

**CORPORATE GOVERNANCE PRACTICES AND PERFORMANCE OF
TEACHERS-BASED SAVINGS AND CREDIT COOPERATIVE ORGANIZATIONS
IN CENTRAL REGION, KENYA**

BY

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MASTER OF SCIENCE IN DEVELOPMENT FINANCE

KCA UNIVERSITY

2025

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**A RESEARCH DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF
SCIENCE IN DEVELOPMENT FINANCE IN THE SCHOOL OF BUSINESS AT KCA
UNIVERSITY**

NOVEMBER, 2025

DECLARATION

I declare that this project is my original work and has not been previously published or submitted elsewhere for the award of a degree. I also declare that it contains no material written or published by others except where due reference is made and the author is duly acknowledged.

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I do hereby confirm that I have examined the master's dissertation of

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And have certified that all revisions that the dissertation panel and examiners recommended have been adequately addressed.

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ABSTRACT

Savings and Credit Cooperative Organizations (SACCOs) have a critical role in the economic improvement of the members, more so in Kenya, where SACCOs are seen as a valuable means of microfinance. The SASRA Report (2020) shows that the SACCOs are important in the Kenyan economy because they serve more than 14 million members. Among the many existing SACCOs, teacher-based SACCOs are crucial as they have a large membership base, with the SACCOs providing critical services to the members. World over, reports indicate that teacher-based SACCOs are performing well because of a large membership base as well as loyalty. This is, however, in complete contrast to the teacher-based SACCOs in the Central region, which are small and have been characterized by instabilities and numerous challenges, including sub-optimal structures. This research aimed to establish the relationship between the corporate governance of teacher-based SACCOs in the Central Region of Kenya and their overall performance. The research study employed a mixed methodology approach, combining descriptive and explanatory research designs. The target population of the study consisted of teacher-based SACCOs in the Central region of Kenya. The research applied a stratified and systematic sampling technique to select 384 respondents from the target population. The results show that member participation as a factor of SACCO governance had a significant positive correlation. Board composition had a significant negative correlation, while Board Leadership Practices and financial regulatory factors had no significant effect on the performance of teacher-based SACCOs. The finds indicated that the participation of the members have a positive and significant impact on the SACCO performance ($r = 0.612$, $p < 0.05$), and the board composition exerted a negative and significant impact ($r = -0.421$, $p < 0.05$). The regression model as a whole is significant ($F(4, 379) = 44.26$, $p < 0.001$) and was found to explain 53.1 percent of variations in performance ($R^2 = 0.548$, Adjusted $R^2 = 0.531$), although board leadership practices and financial regulatory compliance did not have any significant effect. The research recommends enhancing financial literacy among members, reviewing SASRA regulations to acknowledge the small SACCOs to lessen the financial burden, and introducing of incentive system to promote innovation and organizational efficiency.

ACKNOWLEDGEMENTS

I want to acknowledge Dr. Wabuyabo-Okonga Brigitte, who painstakingly guided me towards completing this work, sometimes having to put up with me on many occasions. Her insightful suggestions, criticisms, and patient encouragement aided the writing of this project in many immeasurable ways.

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DEDICATION

This project is dedicated to my parents, John and Mary Kihara, whose love and care are immeasurable. Thank you to my siblings for your unwavering support and encouragement. Much appreciation also goes to my friends for their undivided support throughout this journey. May God bless you all.

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ACRONYMS AND ABBREVIATIONS

AGM	Annual General Meeting
BOD	Board of Directors
BSR	Business for Social Responsibility
CAOG	Commonwealth Association for Corporate Governance
CBK	Central Bank Kenya
CEO	Chief Executive Officer
CG	Corporate Governance
CMA	Capital Markets Authority
FOSA	Front Office Services
ICA	International Co-operative Association
ICPAK	Institute of Certified Public Accountants of Kenya
KTSA	The Kenya Teachers SACCO Association
KUSSCO	Kenya Union of Savings and Credit Cooperatives
ROA	Return on Assets
ROE	Return on Equity
SACCO	Savings and Credit Cooperative Society
SASRA	SACCOs Regulatory Authority
TSC	Teacher Service Commission

DEFINITION OF TERMS

Board Composition: This refers to the individuals who make up an executive board of the company and are in charge of safeguarding shareholder interests. It is measured regarding board size, qualification, and diversity (OECD, 2023).

Board qualification: Refers to the skills and expertise of the board members of a firm, which also includes their educational background and experience (FRC, 2023).

Board Size: This refers to the full roster of a board of directors in a company (Stuart, 2024).

Control Environment: This is the sequence of managerial decisions determining how staff members conduct themselves in day-to-day operations. It is measured regarding SASRA regulations, internal control systems, and policies and procedures (COSO, 2023).

Corporate Governance: This is a system put in place in an organization that guides and controls the operations of the organization. It is measured regarding board composition, the board size, organizational structure, and stakeholder involvement (OECD, 2023).

Financial Regulatory Compliance: This is the Adherence of financial institutions, including SACCOs, to laws, regulations, and guidelines established by regulatory authorities. (Nyamweya et al. 2023)

Organization Structure: The tasks and subtasks needed to accomplish a strategy. It is measured in terms of structure formulation, structure complexity, and structure centralization (Mintzberg, 2023).

Performance: The ability of organizations to generate profit from their business transactions while sustaining their market share. It is measured in profitability, market development, and customer satisfaction, (Moumin, 2024)

SACCO: This is a special type of cooperative offering financial services primarily focusing on mobilizing funds and providing affordable credit to its members, both owners and users. (WOCCU, 2023).

Stakeholder involvement: The procedure an organization uses to involve others who might be impacted by the decisions it makes or who might affect how those decisions are made. It is measured in member engagement, stakeholder commitment, and employee involvement (Tyagi, 2024).

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Corporate governance refers to the use of specific structures and procedures to guide and control organizations, leading to accountability, transparency, and stakeholder involvement (Mayer, 2019; Keasey, Thompson, & Wright, 2019). Good governance practices, such as watchful board members, ethical leaders, and following all regulations, are important for preserving the institution's finances and overall performance. The way a financial cooperative like Savings and Credit Cooperative Organizations (SACCOs) is governed decides how effectively resources are used, risks are reduced, and trust among members is maintained.

Organizations worldwide that have well-designed governance systems usually grow sustainably and win the trust of stakeholders (OECD, 2023). At the same time, when governance is poor, there is more mismanagement, fraud, and weak internal controls, which often lead to the failure of the organization (Waweru & Prot, 2019). In Kenya, SACCOs help people with low and middle incomes by providing them with easy access to credit, savings, and investment opportunities. They are directed by the SACCO Societies Regulatory Authority (SASRA) and the Cooperative Societies Act, which places importance on governance, accountability, and compliance (SASRA, 2023).

Teacher-based SACCOs, which are mainly made up of Teachers Service Commission (TSC) employees, are considered one of the most influential types of SACCOs in Kenya. They provide various products, for example, salary advances, loans for education, mortgages, and savings plans created to meet teachers' needs (KTSA, 2022). Since they have a large number of members, they could earn a lot, but their governance issues only persist. When there are not

enough checks from the board, members do not participate enough, and rules are not followed well, the performance suffers, and members' savings and confidence might be at risk (Kariuki & Ondieki, 2020). The collapse of Metropolitan National SACCO led to multi-billion-shilling losses, as it was caused by mismanagement and fraudulent actions. This has proven that weak governance systems are very dangerous (SASRA, 2023). Because of these failures, it is important to analyze SACCO governance to ensure both the SACCO's future and the well-being of its members are safeguarded.

Teacher-based SACCOs in the Central Region are significant in terms of the well-being of financial educators. They open access to credits and encourage saving, bringing as the members both rural and urban schools. The wide following enables them to dictate the way teachers deal with their finances. The SACCOs in the country experienced an 11 percent increase in membership base, which was 6.42 million in 2022 and 7.26 million in 2024, and an 11 percent growth in the number of branches, which stands at 503 in 2022 and 655 in 2024 in 44 counties, according to SASRA (2023, 2024). This constant rise is an indication of the confidence given to SACCOs as member-owned institutions. It also shows the level of their attunement with the professional and social life of teachers.

Despite this growth, there have been various governance issues in many SACCOs in Kenya. Some of the governance issues are weak internal controls and bad selection of leaders in the SACCOs. During the election period, the popularity and not the competence is mainly the determinant of the individuals who join the board, and this compromises effective oversight. Research on deposit-taking SACCOs in Nairobi revealed that there is a strong and significant relationship between the quality of the board and the financial performance ($\beta = 0.750$, $p < 0.05$) (Agutu, 2022). Thus, it demonstrates that good leadership is a major

determinant in every SACCO. Members' savings are also not secure without tighter mechanisms of accountability in every Corporate Institution. To resolve these issues, training on regulatory oversight is needed to the Board members.

In Kenya regions where there is strong governance practice, the SACCOs' outcomes are greatly delivered. Corporate institutions that practice transparent operations and involve the members are usually more successful with greater profitability and more satisfied members. Evidence in Nyanza suggests that SACCOs that pass the capital adequacy and liquidity test set by the SASRA are recording better performance (Obala, Miroga, & Nambuswa, 2025; SASRA, 2023). This indicates that governance is not limited to compliance with legal demands but also to the development of realistic conditions of development. When Members have confidence in the leaders of the SACCOs, they become more willing to save and use more of the SACCO products.

The Kenyan government has, in recent years, introduced initiatives that are expected to transform SACCO governance. These changes involve the establishment of a deposit guarantee fund, tighter liquidity and capital requirements, and supervision (SASRA, 2023). Although such changes enhance security, they are more expensive in terms of compliance, especially for the small SACCOs. Any failure to satisfy the new requirements might be subject to merger or even closure of the SACCOs. What will occur to them in the coming years is dependent on how they adjust their structures to cope as members' deposits remain secured and deliver dependable services. In Central Kenya, the reforms present an opportunity and a challenge to teacher-based SACCOs. Their future will rely on their ability to adapt their structures to remain efficient in safeguarding of savings of the members and delivering regular services.

1.1.1 Corporate Governance Practices

Corporate governance is defined as the management of institutions by way of integrity, fairness, and accountability. SACCO governance means dealing with who is on the board, how well leaders perform, how members are involved, and following the rules set by the authorities. Having effective governance ensures that a company is open, its leaders are responsible, and it follows regulations, which helps the company perform well and earn trust from its members. Countries with good governance across the World have more credible institutions and can sustain their economic growth (OECD, 2023). SACCO Societies Regulatory Authority (SASRA) in Kenya encourages board elections, independent audits, and active participation of members. However, poor management, such as a lack of control, less involvement from members, and not following the rules, has contributed to financial difficulties and less public trust.

One of the most effective factors of corporate governance in SACCOs is the Board of Directors. SACCOs that perform better in the protection of members' funds have independent directors, a balanced structure, and a leader who possesses financial expertise. A study carried out at the SACCOs in Nairobi County found that board independence and the well-structured working audit committee had a positive effect on the performance of SACCOs in Nairobi County, hence, supporting the stock argument that good governance and financial stability are greatly interconnected (Wangui, 2019).

Transparency and accountability are more important to the good governance of SACCOs than the composition of the board. Frequent publishing of financial statements, External audits, and the availability of reports enable the members to know how their money is being spent. SASRA (2023) observed the same pattern in its annual report by asserting that

SACCOs that complied with disclosure consistently had higher member trust and a better deposit base than those with poor compliance records. This signifies that transparency in operations creates loyalty and trust from the members, as they have to actively take part as well.

Teacher-based SACCOs usually get their income through Teacher Service Commission (TSC) payments, and this implies that their member security is highly dependent on their cooperatives. In Kisii County, examining the performance indicators that are due to an increase in member participation in annual general meetings, formulation of policies and elections, loan recovery indicators, and liquidity have been enhanced when there is active participation of members (Oenga & Obuba 2024). A participatory approach to managing a SACCO also means that the members participate in defining the direction of the SACCO and keep the leaders accountable.

Strategic planning could be considered as one of the most efficient SACCO components of governance. Effective boards not only regulate compliance but also direct new growth by diversifying products, entering the digital environment, and creating risk-management policies. In a review conducted in the year 2024 on deposit-taking SACCOs, it was reported that SACCOs that had formalized strategic plans experienced the impacts of liquidity shocks better compared to the SACCOs that focused on short-term remedies (Karuoya & Waithaka, 2023). The overview of the process, hence, strategic foresight is a part and parcel of governance.

Sustainable governance of SACCOs does not merely have to do with compliance with the rules, but rather it is anchored on ethical leadership and professional responsibility. Boards that focus on integrity, implement sound lending policies, and embrace sound investment

choices have a greater chance of preserving members' savings and keeping stability. The failure of the Metropolitan National SACCO shows how dangerous it is to ignore such principles. It was found that there was widespread mismanagement, such as the fake payments of dividends, inconsistent loan payments, which started with KSH 49 million clearing through one teller, and the issuance of loans totaling more than Ksh 7 billion to members who did not exist. These activities caused thousands of members to lose a lot of money (Kilonzo & Munene, 2020). As indicated in the case, ethical governance goes beyond law, and the leaders must be responsible custodians of the lifetime savings entrusted in them.

In SACCOs where teachers depend mostly on remittances from the Teachers Service Commission (TSC), failing to manage their money toward the goals can risk the whole institution breaking down. The performance and sustainability of SACCOs depend on having professional boards, making strategic plans, and encouraging members to participate.

