges due to rules and regulations	5.6	49.2	5.1	4.1	5.1	4.0	1.401
Regulating capital requirements affects the financial performance of your SACCO	42.4	49.2	3.4	3.4	1.7	4.3	0.287
Regulation reporting requirements affects financial performance of your SACCO	39.0	47.5	10.2	3.4	0.0	4.2	0.767
The low performance of your SACCO is attributed to rules and regulation in the sector	55.5	40.4	0.6	0.0	3.5	3.7	0.797
The liquidity management variables such as current ratio, cash deposit ratio have an impact on the financial performance of your SACCO	55.3	38.5	0.5	2.3	3.5	3.7	0.28
Market rate of interest affects financial performance of the SACCO	23.3	65.1	1.4	4.1	6.2	4.2	0.764
Aggregate Score	38.4	45.5	3.0	3.9	3.3	4.0	0.8

Source: Field Data (2020)

The findings in Table 4.9 shows that the respondents agreed that rules and regulations affect the financial performance of deposit-taking saving and credit co-operative societies Kericho County as indicated by the aggregate mean score of 4.0 and which vary

significantly as shown by the standard deviation of 0.8. The majority (47.5%) of the respondents strongly agreed on the regulations of the banking industry is particularly important to the financial performance of the SACCO, 28.8% agreed, 10.2% were neutral and disagreed respectively and 3.4% strongly disagreed with a mean of 4.1 and a standard deviation of 1.134. The majority (49.2%) of the respondents strongly agreed that the SACCO has been faced with a lot of challenges due to rules and regulations, 5.1% were neutral, disagreed and strongly disagreed respectively with a mean of 4.0 and a standard deviation of 1.401.

The majority (49.2%) agreed that regulating capital requirements affects the financial performance of your SACCO 42.4% strongly agreed, 3.4% neutral and disagreed respectively and 1.7% strongly disagreed with a mean of 4.3 and a standard deviation of 0.287. Majority (47.5%) agreed that regulatory reporting requirements affect the financial performance of your SACCO, 39.0% strongly agreed, 10.2% neutral and 3.4% disagreed with a mean of 4.2 and a standard deviation of 0.767. The majority (55.5%) strongly agreed that the low performance of your SACCO is attributed to rules and regulation in the sector, 40.4% agreed, 0.6% were undecided, 3.5% strongly disagreed and 5.1% disagreed with a mean of 3.7 and a standard deviation of 0.797. The majority (55.3%) agreed that the liquidity management variables such current ratio, cash deposit ratio have an impact of the financial performance of your SACCO 38.5% strongly agreed, 0.5% were undecided, 2.3% disagreed and 3.5% strongly disagreed with a mean of 3.7 and a standard deviation of 0.28. The majority (65.1%) agreed that market rate of interest affects the financial performance of the SACCO, 23.3 % strongly agreed, 1.4% were

undecided and 4.1% disagreed, 6.2% strongly disagreed with a mean of 4.2 and a standard deviation of 0.764.

These findings concur with the findings of Wood and Sangster (2005) found that organizations with higher corporate governance quality make progressively instructive exposures. Straightforwardness is indispensable to corporate governance. Higher straightforwardness lessens the data asymmetry between a firm administration and financial partners relieving the office issue in corporate governance (Wanyama, 2009). Coleman (2006) gives both hypothetical and observational proof that the open sharing of financial and investigator reports has improved factor profitability and monetary development in 30 nations.

4.5 Regression Analysis

Regression analysis was used to model, examine, and explore the relationships between the dependent variable (SACCO financial performance) against the four independent variables (Board composition, Leadership style influence, SACCO structure, Rules and regulation) used for the study.

Table 4.10: Model summary

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate
1	.868 ^a	.754	.719	.23437

a. Predictors: (constant), board compositions, leadership style, structure, rules and regulation

The four independent variables (Board composition, Leadership style influence, SACCO structure, Rules and regulation) that were studied, explain 71.9% of the financial

performance of the SACCOs as represented by the adjusted R square. This, therefore, means that other factors not studied in this research contribute 28.1% of the financial performance of SACCOs in Kericho County.