1.1.2 Overview of SACCO Performance

SACCOs have a major role in the country's financial system by helping Kenyans save, access credit, and get financial services. In 2023, SACCOs in Kenya had gathered more than Ksh 970 billion in assets and served over 6.8 million managed members (according to SASRA 2023). Among the essential indicators are liquidity, the ability of clients to repay loans, expansion of assets, and financial success.

Even though the sector experienced growth, issues surrounding governance remain quite prominent. As a result of fraud, lax board oversight, and violating the rules, the Metropolitan National SACCO was forced to collapse, and this reminded everyone about how

weaknesses in governance can bring a business to its knees. They prove that a SACCO's success is largely affected by how much its governance respects rules and regulations.

The SACCO industry in Kenya has shown flexibility to overcome inflationary events, exchange-rate changes, and other economic shocks. According to recent studies, SACCOs represent more than 30 percent of domestic savings in the country (Kiaritha, 2023), and the importance of SACCOs in mobilizing household resources is essential, especially among the salaried employees (teachers). They have a broad coverage between counties, hence could be used easily as a vehicle of financial inclusion, particularly in rural and peri-urban regions with low representation of commercial banks. In addition to their mobilization of savings, SACCOs also serve as dependable providers of credit, which means that members have access to cheap loans that can directly promote household welfare and the development of small-scale businesses.

The financial performance of the deposit-taking SACCOs has been strongly linked to the prudential standards issued by the Sacco Societies Regulatory Authority (SASRA). These standards demand SACCOs to sustain minimum core capital adequacy, institutional capital, and liquidity ratio, and to cover non-performing loans. The SASRA report on supervision of 2023 showed that SACCOs had an average core capital adequacy ratio of 16.07 percent against the statutory minimum of 10 percent, an institutional capital adequacy ratio of 9.11 percent against the required 8 percent, and a liquidity ratio of 47.29 high way beyond the required 15 percent (SASRA, 2023). SACCOs that regularly reached these prudential levels were better financially placed, and they could increase credit to their members. On the other hand, those who did not comply found it difficult to access liquidity, and others faced non-compliant regulatory penalties.

Loan portfolio quality is one of the key performance indicators of SACCOs as it directly determines sustainability and confidence of the members. In line with the 2023 SASRA Supervision Report, the non-performing loans of the sector increased to KSh 63.5 billion in 2022, or 8.39 percent of total loans- higher than the recommended level of 5 percent (SASRA, 2023). SACCOs with stringent loan appraisal measures and frequent tracking was in a position to keep the levels of default at a lower level and experienced healthier balance sheets. Conversely, the institutions that maintained weak credit management habits, such as a subset of teacher-based SACCOs, had greater delinquency, diminishing profitability, and losing trust by the members (KUSCCO, 2022).

The product diversification is another significant area of the SACCO's performance. In recent years, numerous teacher-based SACCOs in the Central region have unveiled new products like education loans, housing mortgages, and mobile banking systems as a way of attracting wider membership base. Reports published in the 2023 SASRA Supervision indicate that SACCO mortgage and housing loans increased by 13.2 percent in 2022 to Ksh 67.9 billion, and it is a strategic move to start financing assets in the long term (SASRA, 2023). Correspondingly, according to KUSCCO (2022), SACCOs that go beyond salary-based advances are in a better place to draw the younger members, increase financial stability, and lower risks related to overreliance on one credit product.

Digitization has also determined performance trends in SACCOs. Savings, borrowing, and checking of balances can now be done at mobile and online platforms without having to go to the actual branches. The SASRA Supervision Report of 2023 points out that the regulated SACCOs recorded 7.82 million transactions amounting to Ksh 27.73 billion in 2022 in both agency and digital channel, and this indicates the increased role of technology in the delivery

of services (SASRA, 2023). The research in the Meru County also supports this pattern as it revealed that mobile banking and internet banking increased the efficiency of operations and the influence on customers among deposit-taking SACCOs considerably (Njoroge and Nasieku, 2022). Also, the performance gains among Nairobi-based SACCOs were associated with agency and internet banking, whereas the contribution of mobile banking and ATMs to the overall performance were statistically insignificant in that study (Njunwa et al., 2023). Yet, this digital transformation has brought with it certain risks, in particular cyber fraud, to which boards should respond with a more robust governance and control framework.

The performance of the SACCOs is directly affected by cultures of governance and the quality of leadership. According to the 2023 SASRA Supervision Report, the better the financial performance of a SACCO, the better the board is, the active the supervisory committee, and the compliance culture of the given SACCO, the more financial results were successful (SASRA, 2023). Equally, Kangogo and Jagongo (2021) established that financial sustainability among SACCOs in Nairobi County was largely predicted by the competence of the board and integrity of the leadership. This indicates that the growth of finances in the SACCO sector cannot go without the quality of governance and ethical leadership.

In summary, SACCO performance in Kenya results from a combination of macroeconomic background, prudential compliance measures, loan portfolio quality, product diversification, adoption of technology, and above all, sound governance practices. The future of teacher-based SACCOs in the Central Region will be tied to how they can handle risks, become innovative on digital platforms, and be responsible towards members at the highest level.

1.1.3 Teacher-Based SACCOs

In Kenya, Teacher-based SACCOs are among the largest cooperative groups. They are mostly made up of teachers employed by the Teachers Service Commission (TSC), and these SACCOs have more than one million members (SASRA, 2021). They are supervised by the Kenya Teachers SACCO Association (KTSA) and by the SACCO Societies Act No. 14 of 2008. They help members by giving them salary advances, emergency loans, and savings products for education, which are all important for their finances (KTSA, 2022).

Still, having most of their members from the same background and using the TSC payroll system for all causes various risks, especially if there are problems with salaries or governance. The teacher-based SACCOs in Central Kenya have had problems with board members not being professional enough, having fewer members take part in oversight, and witnessing more fraud cases (SASRA, 2021). Because of these governance issues, SACCOs have experienced poor results and may not be able to continue operating for a long time. Solving these governance problems is very important for boosting their impact on financial empowerment and making the cooperative movement more.

Teacher-based SACCOs are important in the financial inclusion of teachers, especially in rural and semi urban which have low access to mainstream financial services. Such SACCOs stabilize income through pooling of available resources via check-off systems, which are hooked on the TSC pay perks, to offer reliable credit and savings which enhance household stabilization. The above percentage shows the weight of teacher-based SACCOs in the cooperative movement, whereby the 2023 report shows that they contributed almost 35 percent of all deposits mobilized in the SACCO subsector (KUSCCO, 2023).

The vulnerability of the SACCOs is, however accompanied by the concentration of membership of one employer which is the TSC. Liquidity and loan repayment schedules are subject to any delay in the remittance of salary or a change in its payroll policy by the government. The SASRA (2023) Supervision Report noted that stalemates in TSC remittance was one of the major causes of non-performing and liquidity pressures in the teacher-based SACCOs. Likewise, Nyangweso (2019) discovered that long-term remittance delays induced a great impact on loan default rates, which compromised the financial viability of SACCOs in the education sector.

The weaknesses of governance are also challenges that continue to plague teacher-based SACCOs. Research has indicated that poor professional training of board members, financial illiteracy among the board members, and the supervisory committees' ineffective oversight are likely to compromise effective oversight (Kangogo & Jagongo, 2021). These loopholes in governance give loopholes that are used by fraudsters, causing losses and loss of confidence by members. The fraud-induced collapse of the Metropolitan National SACCO in 2020, although not a teacher-based institution, was highly publicized as a lesson to the rest of the cooperative sector (OECD, 2023).

However, SACCOs that are teacher-based in Central Kenya have proved to be resilient and adaptable. Some have changed to web-based applications where members can apply and check balances using mobile devices. Traditionally, SACCOs using the digital platform recorded accelerated loan delivery and enhanced satisfaction among members in comparison to traditional centers that were operating on manual systems (KUSCCO 2022). The best productivity of these reforms comes hand-in-hand with sound governance frameworks that protect competitiveness and stability.

Teacher-based SACCOs have gained significance in providing housing and education among members as a long-term need. The Union for the teachers, Kenya National Union of Teachers (KNUT) has long been known to minimize dependence on commercial banks by teachers by organizing teachers into welfare-related cooperatives, where credit tends to be more expensive. These SACCOs have over time been known to engage in programs which provide the members children with scholarship aid. In a study by Olando, Mbewa, and Jagongo (2012), pooling of resources by such cooperatives not only expanded access to affordable credit; but it also stimulated community welfare projects. This means that teacher- based SACCOs are not just financial institutions but social organizations that play a role in development of the locality.

The long-term sustainability of teacher-based SACCOs in the Central Region will be determined by the extent of how they can overcome the shortcomings in governance and deal with risks associated with their dependence on the TSC payroll system. It will be needed to strengthen the professionalism of boards, promote the participation of more members, diversify products, and expand the membership base. With these measures ensured, teacher-based SACCOs can protect the savings of its members and help the economic development of communities that are inhabited and worked by teachers.

1.2 Problem Statement

Savings and Credit Cooperative Societies (SACCOs) are recognized for their role in financial inclusion, thus, boosting members' economic status. According to WOCCU, (2023), more than 375 million people across the world use credit and savings services offered by SACCOs. However, despite this importance, this sector suffers from governance weaknesses. For example, in the year 2023, 14 SACCOs were registered under controlled management by SASRA because of their liquidity crisis, as a result of poor review by the board, fraud, and

inadequate internal controls (SASRA, 2023). Metropolitan National SACCO in Kenya was cited for mismanagement and fraudulent actions resulting in a loss of over Kshs 12 billion between the years 2010 and 2023. Mursoi, Muturi, and Ndegwa (2021) noted that related party transactions and poor internal controls tend to put SACCOs in distress and erosion of reputation. These problems are not exclusive to major SACCOs but also affect smaller SACCOs that may not have robust governance and oversight structures.

Recent research indicates that weak internal controls, incompetent board members, the lack of clarity in roles and participation are major governance problems in many small SACCOs in Kenya. (Mwango, 2019; Onunga, 2022; FSD Kenya, 2023). Strict regulatory requirements in Nairobi and other areas have enhanced performance of SACCOs but have put pressure on smaller institutions financially (Asienga et al., 2023). Risk-taking in leadership has been identified to positively affect SACCO sustainability in Central Kenya, especially in Murang'a and Kiambu ($r = 0.488$, $p = 0.000$) (Warwathe, 2024). These results imply that small teacher-based SACCOs in the Central Region can experience even more governance risks because of the lack of resources, low professional capacity, and increasing regulatory requirements.

The effects of the bad governance of SACCOs on teachers are far-reaching. The lack of strong governance structures tends to expose members to the lack of access to timely and affordable credit, compelling them to resort to digital and informal lenders with a higher interest rate and less favorable repayment terms. The FinAccess Household Survey 2021 (CBK, KNBS, and FSD Kenya, 2021) provides evidence that most salaried workers, such as teachers, have turned to digital loans as their cooperative institutions have become unresponsive to their credit requirements, placing them in a vulnerable situation of facing financial stress.

Although many studies have examined the SACCO governance in Kenya, none of them have concentrated particularly on the central region small and medium teacher based SACCOs. This is where issues of governance capacity, regulatory burden and dynamics of member participation are different compared with large national SACCOs in other regions. The study will thus address this gap by exploring the correlation between the corporate governance practices, specifically the board composition, the leadership practices, the participation of the members and financial regulatory compliance and the performance of the teacher based SACCOs in Central Kenya.

1.3 Objectives of the Study

The general objective of the research study was to examine the relationship between corporate governance practices and the performance of Teacher-based SACCOs in the Central Region of Kenya. The following specific objectives guided the research study:

- i. To determine the effect of board composition on the performance of teacher-based SACCOs in Central Kenya.
- ii. To find the effect of leadership practices on the performance of teacher-based SACCOs in Central Kenya.
- iii. To examine the effect of member participation in shaping the performance of teacher-based SACCOs in Central Kenya.
- iv. To determine the effect of financial regulatory compliance practice on the performance of teacher-based SACCOs in Central Kenya.

Research Questions

The following research questions guided the research study:

- i. How does board composition affect the performance of teacher-based SACCOs in Central Kenya?
- ii. How does leadership practice influence the performance of teacher-based SACCOs in Central Kenya?
- iii. What effect does member participation play in shaping the performance of teacher-based SACCOs in Central Kenya?
- iv. How does compliance with financial regulations affect the performance of teacher-based SACCOs in Central Kenya?

1.4 Significance of the Study

In investigating the relationship between corporate governance and the performance of Teacher-based SACCOs in the Central Region of Kenya, the researcher sought to fill the gap in literature relating to the performance of SACCOs with particular reference to Teacher-based SACCOs in the Central Region of Kenya. The study results provide the documented basis for additional research to potential and current scholars. Further, the study provide insights into the various aspects of corporate governance and their linkages to the performance of SACCOs. This contributes to the recommendations to inform the SACCO management, and how the elements of SACCO governance affect the operations of the SACCOs.

The study results also provide evidence to policymakers on the prevailing dynamics in SACCO societies, especially the teacher-based ones. This contributed to formulating recommendation to aid the formulation of responsive policies and laws favorable to the performance of SACCO movements. The study findings may be used by bodies that are mandated to regulate, including the SACCO Societies Regulatory Authority (SASRA) in drafting responsive strategic policies on the corporate governance of SACCOs in Kenya.

Finally, the study identifies performance barriers in the SACCO operations that are significant in regulating SACCO societies nationally and internationally.

1.5 Scope of the Study

The study targeted 6 SACCOs operated by teachers in the Central Region of Kenya. These are Orient, Mentor, Ollin, New Fortis, Tower, and Unison. These SACCOs were chosen following due consideration of various things. First, they were provided with a good representation of the area since they were spread out across the geographical area of Central Kenya. Then all SACCOs selected were registered with SASRA and KTSA, which means they are subject to the same rules. Third, their size was different, as well as the number of their members, and the duration of their operation, which allowed comparing their governance and their performance in various situations.

The area of study involved aspects of corporate governance that comprised the quality of participation by members, the quality of leadership, adherence to regulations, and board composition. The research design was mixed-method, and both quantitative and qualitative research methods were used. The quantitative approach entailed gathering data on corporate governance practices and performance indicators. It also included analyzing financial records and performance data from the SACCO's official reports. The qualitative approach, on the other hand, entailed surveys with the members, board of directors, and management of the SACCOs.

1.6 Study Limitations

While this study tried to explore how governance affects SACCO performance, there were limitations to its findings.

- (i) Lack of Widely Applicable Results – Since the study was done with six SACCOs in Central Kenya, its findings may not be relevant to other regions.
- (ii) Bias from Respondents – Answers from people on the board and staff may have been influenced by their desire to appear favorable, which make the data less accurate.

Even though there are some limitations, the study will use both qualitative and quantitative methods and valid tools to avoid bias and get reliable results.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews relevant literature on corporate governance and the performance of Teachers-Based SACCOs in the Central Region, Kenya. It includes evaluating theoretical views and empirical data, conceptual structures that reveal research gaps affecting board independence and size, qualifications, gender diversity, and corporate governance in SACCOs.

2.2 Theoretical Review

Empirical studies in this research heavily rely on theories for their foundation, and this specific investigation also uses them. The main objective of theoretical reviews is to show researchers how different theory components relate to each other in developing testing hypotheses. Theories enable researchers to explain phenomena through descriptions and justifications to produce predictions and advance their awareness about study events. The analysis points out both the existing literature's knowledge gaps and framework weaknesses. The theoretical review provided the framework for describing concepts and structures and obtaining objective answers to research questions. Relevant theories in this section support the corporate governance and financial performance analysis of teachers-based SACCOs. The research adopts Agency Theory, Stewardship Theory, Stakeholder Theory, and Resource Dependence Theory for its foundation. The theories establish structures for analyzing governance methods, decision-making processes, and performance results of Teacher-based SACCOs. Through theoretical examination, the research study investigates the correlation between governance practices and the total performance of Central Region Teachers-Based SACCOs in Kenya.

2.2.1 Agency Theory

Agency theory is one of the theories that was initiated by Michael C. Jensen and William H. Meckling in 1976. It gives insight into the relationship between principals and agents in different organizations where principals act on behalf of the shareholders or members, while agents act on their behalf of the principals. In the context of teacher-based SACCOs, the theory shows that there are inherent conflict situations whenever the decision-making power is delegated by the members of the SACCO, which are teachers by all standards. The main idea is that there may be a conflict of interest between an agent and the principal, which results in wastage of resources, improper utilization of funds, and sometimes even loss-making propositions (Jensen & Meckling, 1976). This divergence of interests is quite evident especially in SACCOs since members depend on the board and management to protect their deposits and ensure the sustainability of the organization.

According to Beasley (2012), the central objective of agency theory focuses on resolving two main issues: conflicting interests between managers and SACCO members (teachers) and potential opportunistic actions by managers who possess privileged information. SACCO managers tend to select personal benefits that exceed those of teachers who are SACCO members, thus creating inefficiencies within the system. As per this theory, independent boards, internal control as well as structural regulations act as a mechanism against conflicting interests between managers and teachers SACCO members. In their view, Davis, Schoorman, and Donaldson (2017) have noted that managers of teacher-based SACCO can make decisions that advance their self-wealth at the expense of the organization's existence. The authors Jensen and Meckling (1976) emphasize that SACCO managers should be monitored when making risky investments to validate they follow members' intended directions.

In the case of teacher-based SACCOs in Kenya, the agency theory questions how the self-serving behavior of the manager and the Board member can be addressed to justify their performance in the best interest of the members. Atieno (2016) affirmed that some of the common problems that affect SACCOs include poor corporate governance, embezzlement, and lack of accountability, which are brought by conflicts of interest between them and the members. This is especially true about small teacher-based SACCOs in the Central Region, where governance issues are compounded by weak supervision and low membership engagement (Agutu, 2022). This is due to little understanding and regulation on the participation and operation of the members, which results in bad decisions for the firm and financial issues.

Findings in cooperative finance research indicate that lack of closely monitored internal controls predisposes SACCOs to mismanagement/fraud. According to research by Wanyama (2009), in the institutions where the board failed to consistently exercise oversight, the lending standards deteriorated, loan recoveries weakened, and the financial reporting lost accuracy. This is indicative of the issue of agency costs, where managers behave in a manner that is beneficial to them and not the members. Teacher-based SACCOs are highly vulnerable due to their assured flow of TSC remittances, which provide a predictable resource base that will be diverted when the governance is lax.

The importance of incentive mechanisms, which create a relationship between the managerial performance and the welfare of the members, is also brought out by the agency theory. Studies have shown that cooperative sector research in East Africa has found SACCOs to tie management incentives to service provision, loan recovery performance, and member satisfaction to report stronger growth and a reduction in conflicts between boards and management (Birchall, 2013; Wambua, 2021). In the case of teacher-based SACCOs, the

incorporation of such incentive packages can serve to reinforce the interest of leaders to act on behalf of the members and in ways that protect institutional resources.

Regulatory oversight is also useful in checking agency problems. According to the SASRA 2023 supervisory report, SACCOs with persisting gaps in their governance also encountered more liquidity risk exposure and a greater number of non-performing loans. To curb this, the authority focused more on increasing the compliance checks, disclosures on time, and constant training of board members (SASRA, 2023). In the case of teacher-based SACCOs in the Central Region, one should administer the regulatory measures with active member participation to curb the managerial opportunism and safeguard the deposits.

The agency theory recommends that regulators should enforce strict oversight together with member participation in decision-making to solve the identified issues. Strong managerial incentive programs linked to SACCO's financial success enable governance structure improvements (Beasley, 2012). High-performing compensation linked to member inspections and clear reporting frameworks create institutions that will be more accountable. Through these governance mechanisms implemented by teacher-based SACCOs members can increase their trust while reducing agency conflicts for improved financial stability.

2.2.2 Stewardship Theory

The stewardship theory, established by Donaldson and Davis (1989), presents alternative thinking to agency theory by asserting that managers serve as organizational stewards devoted to supporting their company and its relevant stakeholders. According to stewardship theory, managers experience fulfillment when meeting organizational targets, and they work based on trust and long-term relationships to merge managerial objectives with organizational success

for long-term performance. Under the stewardship theory, managers give precedence to their organization's objectives instead of personal gain, thereby improving results and corporate standing.

According to Dasalegn (2020), a steward secures others' needs while making executive decisions to protect shareholder and owner assets. Profitability and shareholder satisfaction constitute the essential organizational purpose of stewardship-oriented businesses that implement unified leadership models where top executive roles merge, and internal employees dominate board positions. This dual leadership system helps the executives to understand what is happening in the organization, hence organizational commitment and association between the executives and the majority shareholders, in which the executives and majority of the board are internal people in the organization. This structure will allow closer communication between the company and investors and stabilize unpredictable business cycles. In this form of governance, the CEO and the board members are required to uphold reliability and firmness on the company's interests over and above self-interests as per what the corporate law stipulates.

The other way that the concept of stewardship principles can contribute to cooperative governance is that such practice focuses on service and sustainability rather than immediate gains. The stewardship theory, as postulated by Davis, Schoorman, and Donaldson (1997), can be said to be based on the assumption that managers are responsible custodians of the organizational resources and that their interests align with those of the owners. This would apply to SACCOs where managers who see themselves as custodians of member funds will exhibit reduced opportunistic behavior and higher levels of financial discipline. In teacher-led

SACCOs, this assists in aligning managerial goals with those of teachers, who desire stability, cheap credit, and sustainable development as opposed to risky projects.

The theory also relies heavily on trust between the members and the managers. Research on Cooperative governance has established that the SACCOs that are characterized by open communication, regular financial reporting, and members participating in policy formulation record greater member satisfaction and fewer conflicts (Olando, Jagongo, & Mbewa, 2012). It means that when they have stewardship-based governance, it integrates into the teacher-based SACCOs, where trust and credibility of their leadership are essential to keep the contributions going through the TSC payroll system.

Stewardship thinking also enhances accountability by strengthening professional leadership development. As SACCOs that invested in the training programs of their directors and managers, Birchall (2013) argued that they also improved decision-making, minimized the risks of mismanagement and fraud. In the case of teacher-based SACCOs in Central Kenya, whose governance problems have occasionally threatened performance, this process of capacity building supports the stewardship view by enabling leaders to become the responsible custodians of member resources.

One of the main benefits or strengths of stewardship theory in teacher-based SACCOs is its suitability for long-term strategic planning. Contrary to the agency theory that recognizes the need for monitoring and control, stewardship theory stresses more on strengthening the governance culture through nurturing of ethical culture and leadership (Wangari, 2018). SACCOs that are managed with the stewardship perspective are likely to experience high member loyalty, improved performance and low incidences of embezzlement of funds. But all

this has to be done with the right professionals at the helm of the organization and who are in it to forward the objectives of the SACCO and not merely for personal gains.

2.2.3 *Stakeholder Theory*

According to Freeman (1984), stakeholder theory corporate governance models demand that businesses support shareholders, employees' suppliers, customers, and government regulators and serve the general community. In the context of teacher-based SACCOs, this theory postulates that accountability should accommodate equal to or greater than the number of groups of actors with claim rights (Freeman 1984). For instance, whereas, the members may be interested in financial gains and availability of credit facilities, the regulators may be concerned with compliance with financial standards and management of risks. The theory assumes that only organizations that meet this conflicting interest needs can deliver sustainable success.

McDonald and Puxty (1979) show that businesses exist beyond their role as shareholder value maximizers since they have social obligations towards their stakeholders. According to Freeman and McVea (2004), collaborative actions between stakeholders lead to improved shared economic value, extending organizational sustainability and trust development. The stakeholder theory receives criticism from Jensen (2001) because it lacks specific and measurable ways to determine corporate success outcomes. Jensen explains three obstacles to distributing information, maintaining transparency, and uniting stakeholder priorities. Organizations require robust governance frameworks to manage their complexities, maintain accountability, and facilitate two-way communications between top management and lower levels.

Kariuki and Ondieki (2020), firms that use stakeholder-oriented governance as their strategic management style of SACCOs have a high chance of possessing long-term success and sustainability. For instance, teacher-based SACCOs should guarantee compliance to decision-making procedures and involve stakeholders in governance actions to increase their influence and status among the key stakeholders (Freeman, 1984). Moreover, integrating the SACCO goals with the overall social and economic needs of the society will also help the SACCO to increase performance and enhance its support to the development of the education sector in Kenya as highlighted by Blair (1995). Thus, teacher-based SACCOs can improve their governance strategies benefiting both their members and the overall community if they go for a stakeholder-oriented approach.

A recent body of research on cooperative governance shows that stakeholder-oriented practices enhance stability and trust. Olando, Jagongo, and Mbewa (2012) established that the SACCOs that frequently involved members in the consultative meetings and decision-making processes did better economically and had minimal conflicts. It means that the greater the stakeholder participation in governance, the better performance and resilience are achieved by institutions. In the case of teacher-based SACCOs, the main participants of which are teachers, these inclusiveness practices play a crucial role in ensuring loyalty and adherence.

Stakeholders also include regulators, whose role has been highlighted in recent years. SASRA Annual Supervisory Report 2023 has indicated that SACCOs that had a close relationship with their oversight agencies and where compliance was embedded into the systems of stakeholders were less susceptible to fraud and malpractice. This indicates that regulators do not just play a compliance-enforcing role but are also major stakeholders whose presence is associated with the long-term sustainability of SACCOs. Compliance with these

regulatory expectations in teacher-based SACCOs protects the deposits of its members and promotes the credibility of the institutions in the greater financial system.

The social duties of the SACCOs, other than financial gains, are also pointed out by the stakeholder theory. Birchall (2013) noted that cooperatives that had invested in education, welfare, and community development programs developed more trust among the members and enhanced sustainability. In Central Kenya, the scholarships and cheap housing provided through teacher-based SACCOs that are welfare-oriented enhance the reputation of the organization as a community-focused organization, and boost the level of member satisfaction and growth.

Teacher-based SACCOs should adopt governance systems that factor in the needs of the various stakeholders. For instance, making policies in the interest of the members while ensuring that they are financially sound in the long run would require keen formulation (Odhiambo, 2019). This case reveals the finding that those SACCOs that give more emphasis on the financial prospects of the organization run the risk of losing clientele since they are likely to offer meager benefits. Conversely, others might undertake an intensive and thorough analysis of member requirements, omit the financial sustainability aspect, and ultimately face the liquidity and regulation problem. By helping its members this way, being both economically sound and yet addressing the needs of its members, SACCOs will be able to increase their long-term sustainability.