4.5.2 Analysis of Variance (ANOVA)

Analysis of Variance (ANOVA) was used to determine the linear relationship among the variables under investigation. Using this method, the sum of squares, degrees of freedom (df), mean square, the value of F (calculated) and its significance level was obtained. The results are shown in Table 4.7.

Table 4.11: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	88.574	4	29.525	112.365	.000 ^b
1 Residual	54.128	26	.263		
Total	142.702	30			

Source: Field Data (2020)

From the data findings in table 4.11 above, the sum of squares due to regression is 88.574 while the mean sum of squares is 29.525 with 4 degrees of freedom. The sum of squares due to residual is 54.128 while the mean sum of squares due to residual is 0.263 with 26 degrees of freedom. The value of F calculated is 112.365 and the significance value is 0.000. The p-value is 0.000. Since the p-value is less than 0.05 it implies that the

relationship is significant at 95% level of significance; the model is, therefore, significant for the study and prediction.

4.5.3 Coefficient of Determination

Table 4.12: Coefficient of Determination

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
(Constant)	.088	.229		.386	.001
Board composition	.365	.073	.291	5.008	.000
Leadership	.094	.048	.113	1.950	.032
SACCO structure	.522	.061	.494	8.532	.000
Rules and regulation	.622	0.074	.589	8.426	.000

a. Dependent Variable: Financial performance

Source: Field Data (2020)

The established regression equation by the study was thus

$$\text{Financial Performance} = 0.088 + 0.365 \text{ Board composition} + 0.094 \text{ Leadership} + 0.522 \text{ SACCO structure} + 0.622 \text{ Rules and regulation}$$

From the above regression model, board composition, leadership style, SACCO structure, rules and regulation the financial performance of SACCOs would be 0.088. As shown in table 4.8 board composition, leadership style influence, SACCO structure, rules and regulation had a positive and significant effect on the financial performance of SACCOs in Kericho County as indicated by beta values. The relationships ($p < 0.05$) are

all significant with board composition ($B=.365$, $p < 0.05$), leadership style influence ($B=.094$, $p < 0.05$), SACCO structure ($B=.522$, $p < 0.05$), and rules and regulation ($B=.622$, $p < 0.05$). The study found that board composition, leadership, SACCO structure and rules and regulation had significant effect on financial performance.

These study findings are consistent to Mwangi *et al.*, (2015) who studied the effect of corporate governance practices on the financial performance of SACCOs in Kericho municipality. The study indicated that the leadership style, rules and regulation, board composition and SACCO structure have a great role they play in running of the SACCOs which include proper utilization of funds, proper supervision of management staff and the entire SACCOs and to ensure proper internal controls are in place. According to the study level of reporting do affect the level of SACCO's growth is most high which was indicated by an increase in the number of members in each year. Corporate governance is strongly positively correlated with financial performance, implying that poor corporate governance practices are associated with poor financial performance and vice versa.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter presents a summary of the findings, conclusions and recommendations for policy and practice and recommendations for further studies.

5.2 Summary

The general objective of this study was to investigate the relationship between corporate governance on the financial performance of the SACCOs in Kericho County Kenya. The specific objectives of the study were to analyze the effect of board composition, Leadership Style, board structure, rules and regulations on the financial performance of deposit-taking saving and credit co-operative societies Kericho County. The findings of the study are presented as follows:

The first research objective sought to establish the effects of board composition on the financial performance of deposit-taking saving and credit co-operative societies Kericho County. The study revealed that board composition affected the financial performance of deposit-taking saving and credit co-operative societies Kericho County to an above-average extent as shown by an aggregate mean score of 2.98 for all indicators. Most of the respondents agreed that board composition Age and gender of the board greatly influence the financial performance of the SACCO. Academic qualification of board members has the effect of the financial performance of the SACCO. The number of outside directors has an effect of performance of your SACCO. The size of the board in the SACCO affects the financial performance of the SACCO. Most of the respondents agreed that board composition facilitates the achievement of the objectives of SACCO.