2.2.4 Resource Dependence Theory (RDT)

The Resource Dependence Theory (RDT) proffered by Pfeffer and Salancik (1978) holds that organizations cannot act on their own but have to rely on outside resources for sustenance and

development. As for the teacher-based SACCOs, this theory offers a framework of how these institutions operate in as far as meeting the objective of instituting a sound approach in the management of resource constraints, yet in equal measure striving to compete with other commercial financial institutions. Teacher SACCOs mainly in Kenya require capital from outside sources apart from human and financial capital, Legal and technical support, and industry standards. According to the theory, boards of directors play a central role in obtaining such resources for the success of an organization.

A key aspect of RDT is the composition of the board of directors as this is critical in acting as the boundary spanner due to its role of acquiring essential resources. It entails ensuring that different professional backgrounds, particularly in the areas of financial, education, and regulatory services, are obtained from the regional director of teacher-based SACCOs. These directors can develop efficiencies with financial institutions, agencies, and schools that bring about a constant flow of sources to the SACCO that could enhance its growth in the long run (Daily et al., 2003).

In relation to this, RDT also stresses on the fact that SACCOs should employ strategies that aim at addressing the issue of dependency. The Teacher SACCOs must come up with the bridging strategies for instance the cultivation of outside sources such as getting into partnership with the commercial banks through the existing line of credit this will enhance the source of line of credit for the institution while in the buffering strategies, the Teacher SACCOs should encourage the members share capital accumulation in form of building the required internal reserves. They assist SACCOs in accessing funds whose accessibility is only limited by the regulatory frameworks in a bid to reduce the ratio of loan funding from outside sources,

thus enabling the SACCOs to achieve a more sustainable financial base given economic volatility (Muthoni, 2021).

Recent analysis of cooperative finance in Kenya demonstrates that, despite a dependence on resources, the performance of SACCOs is still determined by factors other than dependence. According to Pfeffer and Salancik (2003), the resource dependence theory focuses on the organizational outcomes that are influenced by the capability of their leaders to acquire and utilize external connections. Practically, the directors of SACCOs with broader professional contacts are in a better position to raise credit facilities and technical alliances. In the case of teacher-based SACCOs, this shows the worth of the board members whose knowledge and contacts are not restricted to the education sector, making the institutions resourceful, competitive, and more aligned to long-term growth.

Regulatory compliance is indeed another area of complete dependence where SACCOs are dependent on the existence of other agencies to seal the deal on the work and management. Research by SASRA (2023) suggested that SACCOs that developed close working relationships with regulators by proactively disclosing and training against sanction and operational flexibility. This implies that resource dependence cannot be dissociated with financial inputs only but also legal legitimacy and credibility, which have to be actively managed by its boards.

Meanwhile, teacher-based SACCOs can be less exposed to outside influence through diversification of their membership and also product line. A study carried out by KUSCCO (2022) revealed that SACCOs that diversify their services to include loans that are not based on payroll, i.e., mobile banking, insurance services, and FOSA services, enhance their financial

health and lessen the dependence on a single source of revenue. In the case of SACCOs in the Central Region, this would help to cushion the effects of delayed remittances by TSC as well as to maintain competitiveness in the ever-changing financial world.

Last, the theory also focuses on the necessity to reduce the risk of dependency. Teacher SACCOS generally get paid via TSC payroll, and thus are subject to delayed payments. SACCOs may increase the sources of income to alleviate this risk by providing additional services to non-teacher members, including Front Office Services Activities (FOSA), and providing emergency funds. This makes them not too dependent on outside systems and improves their financial stability, which enables SACCOs to be operationally sustainable whenever there is a break (KUSCCO, 2022).

2.2.5 Summary Theoretical Frameworks

The SACCO governance applied in the study is built on the Agency, Stewardship, Stakeholder and Resource Dependence Theories in combination. The main idea in Agency Theory is that managers may put their interests above the interests of the members, so strict monitoring and control are required (Jensen & Meckling, 1976). Instead, Stewardship Theory assumes that managers can and will operate at their discretion to meet the interests of the organization and its members, and encourages the granting of additional authority and trust to managers (Donaldson and Davis, 1989). Even though their underlying ideas are different, both theories stress that proper governance plays a key role in making an organization perform well, either by control (Agency) or trust and freedom (Stewardship).

Stakeholder Theory requires that governance cover more than just managers and members, including regulators, employees, and the community, and asks for participatory

governance and accountability (Freeman, 1984). Resource Dependence Theory (RDT) adds that SACCOs need to handle their relations carefully to get external resources, especially since their financial dependence on the Teachers Service Commission (TSC) can expose them to threats (Pfeffer & Salancik, 1978). All these theories combined give us a clear view of how board structure, member involvement, and following rules are related to and influence SACCOs performance in the Central Kenya area.

2.3 Empirical Review

The effects of corporate governance practices are manifested in how the organizations are run in terms of efficiency, and demonstrated through the level of accountability and fairness. It also shows in the extent to which leadership is answerable for their actions, and as a system, facilitates proper management to generate benefits for the interests of investors. The governance also enhances the effectiveness of organizations and credibility for sustainable growth as it ensures adherence to the required ethical and legal standards (Keasey, Thompson, and Wright, 2019). Kenani and Bett (2019) hold that the measures of accountability, equity, responsibility, and transparency are fundamental aspects of governance that help one determine the performance of an organization. According to Mayer (2019), governance plays the part of ensuring business processes are well which is also shared by Keasey, Thompson, and Wright (2019).

2.3.1 Member Participation and Performance of Teacher-based SACCOs

Member participation plays a key role in the governance of institutions such as SACCOS. It ensures that governance structures and systems are transparent, responsive, accountable, and serves the interests of stakeholders. According to Karanja and Maina (2020), member participation for SACCOs specifically refers to the engagement of members in various

processes of the cooperative operations. The authors hold that member participation takes diverse forms, which include membership meetings that is usually in the form of an Annual General Meeting, where members deliberate on the performance of the SACCO, financial position, and plans. Further, member involvement in the operations of SACCOs goes into Committees during which members are involved in the running and management of the SACCO. These members also participate in providing new ideas for new policies and strategies considered to have the potential to enhance the operations of the cooperatives.

Puteri's (2023) study on the influence of good corporate governance and leverage on a company in the Jakarta Islamic Index (JII) and financial performance 2016-2020. The quantitative methodology employed in the study was the panel data regression analysis of 14 companies, assessing the research sample. The results revealed that institutional ownership, that served as a proxy of good corporate governance, was strongly positively correlated with financial performance. On the same note, in a research study conducted by Njiru (2018) on the performance of SACCOs in Kenya, the relationship between the extent of participation of SACCO members in decision-making and the overall performance and sustainability of the cooperatives was examined. The author explored SACCOs in Kenya across different regions selected through purposive sampling. The data was analyzed using quantitative methods, and established that the level of participation of members significantly correlates positively with the performance of SACCOs. This indicates that SACCOs that engage their members more in the governance of the SACCOs are normally financially stronger. However, while this study found a positive correlation, more often, studies have shown that SACCO members' lack of time for proper participation weakens the effectiveness of the participatory governance. There is also widespread apathy and poor awareness. In some cases, vocal and influential members dominate the decision-making process, undermining democracy. The lack of financial and

technical capacity to understand financial reports and other governance processes limits the members' ability to provide meaningful oversight or make informed decisions.

The study conducted by Ochieng and Muriithi (2021) on the sustainability of teacher-based SACCOs in the central region sampled 30 SACCOs across the region and used a combination of surveys and structured interviews to determine the contribution of governance to sustainability. The study used both descriptive and inferential statistical methods to summarize key characteristics of the sample. The study highlighted the centrality of participation on activities such as meetings and elections. In those situations, where the participation of members was organically initiated in the processes of board recruitment and strategic management, better performance was recorded. The research further determined that the levels of accountability went up as members' demand for the board and management accountability increased. The results also showed improvement in the formulation of better decisions and addressing recurrent problems. Conversely, member involvement can generate a powerful member interest, which in certain cases can defy reforms or renovations that can enhance efficiency or increase services when they view these reforms or renovations as not beneficial to them. Secondly, there can be internal conflicts caused by disagreements among members or between members and management, which affect SACCO stability and development.

A study by Mwangi (2019) also studied a selected 40 SACCOs operating both in rural and urban areas across the country. The researcher used descriptive statistics and correlation tests to determine how various governance components affected SACCO performance. The study found a significant positive relationship and determined that SACCO boards that granted their members a greater level of participation in activities such as loan disbursement and

changes in policies, were more satisfying to those members. This helped in enhancing the customers' retention and also increasing the SACCO's financial capacity. Similar findings were made by Karanja & Maina (2020) who established that the involvement of SACCO members in financial activities improved its sustainability prospects.

Participation of SACCO members in decision-making facilitates a comprehensive framework for risk management. Members of SACCO who are professionals in the same area can provide recommendations on the risk management operations and strategy that should be designed. This pool of expertise provides SACCOs with sufficient capability to make decisions on high-level risks, including investments, policy on loans, and all other financial undertakings. This has been put in place as a means of reducing incidence of engaging in risky business that can be detrimental to performance.

Dzomonda (2020), who researched the governance practices and performance of organizations using 35 teacher-based SACCOs in different areas in Kenya, concluded that although member participation is the key to SACCO performance, ignorance, selfishness, poor communication, and leader challenges are more likely to provoke a lack of interest and engagement in the activities of the SACCO. The measures suggested in the study include awareness creation, leadership development, provision of incentives, and appropriate communication structures to enhance performance. The author applied qualitative and quantitative techniques to test the relationship between governance practices and the performance of the organization. The paper has also adopted a thematic analysis to make inferences about the interview qualitative data and has found that the quality of governance practices significantly positively influenced the performance of SACCOs.

In conclusion, the empirical review of the effect of member participation in SACCO's performance indicates both negative and positive effects on performance. While active engagements enhance transparency, accountability and democratic governance leading to improved decision-making and member commitment, factors such as low turnout during meetings, limited financial literacy, elite capture, and internal conflicts often hamper operations. Additionally, excessive consultations are a recipe for slow decision-making and resistance to change. A study by Tarus and Simiyu (2024) determined that asset quality, partly attributed to undisciplined SACCO members' pressure negatively impacted financial outcomes. These findings point out to the fact that without proper checks and member capacity enhancement, excessive participation may lead to poor lending decisions, weakened internal controls, and declining financial health.

2.3.2 Board Composition and Performance of Teacher-based SACCOs

A well-formed board consists of members of a broad spectrum of backgrounds and capabilities and provides a match between oversight and direction. The membership of a properly constituted board is composed of a wide range of backgrounds and competencies and provides a fit between supervision and direction. The main job of the board is to establish policies and to ensure that the operations of the SACCO are conducted in the best interest of the members and also to oversee the operations of the SACCO. Board composition as explained by Chesire (2021) means the composition and the type of the board of directors of a given SACCO society. In this structure, the number of directors, their qualifications, diversity and gender among others is included and the distribution of roles include chair person, vice chairman, secretary and treasurer. The author puts emphasis on the fact that the composition has significance on management, strategy planning, and performance in general.

The principal role of the board is setting policies, and oversight as well as establish a framework that ensures the operations of the SACCO are in the best interest of the members. Board composition, according to Chesire (2021), refers to the structure and makeup of the board of directors of a particular SACCO society. This structure includes the number of directors, their qualifications, diversity, and gender among other factors, with the distribution of roles such as chairperson, vice chairperson, secretary, and treasurer. The author highlights that the composition is important in influencing management, strategy planning, and overall performance.

Kyere and Auslos (2020) during a study to examine impact of corporate governance on the financial performance of non-financial listed firms in the United Kingdom utilized agency theory and stewardship theory as conceptual frameworks. The Authors analyzed five corporate governance mechanisms and their effects on return on assets (ROA) and Tobins Q. Using cross-sectional regression methodology and focusing on 252 listed firms in the London Stock Exchange in the year 2014. The results showed positive and significant effects on SACCO performance for board composition, board policies and procedures as well as ethical consideration. However, the aspect of CEO duality gave a negative and significant effect, indicating that the overlap for management and leadership led to weakened checks and balances. It also led to reduced accountability and risk entrenchment.

Wambugu (2022) analyzed the effect of corporate governance on the performance of SACCOs in Nairobi County. To underscore the importance of composition, the study results indicated that factors such as board independence, ethical considerations, established policies, and composition had a positive relationship with the SACCO performance. Another study by Kang et al. (2007) also highlighted the effects of board composition, with results indicating

direct determinants on the perception of members on their representation. The research results indicated a correlation between factors of board composition such as demographic backgrounds, gender, region, and professional expertise and members' feelings regarding representation. The research concluded that members who feel that the board is representing their interests are more likely to trust the SACCO, and consequently participate actively.

Significant factors affecting SACCO performance include composition of the board that includes diverse expertise and knowledge, with members having strong backgrounds in finance, law, economics, or cooperative management (Karanja and Maina, 2020). These SACCO members assist the SACCOs in coming up with strategic investment options, devising prudent risk response strategies, and ultimately ensuring long term sustainability. Otieno and Karihe (2024) determined comparable results with board composition and diversity positively influencing SACCOs performance.