The second research objective sought to determine how of Leadership Style affects the financial performance of deposit-taking saving and credit co-operative societies Kericho County. The study established that Leadership Style affects the financial performance of deposit-taking saving and credit co-operative societies Kericho County. The study also established that this lead to a clear mission that helps in increasing the market share of the

SACCO and setting new targets that affect the outcome of the SACCO. Furthermore, managerial leadership adopted by the SACCOs affects its efficiency and in turn financial performance. Training of workers and motivating employees also helps in reducing wastage hence efficiency and enhances the performance of the SACCO. New product and service development leads to increased performance of the SACCO

The third research objective sought to determine the extent to which board structure affects the financial performance of deposit-taking saving and credit co-operative societies Kericho County. The study found that board structure financial performance of deposit-taking saving and credit co-operative societies Kericho County to a great extent as shown by an aggregate mean score of 3.7 for all indicators. The study also found that the respondents indicated that all investment decisions must be approved by the board of directors before they are being undertaken by the SACCO. This enhances proper supervision of the management in their implementation of decisions. Furthermore, staff are given a chance to contribute to the decision on the adoption of new policies and procedures and there are few levels of hierarchy where a decision passes before being adopted. This assists in the generation of helpful ideas emanating from staff.

The fourth research objective sought to determine the extent to which rules and regulations on the financial performance of deposit-taking saving and credit co-operative societies Kericho County. The study found that rules and regulations affected the financial performance of deposit-taking saving and credit co-operative societies Kericho County to a great extent as shown by an aggregate mean score of 4.00 for all indicators. The study also found that the respondents indicated that regulations of the banking industry are particularly important to the SACCOs. These regulations include capital requirements that

affect the financial performance of the SACCOs. Furthermore, the liquidity management variables such as current ratio, cash deposit ratio have an impact on the financial performance of your SACCO. The market rate of interest affects the financial performance of the SACCO. This due to interest gains made from the credit given out to borrowers

5.3 Conclusions

The study concludes that board composition has a positive and significant effect on the financial performance of deposit-taking saving and credit co-operative societies in Kericho County. Board composition enables board composition enhances age and gender sensitivity and inclusion in the board that greatly influence the financial performance of the SACCO. Academic qualification of board members also affects the financial performance of the SACCO. The size of the board in the SACCO affects the financial performance of the SACCO. Most of the respondents agreed that board composition facilitates the achievement of the objectives of SACCO.

The study concludes that leadership style has a positive and significant effect on the financial performance of deposit-taking saving and credit co-operative societies Kericho County. Leadership style assists in setting out a clear mission that helps in increasing the market share of the SACCO and setting new targets that affect the outcome of the SACCO. Furthermore, managerial leadership adopted by the SACCOs affects its efficiency and in turn financial performance. Training of workers and motivating employees also helps in reducing wastage hence efficiency and enhances the performance

of the SACCO. New product and service development lead to increased performance of the SACCO.

The study concludes that board structure has a positive and significant effect on the financial performance of deposit-taking saving and credit co-operative societies Kericho County. The study found that all investment decisions must be approved by the board of directors before they are being undertaken by the SACCO. This enhances proper supervision of the management in their implementation of decisions. Furthermore, staff are given a chance to contribute to the decision on the adoption of new policies and procedures and there are few levels of hierarchy where a decision passes before being adopted. This assists in the generation of helpful ideas emanating from staff.

The study concludes that rules and regulations have a positive and significant effect on the financial performance of deposit-taking saving and credit co-operative societies Kericho County. The study found that regulations of the banking industry are particularly important to the SACCOs. These regulations include capital requirements that affect the financial performance of the SACCOs. Furthermore, the liquidity management variables such as current ratio, cash deposit ratio have an impact on the financial performance of your SACCO. The market rate of interest affects the financial performance of the SACCO. This due to interest gains made from the credit given out to the borrower.

5.4 Recommendations for Policy and Practice

The study recommends that the SACCOs in Kericho County should have board composition by first defining and ascertaining members who are going to compose the board so that they can determine and establish a well-composed board that will help

enhance good decision making that will help enhance the financial performance of the SACCOs.