One of the factors that determine whether the board can offer strategic leadership is the composition of the board. A board that is diverse in its views can help make more balanced and evidence-based decisions in cooperatives where the board plays a cardinal role in determining essential financial policy and operations (Ochieng and Muriithi, 2021). The authors also point out that experience and views of the board members are more likely to support development of more innovative solutions to the current and future need of the SACCOs. In a review of the literature published empirically assessing the impact of different groups, Adams and Ferreira (2023) established that SACCO boards made up of diversely backgrounded members are more likely to participate, which promotes the decision-making process. This influenced positively the organizational outcome.

Njiru (2018) holds that diverse boards bring a wider range of ideas, improve corporate social responsibility, and increase innovation, all of which contribute to better SACCO performance. Board composition is a factor that determines the board's capability to provide strategic leadership. In cooperatives where the board has a cardinal function of setting key financial policies and overseeing operations, a board with diverse perspectives assists in making more balanced, evidence-centered decisions (Ochieng and Muriithi, 2021). The authors highlight that a mix of experience and perspectives among board members tends to favor crafting more innovative solutions that fit the immediate and long-term purpose of the SACCOs.

A study by Post and Byron (2020) on gender diversity on boards and firm performance: a contemporary perspective focused on publicly traded companies across a global sample, centering mainly on those of the United States, Europe, and Asia. From a sample of 1,200 firms, the researchers gathered data from public corporate filings, annual reports, and governance disclosures, with specific data from 2015-2020. The authors employed panel data regression techniques to examine the relationship between gender diversity and firm performance. The analysis posted a significant positive correlation between female board representation and financial performance and concluded that a higher proportion of female directors in boards resulted in more comprehensive strategic decisions that positively impact organizational performance.

The Summary of the empirical review indicate that the bulk of the studies associate effective leadership with improved SACCO performance. However, some studies critique this assumption by providing contradictions and limitations. For example, Owalo (2022) determined that while SACCO boards having broader skills set and gender diversity registered

improved financial outcomes, educational and ethnic diversity had mixed effects. Similarly, a study by Luvisi et al. (2024) found out that optimal composition and size only explained 74.4% of governance quality variance in Nairobi SACCOs, with composition and size significantly affecting performance.

2.3.3 Leadership Effectiveness and Performance of Teacher-based SACCOs

Leadership effectiveness are important for SACCOs' success as they provide a proper framework for adequate oversight, a platform for the development of robust strategic direction, and accountability. Empirical studies over the years consistently indicate that leadership effectiveness significantly influences SACCO performance. However, the studies point to several challenges that undermine this impact when leadership quality is lacking. Njoki et al. (2024) opines that while transformational leadership improves staff motivation, it lacked the structure required for prudent financial management in SACCOs.

Wambugu (2022) focused on the impact of governance practices. The researcher sampled 40 teacher-based SACCOs across regions in Kenya with emphasis on SACCOs that had been in operation for more than five years. Using both descriptive and inferential statistical techniques, the researcher analyzed the effect of corporate governance on the performance of SACCOs. To underscore the importance of composition, the study results indicated that factors such as board independence, ethical considerations, established policies, and composition had positive relationship with the SACCO performance. In contrast, studies such as that by Mohamed and Bett (2024) in Garissa County determined a surprising negative correlation with SACCO performance, with the researchers attributing the negative correlation to leaders avoiding tough and unpopular decisions such as forced loan recoveries or for those SACCOs operating in complex political or cultural environments.

A study by Karanja et al. (2020) also highlighted the effects of leadership effectiveness, with results indicating direct determinants on the perception of members on their representation. The research results showed a positive correlation between factors of board composition, such as demographic backgrounds, gender, region, and professional expertise, and members' feelings regarding leadership. The research concluded that members who feel that the board is representing their interests are more likely to trust the SACCO, and consequently participate actively.

Significant factors affecting SACCO performance include the leadership qualities that comprises diverse expertise and knowledge, with members having strong backgrounds in finance, law, economics, or cooperative management (Karanja and Maina, 2020). The researchers sampled a total of 45 teacher-based SACCOs across the country with selection criteria emphasizing unique member demographic and their importance in the financial landscape of teachers. Data collection was done through a combination of surveys and structured interviews with SACCO leaders. Through descriptive and inferential statistics, the research results indicated that these SACCO members assist the SACCOs in coming up with strategic investment options, devising prudent risk response strategies, and ultimately ensuring long-term sustainability.

Otieno and Karihe (2024) investigated the impact of governance practices on the sustainability of teacher-based SACCOs. From a sample of 50 teacher-based SACCOs, the researchers collected both qualitative and quantitative data using structured questionnaires and analyzed the data through descriptive statistics, correlation, and regression analyses. The study results similarly indicated a strong association of the sustainability of teacher-based SACCOs in Kenya with governance practices, and concluded that board composition and diversity

positively influenced SACCOs' performance. In contrast, Kiriinya and Nyariki (2023) point out that for larger board sizes, having many experienced leaders led to inefficiency and decision paralysis due to conflicting interests and politicization of board roles. The Authors also hold that SACCOs are often vulnerable to elections and populism, with leaders elected based on popularity, at the expense of merit, lacking financial acumen or skills to steer SACCOs effectively.

2.3.4 Financial Regulatory Compliance and Performance of Teacher-based SACCOs

Regulatory compliance within SACCO management entails adherence to laws, standards, regulations, and guidelines as set out by regulatory agencies. In Kenya, SACCOs are primarily regulated by the SACCO Societies Regulatory Authority (SASRA). The Authority's role is to enforce strict adherence to financial regulations, risk management policies, and corporate governance standards. According to Kilonzo and Munene (2020), regulatory compliance transcends SACCO management to aspects including capital reserves ceilings, lending limits, transparency in financial reporting, and measures to contain money laundering. The regulation further extends to issues related to corporate governance, internal control systems as well as risk management practices.

Wangari (2018) explored the role of governance practices in the performance of SACCOs. The researcher studied 40 SACCOs across the country and used both quantitative and qualitative data collection methods. The researcher used descriptive statistics, regression analysis, and thematic analysis to identify relationships, patterns, and recurring themes. Effective governance practices and the performance of SACCOs were found to be strongly related in a positive way. It also concluded that financial regulatory compliance plays a decisive role in the performance of SACCOs in Kenya. Based on the results of the study, SACCOs that

possess adequate internal control systems and proper governance practices as stipulated in the financial regulatory framework had higher efficiency in their operations and growth. However, the opposite is also true: a paper by Omolo (2022) concluded that the cost of regulatory compliance reduces the sum of money that can be lent to members and invested in innovation, ultimately designing stagnated member services.

In a study conducted by Mwaura and Ngugi (2018), the authors aimed to determine what governance practices would guarantee that SACCOs would remain afloat. The research was conducted on various SACCOs, such as agriculture, employee-based as well as community-oriented SACCOs. There were 50 SACCOs examined. Among the issues highlighted by the research was the need to monitor the adherence to tax and anti-money laundering laws as established by SASRA. The authors noted the significance of the board management practices, which include financial oversight guidelines, auditing and reporting, and loan management practices, which reduce credit risks, boost the confidence, and loyalty of members.

A study by Njuguna and Muturi (2020) investigated how governance structures influence the operational success and financial performance of SACCOs. The research sampled a total of 50 SACCOs with participants selected via a simple random sampling. Mixed-method approach was used in data collection and analysis done through descriptive statistics, correlation, and regression. The research results indicate that the main benefits arising from regulatory compliance include financial sustainability as SASRA sets financial ratios and thresholds that include capital adequacy, SACCO liquidity, and asset quality requirements. Meeting the regulation requirements enables the SACCOs to evade situations insolvency situations and financial crises.

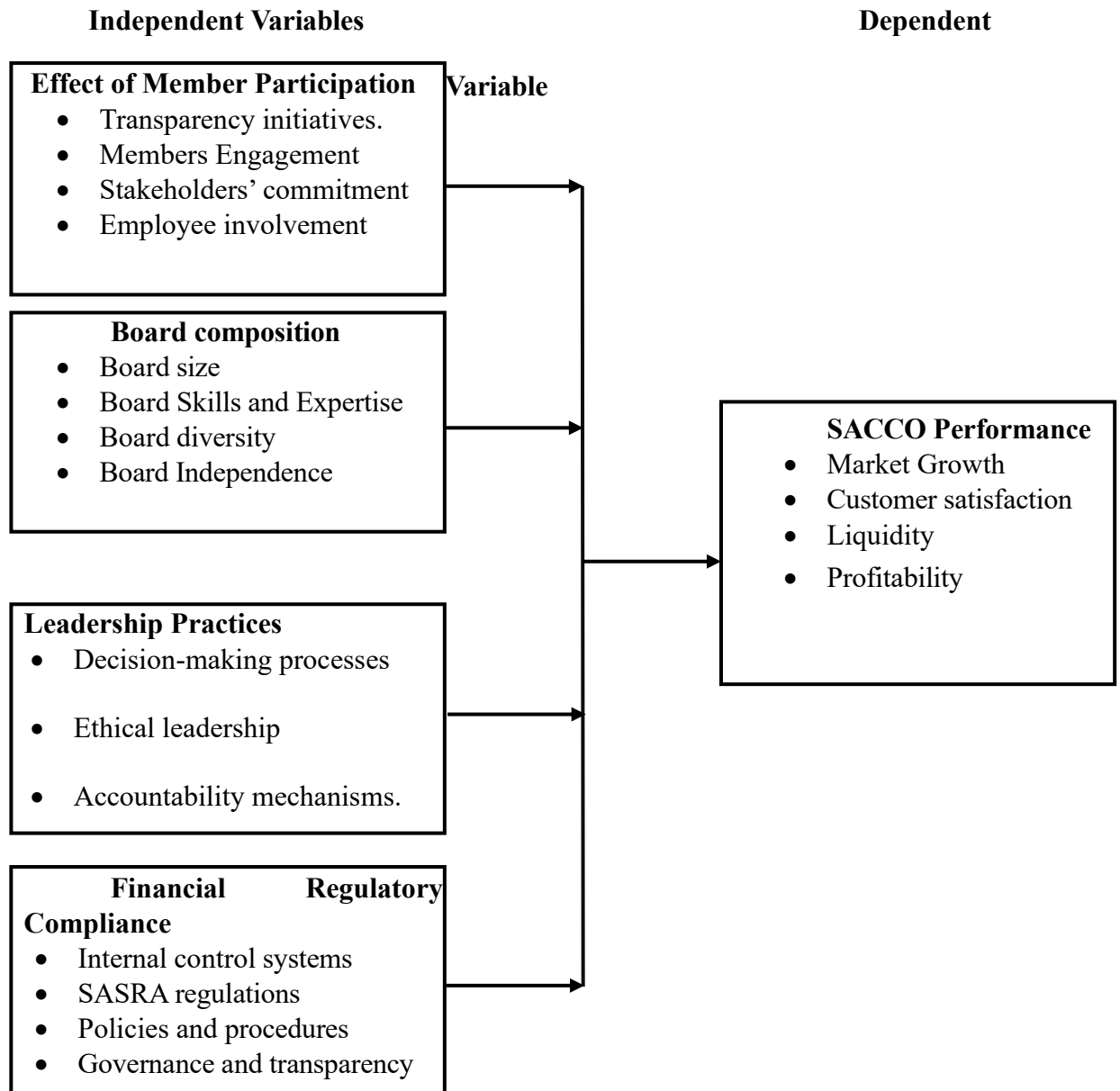
Report by FSD Kenya (2024) show that SACCOs only engage in ‘box-ticking’ compliance to meet regulatory thresholds without enforcing internal controls. Another study by Mwita (2022) also show that SACCO leaders often show tendencies of resistance to strict oversight, more so when regulations are perceived to be punitive. The Author hold that this creates regulatory fatigue, and as such, compliance becomes reactive and minimal.

A study by Gichuki and Wambugu (2020) used a stratified random sampling to select 45 SACCOs to assess the influence of governance practices on the performance of SACCOs. The study specifically explored the role of governance on financial stability, loan repayment rates, and member engagement. The findings highlight the effect of compliance showing that SACCOs with strong financial compliance frameworks were more effective in identifying and mitigating risks. The authors concluded that financial regulatory compliance enables SACCOs to experience fewer loan defaults, indicating financial stability and better member retention. However, stricter regulatory thresholds normally unintentionally marginalize small SACCOs that lack adequate resources for system upgrades to meet SASRA standards. This results in reduced access to formal financial services and, in the end, hampers their performance.

2.4 Conceptual Framework

FIGURE 1

CONCEPTUAL FRAMEWORK



2.5 Operationalization of Variables

The operationalization of variables enables the definition of abstract concepts, facilitating empirical testing and replication. Table 1 summarizes the operationalization of the variable terms.

TABLE 1
OPERATIONALIZATION OF VARIABLES

Variable	Indicators	Key Measure	Sampled Item	Data Collection Method
Independent Variable				
Effect of Member Participation	• Transparency initiatives • Members Engagement • Stakeholder commitment • Employee involvement	• Level of participation in AGMs • stakeholders' involvement • Degree of employee involvement in decision-making	• The board has members with financial qualifications	• Questionnaire • Interviews
Board Composition	• Board size • Board skills and expertise • Board diversity • Board independence	• Number of board members • Professional qualifications of board members • Board members' Gender and age diversity • independent directors	• The SACCO leadership communicates decisions transparently.	• Interviews
Leadership Practices	• Accountability mechanisms • adaptability and Innovation • Processes of Decision Making • Ethical leadership	• strategic decision meetings • SACCOs' Innovation adoption • Transparency in Leadership decisions • Accountability structures presence	• I am actively involved in SACCO governance decisions.	• Surveys • Interviews
Financial Regulatory Compliance	• Internal control systems • SASRA regulations • Policies and procedures • Governance and transparency	• SASRA guidelines Compliance level • internal controls • Frequency of Internal and External Audits • Capital adequacy compliance	• This SACCO fully complies with SASRA regulations.	• Document Review • Board Compliance Reports • Regulatory Reports

		• Financial and audit disclosures Frequency • Liquidity compliance		
		Dependent variable		
SACCO Performance	• Customer Growth • Customer satisfaction • Liquidity • Profitability	• Growth in membership and savings • Feedback ratings • SACCO liquidity ratio	• The SACCO leadership communicates decisions transparently.	• Surveys • Regulatory Reports

2.6 Research Gaps

The existing literature on corporate governance and the performance of SACCOs is still limited; thus, this study sought to address the gaps that previous studies had not effectively addressed. Secondly, while there had been many studies on the relationship between corporate governance and SACCO performance, there were few studies that had specifically focused on teacher-based SACCOs in the Central Region of Kenya. Most existing studies generalized findings across all SACCOs without considering the unique characteristics and challenges of teacher-based SACCOs, such as a large membership base, specific financial needs, and the socio-economic context of teachers. This research investigated the impact of corporate governance practices on teacher-based SACCO performance in the targeted region, as existing studies had insufficient evidence.

A comprehensive collective assessment of SACCO performance involves member participation and effective leadership with proper board composition and compliance requirements, and this remained underdeveloped in literature studies. Most individual studies about governance elements failed to show their combined effect on overall performance outcomes. The researcher investigated teacher-based SACCO performance in the Central Region of Kenya by studying these governance practices as a combined effect.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter introduces the methodology selected for the research study. The sections include descriptions of research design, population of the study, sampling methodology as well as diagnostic tests. The chapter finally details the data collection approaches as well as data analysis and presentation.

3.2 Research Design

Kumar (2019) defines research design as a methodical, written document that prescribes activities to be undertaken in a certain order with an overarching aim of accomplishing a given study. The author observes that a design shows a roadmap about how the researcher collects, measures, and analyzes data. Saunders et al. (2019) hold that a research design, as a document, outlines strategies to be implemented to achieve a research objective. The authors hold that the design, just like a plan, guides the research study on the collection of data to respond to particular research questions.

During this research study, the researcher applied a mixed methodology approach, using a combination of descriptive and explanatory research designs. This enabled the researcher to go beyond just determining the relationship between variables to further determine the causality and degree of association between the variables. Descriptive research was used to provide detailed information about the ‘what’ that entails trends, frequencies, and characteristics. The methodology allowed an understanding of the context through description.

On the other hand, explanatory research sought to understand the ‘why’ by determining the relationship between variables and underlying causes. Molina-Azorin et al. (2021) view explanatory research as primarily concerned with understanding the cause-and-effect relationship between variables, with the methodology going beyond mere descriptions and explaining reasons behind observed phenomena. The Author holds that the methodology applies quantitative data collection and analysis to provide an interpretation of responses to the study. On the other hand, Creswel (2018) observes that descriptive research is particularly suitable when the researcher intends to provide an accurate picture of the phenomenon under study.

3.3 Target Population

A target population comprises a list of all the items or individuals with homogenous characteristics that the researcher is interested in studying (Saunders et al., 2019). To determine the effects of corporate governance practices on the performance of teacher-based SACCOs, the target population was all teacher-based SACCOs in Kenya. According to SACCO Societies Regulatory Authority (SASRA), there were over 43 teacher-based SACCOs across the country (SASRA, 2024)

3.4 Population of the Study

The population of the study consists of an accessible sub-set of the target population. It is from the study population that the researcher gets a sample to put under the study. Saunders et al. (2022) define the study population as a group of elements or individuals from which an actual sample is drawn. The study population is defined by practical and logistical boundaries of the research process. For this study, SACCOs within the Mt. Kenya region were selected due to the high concentration of teacher-based SACCOs, which surpasses all other regions. In

addition, the region is characterized by notable variability which allows for examining diverse governance factors and performance outcomes. This diversity enhances generalizability across other regions in Kenya. The study targeted directors, management and employees of the SACCOs with a focus on six SACCOs in the Central Region of Kenya. These are; Orient in Thika, Mentor in Murang'a, Ollin in Kirinyaga, New Fortis in Nyeri, Tower in Nyandarua, and Unison in Laikipia.

3.5 Sampling Size and Sampling Procedure

Sampling defines the systematic way through which a research study selects participants from the target population, and uses the results to generalize about the entire population. Creswell and Creswell (2023) defines sampling design as a technique that the researcher applies to select a sample, ensuring that the selected sample is reliable and appropriate. He holds that the design comprises a sampling frame, a sampling method, and choosing a sample size. As defined by Levy and Lameshow (2021), the sampling frame entails the actual list of participants in a research study, with the study participants forming the unit of observation. The unit of analysis of this research study was Teacher-based SACCOs in the Central Region of Kenya, while the unit of observation comprised the board of directors, supervisory, management, and employees of six teacher-based SACCOs within the central region.

The sampling technique employed stratified and systematic sampling techniques to select respondent participants and ensure that the sample selected is representative of the population. Stratified random sampling entailed dividing the employees from the seven SACCOs into five strata. The five strata from the SACCO employees comprised directors, supervisory, management, and other staff. On the other hand, systematic sampling involved

selecting respondents from the SACCO members proportionally from every SACCO, with randomization employed to minimize bias.

To determine the sample size from the finite population of the SACCOs' employees and members, the finite population correction (FPC) formula, derived from Cochran (1977) as provided by Taherdoost (2017) was applied, and to ensure a 95% confidence level ($\alpha=0.05$, power>0.80) as follows:

$$N = \frac{N \cdot Z^2 \cdot p (1 - p)}{e^2 (N - 1) + Z^2 \cdot p (1 - p)}$$

Where:

N = Population Size

n = Required Sample Size

Z = Z-score for the desired confidence level

p = Estimated proportion of the attribute in the population (0.5)

e = Margin of error

Based on the formula and from the finite population of 453,318 comprising of 705 employees and 452,613 members as per the SASRA report of 2023, the sample size will be 384 respondents determined as follows:

$$\begin{aligned} n &= \frac{453,318 (1.96)^2 \cdot 0.5 (1 - 0.5)}{0.05^2 (453,318 - 1) + (1.96)^2 \cdot 0.5 (1 - 0.5)} \\ n &= \frac{453,318 \cdot 0.9604}{1133.2925 + 0.9604} \\ n &= \frac{435191.0672}{1134.2529} \\ n &\approx 384 \end{aligned}$$

Based on the total sample size of 384 against the target population of 453,318, the sample to be administered from the SACCOs was selected on a weighted basis as shown in Table 2

TABLE 2
SAMPLE SIZE DISTRIBUTION

SACCO Name	Directors		Supervisory		Management		Other Staff		Sacco Members		Total	
	Pop.	Samp.	Pop.	Samp.	Pop.	Samp.	Pop.	Samp.	Pop.	Samp.	Pop.	Samp.
New Fortis	9	1	3	1	14	1	44	1	22942	15	23,016	19
Unison	9	1	3	1	9	1	112	1	36,619	27	36,756	31
Mentor	9	1	3	1	15	1	57	1	39,912	30	40,000	34
Ollin	9	1	3	1	19	1	82	1	35,198	26	35,315	30
Tower	9	1	3	1	8	1	219	1	285,173	238	285,416	242
Orient	9	1	3	1	5	1	49	1	32,769	24	32,839	28
	54	6	18	6	70	6	563	6	452,613	360	453,342	384

Selecting respondents from the employees followed a simple random sampling. However, selecting respondents from the members was systematic. The Researcher systematically selected the 5th member entering the SACCO offices on a specific day, with the process being repeated until the required number for each SACCO was attained.

3.6 Instrumentation and Data Collection

The researcher utilized a structured questionnaire to collect primary data. The tool was paper-based and administered in-person to the sampled group. The choice of the structured questionnaire was driven by its efficiency and scalability, suitability for primary data as well as standardization and objectivity. Literature review on the other hand, provided historical and

contextual data. To ensure capturing of complete data and logical flow, the questionnaire was structured into five main sections, designed to build trust, organize content and triangulate. Section one provided a brief explanation to set context and motivate participation. It highlighted the study objective and assured confidentiality and anonymity, introduced the researcher and declared voluntary participation and right to withdraw.

Section two of the tool sought to understand the contextual background of the respondent; participants role, gender, period of membership as well as SACCO affiliation. Section three which was further divided into sub-sections based on study variables, formed the bulk of the study tool. Likert-scale questions were used to test ratings on factors of governance and performance. Section four consisted of open-ended question and provided the participants with an opportunity to propose mechanisms to improve corporate governance within SACCOs. Finally, section five provided a conclusion and an appreciation to the participants. It also mentioned the next steps once the research study was completed. Data collection was systematic and iterative, with the tool pre-tested and validated using a sample of 20 respondents. This was done to test validity, reliability, clarity and timing to facilitate refining of the whole approach.

3.7 Ethical Considerations

The study ensured that every participant's rights, safety, and dignity was protected. Every respondent was asked to give informed consent before being included in the study. The consent process involved talking to participants in person, where they were told about the study's purpose, objectives, and nature. After that, every participant was given a consent form in writing, which outlined their rights, including the right to withdraw whenever they wished. As

such, participating in the research was optional, and no one was forced to join. Participants taking part in the research were informed that not participating would not negatively affect them.

The researcher also made sure that all participants' privacy and confidentiality were protected by not collecting or storing any information that could identify them. All the data collected were stored safely to maintain confidentiality. Password-protected folders were used to store digital data, which only the researcher and the academic supervisor could access. The hardcopy questionnaires were stored in a cabinet that was locked. Finally, on completion of the study and upon approval, the data would be held for six months before being permanently destroyed by shredding the paper copies and deleting the digital files.

It was only after getting approval from the KCA University Ethics Committee and a research permit from NACOSTI that this research was conducted. The approvals guaranteed that the research followed the guidelines set by the country and the institution. The research looked at how the SACCO communities were impacted. After finishing the research, the key findings and recommendations were presented to participating SACCOs in written form during meetings with their leaders. This was to make sure the community could use the findings from the research. Moreover, the study was evaluated to be of low risk. It did not involve any medical procedures, no individual interrogations, nor any examinations of the mind. The questions were all related to managing an organization and its performance, which could not hurt the participants physically, emotionally, or socially.

CHAPTER FOUR

FINDINGS AND DISCUSSION

4.1 Introduction

This chapter provides the findings of the study on the correlation between corporate governance practices and the performance of Teachers SACCOs in the Central Region of Kenya. The overall research objective was to identify the impact of corporate governance on the performance of teacher-based SACCOs. Six SACCOs were studied, i.e., Orient (Thika), Mentor (Murang'a, Ollin (Kirinyaga), New Fortis (Nyeri), Tower (Nyandarua), and Unison (Laikipia). A total of 368 respondents (95.9 percent response rate) out of 384 duly filled out the administered questionnaires. These respondents included members of SACCOs, the board of directors, management, supervisors, and other cadre of staff.

4.2 Mapping of Variables

To ensure the clarity of measurement, each construct was associated with the questionnaire items and the measurement scales. Measurement of all constructs was based on a 5-point Likert scale between 1 as Strongly Disagree and 5 as Strongly Agree, with some items reversely coded as indicated in Table 3:

TABLE 3
SUMMARY OF VARIABLES AND MEASUREMENT SCALES

Construct	Variables	Sample Question Text	Measurement Scale
Member Participation in Governance	MP1–MP4, MP_E	Members participate in Annual General Meetings; Participation affects performance.	1 = Strongly Disagree to 5 = Strongly Agree (MP_E: 1 = Strongly Agree to 5 = Strongly Disagree)
Board Leadership Practices	BL1–BL4, BL_E	The board demonstrates ethical leadership; Leadership enhances performance.	1 = Strongly Disagree to 5 = Strongly Agree (BL_E: 1 = Strongly Agree to 5 = Strongly Disagree)
Board Composition	BC1–BC5, BC_E	The board has relevant expertise and diversity; Composition influences performance.	1 = Strongly Disagree to 5 = Strongly Agree (BC_E: 1 = Strongly Agree to 5 = Strongly Disagree)
Financial Regulatory Compliance	FRC1–FRC4, FRC_E	The SACCO meets SASRA requirements; Compliance affects performance.	1 = Strongly Disagree to 5 = Strongly Agree (FRC_E: 1 = Strongly Agree to 5 = Strongly Disagree)
Innovation and Digital Governance	IDG1–IDG3, IDG_E	The SACCO uses digital platforms; Innovation enhances performance.	1 = Strongly Disagree to 5 = Strongly Agree (IDG_E: 1 = Strongly Agree to 5 = Strongly Disagree)
SACCO Performance	SP1–SP6	The SACCO's profitability has improved; Governance plays a role.	1 = Strongly Disagree to 5 = Strongly Agree

4.3 Reliability and Validity of the Research Instrument

Reliability and validity are important to the accuracy and credibility of research results. Reliability is the quality of research tools to offer similar outcomes in similar conditions (Saunders, 2019). Cronbach's Alpha was used to test internal consistency reliability. The results are presented in Table 4

TABLE 4
RELIABILITY ANALYSIS SUMMARY

Construct	Number of Items	Cronbach's Alpha (α)	Reliability Level
Member Participation in Governance	4	0.81	High
Board Leadership Practices	4	0.84	High
Board Composition	5	0.79	Acceptable
Compliance with SASRA Regulations	4	0.76	Acceptable
Innovation & Digital Governance	4	0.83	High
SACCO Performance	4	0.80	High
Overall Scale	35	0.867	Very High

The Case Processing Summary (N = 368, valid = 364, excluded = 4) also showed that the entire scale had a Cronbach's Alpha of 0.867, which is extremely high and surpasses the 0.70 level of internal consistency suggested in the literature (Heale & Twycross, 2015). Face and content validity were examined with the aid of expert judgment in terms of validity. The questionnaire was reviewed by experts in SACCO governance, and it was agreed that it was sufficient to represent the intended constructs, hence construct representation.