The study recommends that for SACCOs in Kericho County to achieve their objectives, they should ensure they adopt a leadership style that will assist in setting out a clear mission that will help in increasing on the market share of the SACCO and setting new targets that affect the outcome of the SACCO. Furthermore, leadership style should be adopted that helps in enhancing efficiency by training workers and motivating employees also helps in reducing wastage hence efficiency and enhances the performance of the SACCO. This will help in improving the financial performance of the SACCOs.

Additionally, the study recommends that SACCOs in Kericho County should focus on their structures to ensure optimum results in terms of their financial performance. These include less bureaucracy and fewer levels of hierarchy when it comes to decision making. Also, the SACCO structure should incorporate subordinate staff in decision-making such as the formulation of policies. This will help increase the efficiency of the organization and positively influence their performance.

The study recommends that SACCOs in Kericho County should adhere to regulations of the banking industry. These include capital requirements. Furthermore, the liquidity management variables such as current ratio, cash deposit ratio should be enhanced because they have an impact on the financial performance of SACCOs. The study further recommends that SACCOs in Kericho County should embrace board structure that will ensure all investment decisions be approved by the board of directors before being undertaken by the SACCO. This will enhance the proper supervision of the management

in their implementation of decisions. Furthermore, staff be given a chance to contribute to decisions on the adoption of new policies and procedures and there be few levels of hierarchy where a decision passes before being adopted. This will assist in the generation of helpful ideas emanating from staff.

5.5 Recommendations for Further Studies

The study focused on board composition, Leadership Style, board structure, rules and regulations affect the financial performance of SACCOs in Kericho County. Therefore, the study recommends that further studies should be carried out focusing on other variables not studied. The coefficient of determination in the model suggests that other factors contribute to the financial performance of SACCOs which should form future research. The study focused on financial performance of SACCOs in Kericho County and therefore further study to other counties and sectors is recommended.

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APPENDIX I: INTRODUCTORY LETTER

Sigei Kenn Kipkemoi,

P.O.Box 682,

Kericho, Kenya.

Phone: 0726419603.

Dear Respondent,

RE: REQUEST FOR YOUR PARTICIPATION IN MY ACADEMIC RESEARCH PROJECT

I am a student at Kenyatta University currently carrying out a research that will be submitted to the school of business in partial fulfilment of the requirements for the award of the degree of Master of Business Administration (MBA). The title of the research is **“Corporate Governance and Financial Performance of Deposit-taking Savings and Credit Cooperative Societies in Kericho County, Kenya.”**

Attached please find a copy of the self-administered questionnaire. Kindly answer the questions as comprehensively and honestly as possible relating to your SACCO for a period of five years from 2015 to 2019. The information from the questions is needed purely for academic purposes and will be treated with strict confidence. In no way will your name or name of your organization appear in the final report. Your participation in this exercise will be highly appreciated and thank you in advance.

Yours faithfully

Sigei Kenn Kipkemoi-MBA Student

APPENDIX II: QUESTIONNAIRE

This questionnaire is aimed at assessing the effect of corporate governance and financial performance of savings and credit cooperative societies in Kericho County, Kenya. Your institution has been identified for this study. All information gathered will be used purely for academic purposes and shall be handled with the greatest level of confidentiality.

SECTION A: GENERAL INFORMATION

1. Name of the SACCO (optional).....

2. How many years has the SACCO been operating for (tick one):

- 1-5 years 6-10 years
- 11-15 years 16-20 years
- Over 20 years

3. What is your current employee population (tick one):

- 1-50 employees 51-100 employees
- 101-150 employees over 150 employees

4. How long have you worked in your SACCO

- 0-5 years 6-10 years
- 11-15 years 16-20 years
- Over 20 years

CORPORATE GOVERNANCE MEASURES

SECTION F: PERFORMANCE OF SACCO

5. To what extent do you agree with the following statement in your SACCO regarding your SACCO.

Statement	Level of agreement				
	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
SACCO performance has been as a result of the composition of the board of directors					
The fluctuation in SACCO performance can be attributed to boards' decisions					
Guiding juniors employees help in improving SACCO performance					
The liquidity requirement by SASRA affectsthe financial performance of the SACCO					
Having employee code of conduct affectsthe financial performance of the SACCO					
Departmentalization of the SACCO influences SACCO performance					
The levels upon which a decision passes before it is being implemented influences performance of SACCO					
Centralization of decision making influences financial performance					
There is a strong correlation between academic qualification and financial performance of SACCO					
Corporate governance has an impact on the financial performance of your SACCO					

In your own opinion, how can you relate corporate governance with financial performance

.....

SECTION B: BOARD

6. To what extent do you agree with the following statement in your SACCO regarding your board

Statement	Level of agreement				
	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Age category of the board greatly influence the financial performance of your SACCO					
Gender of the board affects the financial performance of your SACCO					
Academic qualification of board members has the effect of the financial performance of your SACCO					
Number of outside directors has the effect of performance of your SACCO					
The size of the board in the SACCO affects the financial performance of your SACCO					

7. In your own opinion, how does the board size, education and gender affect the financial performance

.....

SECTION C:LEADERSHIP STYLE INFLUENCE

8. How would you classify the management of your SACCO?

Participatory

Non-participatory

9. Who is in charge of the management of your SACCO?

10. How is the election of the board of director

Delegate system

General membership voting system

Regional representation voting system

Committee

Executives

Directors

Others

11. To what extent do you agree with the following statement in your SACCO regarding your SACCO

Statement	Level of agreement				
	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Having a clear mission increases on the market share of the SACCO					
Setting new targets affects the outcome of the SACCO					
Number of target setting meetings leads to the good formulation of targets of the SACCO					
Managerial leadership style adopted affects productivity					
Managerial leadership adopted by the SACCOs affects its efficiency and in turn financial performance					
Managerial experience as per the number of senior managers improves the efficiency of the firm					
Training of workers reduces wastage hence efficiency and enhances the performance of the SACCO					
Motivating employees helps to minimize employee turnover					
Motivating employees results in improved efficiency in the organization and consequently improved performance					
Employee rewards encourage efficiency in your SACCO					
Innovation in the SACCO leads to new products development					
New product and service development leads to increased performance of the SACCO					
Innovation helps improve the efficiency of a SACCO					

12. In your own opinion, how does leadership style affect the financial performance

.....

SECTION D: SACCO STRUCTURE

13. To what extent do you agree with the following statement in your SACCO regarding your SACCO

Statement	Level of agreement				
	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Subordinates staff participate in the decision in decision making on matters related to day to day operations of the SACCOs					
All investment decisions must be approved by the board of directors before they are being undertaken by the SACCO					
Staffs are given chance to contribute to the decision on the adoption of new policies and procedures					
There are few levels of hierarchy there a decision passes before being adopted					
The levels in the SACCO influences financial performance					
None or small actions can be undertaken by junior staff on any matter without being supervised					
There are several departments/divisions/units established to deal with a specific issue in the organization					
There are written guidelines on how to deal with every operational activity and or situation which are available to staff					

14. In your own opinion, how does SACCO structure affect the financial performance

.....

.....

SECTION E: RULES AND REGULATION

15. Do you feel that there is a need to have rules and regulations in your SACCO? Yes (

) No ()

16. How often do you provide financial reports in your SACCO?

Quarterly ()

Semi-annual ()

Annually ()

17. Are the financial reports audited before release? Yes () No. ()

18. If the above question is yes, who audit these reports?

External auditor ()

Internal auditor ()

19. To what extent do you agree with the following statement in your SACCO regarding your SACCO

Statement	Level of agreement				
	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
The regulations of the banking industry are particularly important to the financial performance of the SACCO					
The SACCO has been faced with a lot of challenges due to rules and regulations					
Regulating capital requirements affects the financial performance of your SACCO					
Regulation reporting requirements affect the financial performance of your SACCO					
The low performance of your SACCO is attributed to rules and regulation in the sector					
The liquidity management variables such as current ratio, cash deposit ratio have an impact on the financial performance of your SACCO					
The market rate of interest affects the financial performance of the SACCO					

20. In your own opinion, how does rules and regulations formulated by the management influence the financial performance

.....