4.4 Diagnostic Tests

The instruments of data collection were subjected to diagnostic tests on quality, reliability, and validity before undergoing the actual study. The researcher employed parametric tests and they assisted in the identification of whether the instrument was able to measure the intended concepts adequately. To determine internal consistency, linear relationship and make group differences, parametric tests were used on the assumption that the distribution of the results was normal.

4.4.1 Diagnostic Tests for Descriptive Statistics

The descriptive statistics involved diagnostic test analysis of missing data, outlier analysis, and tests of normality (Tabachnick & Fidell, 2019). The missing data approach used frequencies and percentages to reveal data that is missing in each variable, and this case, the researcher used methods like imputation, data cleaning, and omitting incomplete data depending on the nature. Z-scores were used to determine the outlier detection, and the Shapiro-Wilk Test was employed to determine the normality of the data.

4.4.2 Diagnostic Tests for Correlation

Correlation diagnostic tests involved basic assumptions of linearity on two variables- the dependent and independent variables. A linear trend implies that Pearson correlation could be used, but non-linear ones would entail the use of Spearman's rank correlation (Hair et al., 2019).

The results are shown in Table 5:

TABLE 5
DIAGNOSTIC TEST FOR CORRELATION

Correlations					
		Effect of Member Participation	Board Leadership Practices	Board Composition	Compliance with SASRA Regulations
Effect of Member Participation	Pearson Correlation	1	.316**	.148**	.194**
	Sig. (2-tailed)		.000	.005	.000
	N	364	364	364	364
Board Leadership practices	Pearson Correlation	.316**	1	.243**	-.050
	Sig. (2-tailed)	.000		.000	.340
	N	364	368	368	368
Board Composition	Pearson Correlation	.148**	.243**	1	-.112*
	Sig. (2-tailed)	.005	.000		.031
	N	364	368	368	368
Compliance with SASRA Regulations	Pearson Correlation	.194**	-.050	-.112*	1
	Sig. (2-tailed)	.000	.340	.031	
	N	364	368	368	368

From the results, the Pearson Correlation Coefficient (p) for all the variables are greater than 0.5 ($p>0.5$), indicating that there are no significant correlation issues.

4.4.3 Diagnostic Tests for Regression

Diagnostic tests for regression assess the validity of linear regression model. This is achieved by checking the underlying assumptions of linearity, independence, homoscedasticity, normality of residuals, and absence of multicollinearity. The researcher evaluated the multicollinearity using the variance inflation factor (vif) and the tolerance coefficient of all predictor variables in the model. Results are provided in table 6:

TABLE 6
DIAGNOSTIC TEST FOR REGRESSION

Coefficients^a										
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	4.627	.083		55.574	.000	4.463	4.791		
	Member Participation has Effect on SACCO Performance	.140	.032	.238	4.317	.000	.076	.203	.821	1.217
	Board Composition affects SACCO Performance	-.105	.027	-.205	-3.917	.000	-.158	-.052	.908	1.101
	Board Leadership Effectiveness affects SACCO Performance	.024	.029	.047	.847	.398	-.032	.080	.798	1.253
	SACCO Innovation and Digital Governance affect the Performance of the SACCO	.082	.033	.135	2.508	.013	.018	.146	.863	1.159

From the results, the VIFs of the predictors were between 1.101 and 1.253, which were acceptable as they were all lower compared to the generally accepted value of $VIF < 5$. On the same note, the tolerance values were all greater than 0.79, which was greater than the minimum acceptable level of 0.2. The model shows a statistical significance, $F(4, 360)$ of 10.268, $p < .001$, meaning that the predictors altogether were associated with a substantial proportion of SACCO performance. The participation of members ($p = .001$), board composition ($p = .001$), innovation and digital governance ($p = .013$) had strong influences, whereas the effectiveness of the board leadership ($p = .398$) did not have a significant impact.

These findings indicate that the issue of multicollinearity was not relevant in the model; that is, each predictor variable had a distinct explanatory power in SACCO performance. Thus, the regression estimates can be seen as valid, and the impacts of the participation of members, the composition of the board, the leadership efficiency of the board, and the innovation and digital governance of the SACCO can be discussed with certainty.

According to the model summary, the predictors, including member participation, board leadership effectiveness, board composition, and innovation and digital governance, are considered to explain the variance in the SACCO performance ($R^2 = .102$) by 10.2 percent, and the adjusted $R^2 = .092$ after adjusting the number of predictors. The correlation coefficient ($R = .320$) indicates that there is a positive but low relationship between corporate governance practices and SACCO performance. The standard error of the estimate (.365) is used to indicate the average deviation between the observed values and the regression line, which means that

although governance factors play a role in performance, a significant percentage (89.8) of the variation is affected by other factors, as shown in Table 7:

TABLE 7
MODEL SUMMARY PREDICTORS

Model Summary^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.320 ^a	.102	.092	.365

The residual statistics indicate that the average of the predicted values of the SACCO performance was close to an average of 4.82 (SD =.123), which indicates that the model predictions were close to the average. The value of the residuals was 0.000, as the regression is supposed to have, and the values were -1.071 to 0.442, which means that not all of the predictions were close to the observed values; some underestimation was present. The standardized residuals were between 2.121 and -2.935 in the acceptable range of ± 3 , hence the presence of no extreme outliers can alter the model. The standard deviation of the residuals (.363) is also relatively small, which also confirms that the model adequately fits the data, but not that all the unexplained variance was removed, as shown in Table 8.

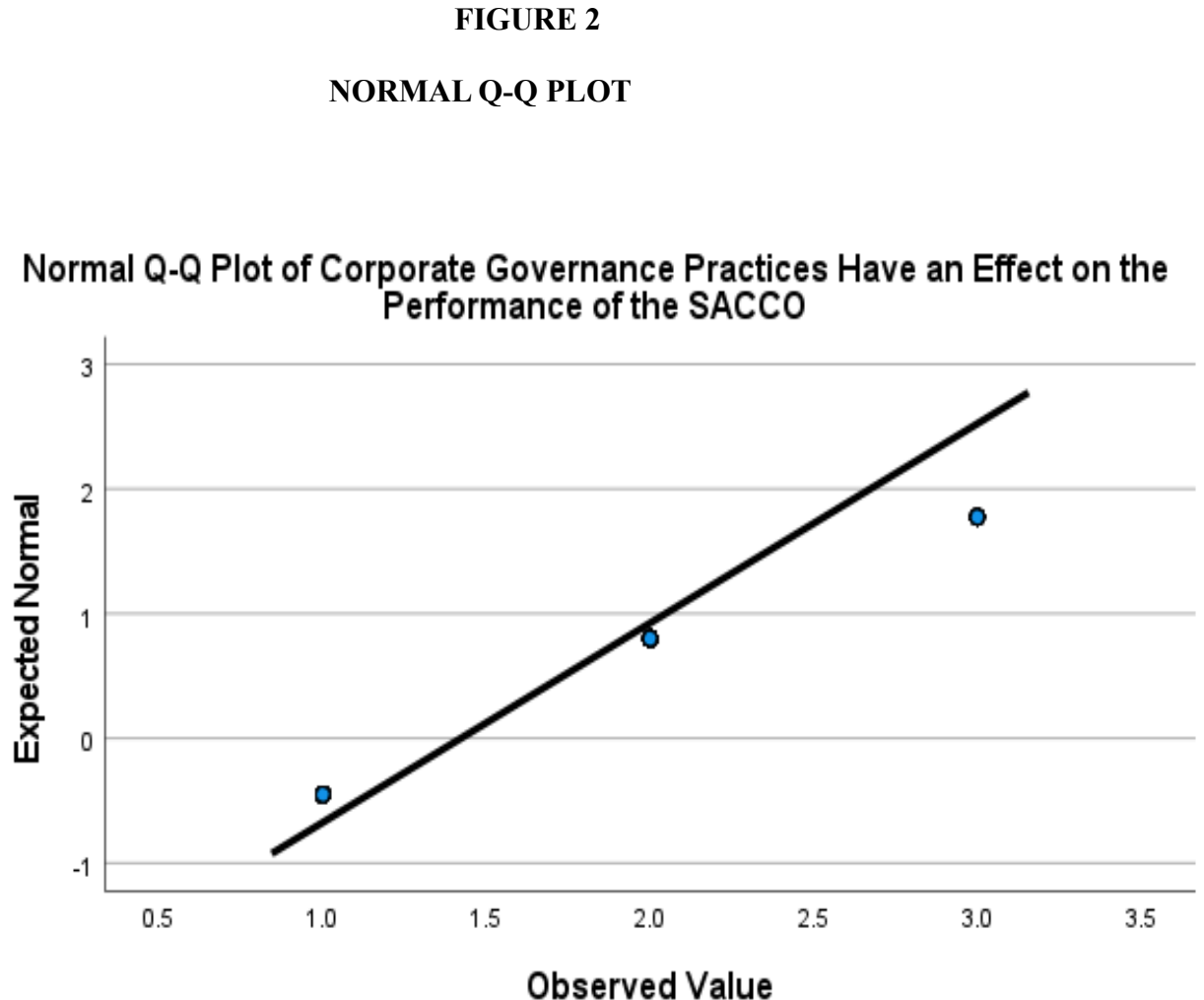
TABLE 8
RESIDUAL STATISTICS

Residuals Statistics^a					
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	4.56	5.07	4.82	.123	365
Residual	-1.071	.442	.000	.363	365
Std. Predicted Value	-2.156	2.032	.000	1.000	365
Std. Residual	-2.935	1.212	.000	.994	365

4.4.4 Diagnostic Tests for Normality

The normality diagnostic test used a Q-Q plot in the examination of the quantiles' comparison.

Figure 2. shows the results:



From the observation of the results, the points follow the diagonal line closely, indicating that the data is normally distributed.

4.5 Data Analysis and Presentation

Data analysis involved both descriptive and inferential statistical approaches. Regression and multiple regression analyses were applied to test the relationships of corporate governance and

the performance of teacher-based SACCOs. The regression model incorporated independent variables as identified in the research conceptual framework and provided insights into how these factors impacted performance. The SPSS statistical software was applied to the analysis.

The regression model used in the study was as follows:

$$TSP = \beta_0 + \beta_1 BC + \beta_2 LE + \beta_3 FRC + \beta_4 MP + \epsilon$$

Where:

TSP represents Teacher-Based SACCO Performance

BC represents Board Composition

LE represents Leadership Effectiveness

FRC Represents Financial Regulatory Compliance

MP represents Member Participation

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ represents Regression Coefficients while

ϵ represents the Error Term.

4.5.1 Response Rate

The researcher administered a total of 384 questionnaires. 368 respondents duly filled the questionnaires, giving a response rate of 95.9 %. This is significantly higher in comparison to the 70 percent threshold established by Mugenda and Mugenda (2003). This response rate, therefore, is adequate and deemed satisfactory. The results are shown in Table 9.

TABLE 9
RESPONSE RATE

	Frequency	Percent
Questionnaires Retuned	368	95.9
Questionnaires Not Retuned	16	4.1
Total Questionnaires Administered	384	100.0

In the category of the respondents, the average response rate was 95.8%. This high response rate implied a quality data collection strategy and suitable approach in involvement of the respondents.

4.5.2 Respondents' Demographic Profile

Respondents' demographic profile highlights the respondents' gender, category, and years of service as discussed in the subsequent sections

Category of the Respondents

The total respondents were 368, comprising 345 SACCO members, 6 Board of Directors, 6 Management Officials, 6 Supervisors, and 5 respondents from other management cadres as shown in Table 10.