THANK YOU FOR YOUR PARTICIPATION

APPENDIX III: SECONDARY DATA COLLECTION SHEET

	2019				2018				2017				2016				2015			
DT-SAC CO	ROA	EPS	DPO	ROE	ROA	EPS	DPO	ROE	ROA	EPS	DPO	ROE	ROA	EPS	DPO	ROE	ROA	EPS	DPO	ROE
1	0.10	1.12	0.68	0.44	0.20	2.13	0.52	0.74	0.50	3.13	0.23	0.94	0.40	2.1	0.20	1.94	0.11	1.11	0.20	2.91
2	0.12	2.20	0.678	0.64	0.32	3.21	0.524	1.64	0.42	4.21	0.721	1.60	0.32	3.2	0.62	1.50	0.01	2.20	0.53	1.60
3	0.281	2.4	0.615	1.069	0.81	3.5	0.782	2.069	0.21	6.5	0.653	1.041	0.27	5.5	0.52	1.01	0.22	4.7	0.43	1.71
4	0.23	3.06	0.83	2.07	0.31	3.19	0.78	3.07	0.41	1.19	0.25	2.06	0.51	1.2	0.15	2.16	0.31	1.15	0.82	2.66
5	0.148	12.3	0.693	0.95	0.14	11.1	0.63	1.95	1.14	9.1	0.18	2.04	1.38	7.2	0.28	2.14	1.22	6.5	0.48	2.64
6	0.235	10.4	0.507	1.115	0.35	11.6	0.521	2.17	1.35	8.6	0.517	2.17	2.5	7.5	0.41	3.18	2.4	9.4	0.538	3.08
7	0.070	6.3	0.607	1.027	0.70	5.5	0.91	1.03	0.80	3.5	0.61	1.07	0.76	2.9	0.41	1.17	0.66	3.7	0.87	1.47
8	0.107	6.7	0.693	2.032	0.17	5.8	0.62	3.02	0.77	4.8	0.42	1.02	0.78	3.9	0.22	1.22	0.66	5.8	0.46	1.34
9	0.111	8.9	0.744	1.028	0.45	10.2	0.644	1.03	0.75	9.2	0.257	2.07	0.79	7.1	0.23	2.37	0.65	6.3	0.374	2.17

10	0.059	4.2	0.782	3.015	0.05	5.8	0.723	3.07	0.85	4.8	0.627	2.07	0.75	3.9	0.33	2.27	0.55	2.5	0.273	1.27
11	0.974	5.6	0.802	1.192	0.74	7.1	0.872	1.2	0.84	6.1	0.714	2.2	0.74	5.0	0.51	2.22	0.54	7.3	0.474	1.22

APPENDIX IV: LIST OF SACCOS IN KERICHO COUNTY

1.Patnas SACCO Limited
2. Simba Chai SACCO Limited
3. Ndege Chai SACCO Limited
4. Kimbilio daima SACCO Limited
5.Kokchaik SACCO Limited
6.Chasco SACCO Limited
7.Imarisha SACCO Limited
8.Kenya Highland SACCO Limited
9.Kibali SACCO Limited
10.Abyssinia SACCO Limited
11.Ketepa SACCO Limited

Source: SASRA, (2017)

APPENDIX V: RESEARCH BUDGET

	<u>Ksh.</u>	<u>Ksh.</u>
<u>Project development cost</u>		
Typing and printing (6copies,40 pages @ 10)	2,400	
Binding (6copies @ 150)	900	
Flash disk	<u>700</u>	4,000
<u>Data collection cost</u>		
Travelling expenses	10,000	
Meals and accommodations	4,000	
Data analysis and computer run	<u>6,000</u>	20,000
<u>Production of the final document</u>		
Typesetting	2,500	
Printing (5 copies, 50 pages@ sh.10)	2,500	
Binding (5copies @ 150)	<u>750</u>	3,750
Miscellaneous expenses		<u>15,000</u>
Total		<u>44,750</u>

APPENDIX VI: WORK PLAN

Activity	Period in weeks				
	1	2	3	4	5
Pilot study					
Data Collection					
Data editing and coding					
Data analysis					
Report writing					
Presentation					