TABLE 10
CATEGORY OF RESPONDENTS

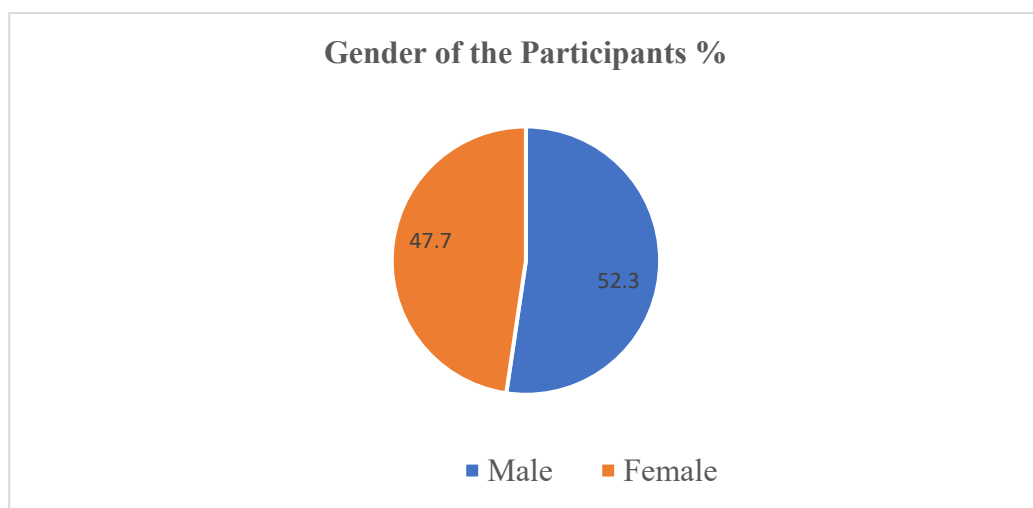
		Role in the SACCO			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SACCO Member	345	93.8	93.8	93.8
	Board of Directors	6	1.6	1.6	95.4
	Management	6	1.6	1.6	97.0
	Supervisor	6	1.6	1.6	98.6
	Other	5	1.4	1.4	100.0
	Total	368	100.0	100.0	

Such a distribution ensured that the opinions of both the policymakers (board) and implementers were represented. This equilibrium is in line with the stakeholder theory (Freeman, 1984) that underlines the significance of considering various perspectives in the assessment of governance.

Gender of the Respondents

The gender breakdown of the respondents as shown in Figure 3 returned 52.3 percent male, 47.7 percent female. This distribution was consistent with the overall requirement for gender parity in SACCO membership patterns and leadership positions, as put forward by Post & Byron (2020).

FIGURE 3
Gender of the Respondents



Years of Service

The percentage and frequency of years of involvement of the respondents as illustrated in Table 11. was 22.7 (87) with 1-3 years; 30.2 (116) with 4 -6 years; and 47.1 (181) with more than 6 years. The results also showed that 77.3 percent of the respondents had been associated with their SACCO for more than four years, implying that they had significant experience in the operations of the SACCO. According to stewardship theory (Donaldson & Davis, 1991), longer participation increases a sense of commitment to organizational objectives and enhances involvement in governance.

TABLE 11**Duration of Membership**

Duration of Membership/Employment					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-3 Years	87	22.7	22.7	22.7
	4-6 Years	116	30.2	30.2	52.9
	Over 6 Years	181	47.1	47.1	100.0
	Total	384	100.0	100.0	

SACCO Orientation

The analysis showed that the respondents were drawn from all six SACCOs, with the largest percentage of respondents coming from Tower SACCO (64.9 percent), and the other SACCO membership varying between 4.1 percent and 8.2 percent, as shown in Table 12. The distribution of respondents was well balanced and proportionate to the weight of SACCO membership. This implies that the results are relatively distributed among the SACCOs.

TABLE 12**SACCO AFFILIATION**

SACCO Affiliation					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Orient	26	7.1	7.1	7.1
	Mentor	30	8.2	8.2	15.2
	Ollin	30	8.2	8.2	23.4
	New Fortis	15	4.1	4.1	27.4
	Tower	239	64.9	64.9	92.4
	Unison	28	7.6	7.6	100.0
	Total	368	100.0	100.0	

4.6 Descriptive Statistics

Descriptive statistics give a general summary of answers provided to the Likert questions (1 = Strongly Disagree, 5 = Strongly Agree, unless performance-wise where the answers were 1 =

Strongly Agree, 5 = Strongly Disagree) across the study variables. The descriptives include measures of central tendency, variations, standard deviations, as well as mean scores.

4.6.1 Effect of Member Participation in Governance

The overall findings show that the SACCO members actively participate in the governance of the SACCOs, with a participation mean score of 3.91 in annual general meetings. The reports also show that participation in the making of major decisions and chances of serving in committees had mean scores of 3.76 and 4.18, respectively. Fair access to participate in committees ($M = 4.18$, $SD = 0.679$) was judged as highest and could be attributed to diversity and equality observed in the way the SACCOs govern themselves.

The active participation by members in AGMs ($M = 3.91$, $SD = 0.658$), decision-making about loans and investments ($M = 3.83$, $SD = 0.747$) may arise from member interest in the strategic and operational aspects of the organization. The findings, however, show a neutral rating of clarity of financial reports ($M = 3.76$, $SD = 0.779$), meaning that there is a need to enhance financial communication and literacy on the financial reports by members. These findings are consistent with Njiru (2018), who concluded that the direct impact contributing to SACCO performance is that of engaging the members in the governance process.

Other Similar conclusions were made by Ochieng and Muriithi (2021), who wrote about the need for financial literacy to facilitate participatory governance. Additionally, moderate standard deviations between items show that there is a perception of limited variability in participation. It can, however, also mean that individual SACCOs can be performing better

than others as regards creating transparency and empowering members. The descriptives are shown in Table 13

TABLE 13
DESCRIPTIVES FOR MEMBER PARTICIPATION

Descriptive Statistics						
	N	Min.	Max.	Mean	Std. Dev.	Variance
Members Participate Actively in Annual General Meetings	368	1	5	3.91	.658	.433
Members Approve All Important Decisions Regarding Loans and Investments	368	2	5	3.83	.747	.558
Financial Reports Are Easy to Understand	368	2	5	3.76	.779	.606
Members Have Equal Opportunity to Serve in Committees	368	2	5	4.18	.679	.462
Valid N (listwise)	368					

4.6.2 Board Leadership Practices

The findings indicate that leadership ethics recorded a high result ($M=4.16$, $SD=0.792$), showing a high perception of transparency, accountability, and moral behavior among the SACCO members on the boards' leadership. The availability of leaders to members to provide them with feedback was also rated highly ($M = 4.15$, $SD = 0.708$), which implies that democratic leadership practices were evident through open communication and member engagement. Compliance with long-term goals got an intermediate mark ($M = 3.78$, $SD = 0.841$), which could be considered quite decent. However, the same needs to be enhanced through strategic orientation. These results concur with the findings made by Mishra and Manju (2013), who concluded that ethical leadership leads to increased organizational trust and sustainable performance, and match the provisions of Stewardship Theory (Donaldson & Davis, 1989), which underlines the commitment of leadership to the long-term goals.

On the other hand, adaptability to new challenges had the lowest scores at $M = 3.51$, $SD = 0.842$, which showed that there was limited ability to flexibly change strategies, especially in the event of technological change, regulation changes, and competition. This could be attributed to the large size of the boards or excessive bureaucracy. The lack of flexibility, as observed by Kiriinya and Nyariki (2023), can constrict the decision-making process and might explain the reasons behind the low ratings.

In general, the descriptive statistics show that SACCO boards are more attentive to democratic leadership practices (transparency, accountability, accessibility) than to strategic and adaptive practices (long-term orientation, responsiveness to change). The comparatively greater dispersion of answers on adaptability and strategic alignment also indicates that there is a variance in the way members of SACCO view board leadership in different institutions. The descriptives for Board Leadership Practices are shown in Table 14

TABLE 14
DESCRIPTIVES FOR BOARD LEADERSHIP PRACTICES

Descriptive Statistics						
	N	Min.	Max.	Mean	Std. Dev.	Variance
The Board Shows Ethical Leadership Through Transparency & Accountability'	368	3	5	4.16	.792	.627
Board Decisions Align with SACCO's Long-term Goals	368	2	5	3.78	.841	.708
The Board Adapts to New Challenges	368	2	5	3.51	.842	.708
Board Directors are Accessible to SACCO Members for Feedback	368	2	5	4.15	.708	.502
Valid N (listwise)	368					

4.6.3 Board Composition

Diversity of skills within the board was good ($M = 4.26$, $SD = 0.883$), and it was perceived that the multi-disciplinary nature of skills of the directors enhances the skill of decision making.

The limit of board member terms was also rated high ($M = 4.34$, $SD = 0.644$), which means the necessity to renew and refresh the leadership, and the inflow of new perspectives. Diversity in gender and age ($M = 4.11$, $SD = 0.620$) and high frequency of governance training ($M = 4.02$, $SD = 0.604$) were also ranked high, thus showing that diversity and regular training are appreciated governance processes.

However, the inclusion of non-SACCO members as directors received a lower mean score ($M = 2.90$, $SD = 0.921$) which means that there is the potential of conflict of interest or less attention to the needs of the members. These findings concur with Kyere and Ausloos (2021), who concluded that the diversity of the boards assists in organizational performance by offering wider perspectives and connections. Nonetheless, the relatively low rating of external directors proves the caution of Jensen and Meckling (1976) that the absence of independent control or an excess of insiders may result in agency risks. The data is shown in Table 15

TABLE 15
DESCRIPTIVES FOR BOARD COMPOSITION

Descriptive Statistics						
	N	Min.	Max.	Mean	Std. Dev.	Variance
Board Members are Experts in Multiple Fields	368	2	5	4.26	.883	.779
The Board include Non-SACCO Staff as Directors	368	2	5	2.90	.921	.848
Board Membership Show Diversity in Terms of Gender and Age	368	3	5	4.11	.620	.385
SACCO Conducts Regular Training for Board Members on Governance	368	3	5	4.02	.604	.365
Board Members Serving Fixed Term Facilitate Incorporation of New Ideas	368	3	5	4.34	.644	.415
Valid N (listwise)	368					

4.6.4 Financial Regulatory Compliance

The level of the SASRA requirements adherence ($M = 3.73$, $SD = 0.713$) and fraud prevention mechanisms ($M = 3.72$, $SD = 0.723$) were put on a positive note, yet it was somewhat lower than that concerning the board leadership. Internal audits ($M = 3.68$, $SD = 0.749$) and transparent financial reporting ($M = 3.73$, $SD = 0.886$) were considered moderately high, as well, which indicates that the degree of regulatory compliance and accountability practices is high, generally.

These findings are comparable to Mwaura et al. (2025), who ascertained that SASRA regulations enhanced liquidity and quality of loans in the SACCOs. Nevertheless, according to reports in the industry (Sacco World, 2024), the compliance cost can prove to be a burden to smaller SACCOs, restricting innovation. This means that SACCOs are also concerned with regulatory compliance, which may come at the expense of flexibility in responding to an increase in competition and rivalry. Moreover, the higher standard deviations of transparency in the financial reports are indicative that the experiences of the members in accessing information may differ across SACCOs, which suggests a potential opportunity to have more standardized disclosure practices. The results are shown in Table 16

TABLE 16
DESCRIPTIVES FOR REGULATORY COMPLIANCE

Descriptive Statistics						
	N	Min.	Max.	Mean	Std. Dev.	Variance
The SACCO Meets All SASRA Regulation Requirements	368	3	5	3.73	.713	.509
Internal Audits Conducted Regularly	368	2	5	3.68	.749	.561
Financial Reports are Shared Transparently with Members	368	2	5	3.73	.886	.784
The SACCO Has Mechanisms to Prevent Fraud	368	3	5	3.72	.723	.522
Valid N (listwise)	368					

4.6.5 Innovation and Digital Governance

The analysis of the factors of innovation and digital governance as shown in Table 17 indicate that the best score was enhanced transparency due to the digital strategy implementation ($M = 4.72$, $SD = 0.529$). This implied that the implementation of technology was highly appreciated. Nevertheless, the impact of digital governance on performance ($M = 1.47$, $SD = 0.630$) was evaluated lower because of the reversed Likert coding of this item, i.e., respondents mostly agreed with the statement. The results are consistent with OECD (2023), who proved that innovation strategies enhance the competitiveness of SACCOs. Further, Kariuki and Ondieki (2020) determined that digital and disruptive innovations were very useful in enhancing performance in the deposit-taking SACCOs. Research by Gichuki (2021) also demonstrated that the use of ICT increases the competitiveness and service delivery.

TABLE 17

DESCRIPTIVES FOR INNOVATION AND DIGITAL GOVERNANCE

Descriptive Statistics						
	N	Min.	Max.	Mean	Std. Dev.	Variance
The SACCO Involve Members Through Digital Platforms	368	3	5	3.85	.501	.251
SACCO Financial Statements and Transaction Records Are Readily Available Online	368	1	5	4.07	.877	.769
Implementation of Digital Strategy improved Transparency in the SACCO	368	3	5	4.72	.529	.280
SACCO Innovation and Digital Governance has an effect on the Performance of the SACCO	368	1	3	1.47	.630	.397
Valid N (listwise)	368					

4.6.6 SACCO Performance

The analysis of SACCO performance as shown in Table 18 indicate that the highest score was in the loan default management ($M = 4.58$, $SD = 0.763$). This indicated that there was good credit control policies and recovery mechanisms in the SACCOs. The loan terms were also highly satisfying ($M = 4.07$, $SD = 0.807$), meaning that the interest rates were very competitive, as well as the repayment schedules. There was also moderate to strong performance in financial performance as far as profitability is concerned ($M = 3.74$, $SD = 0.693$).

Liquidity maintenance had the lowest mean ($M = 3.33$, $SD = 0.650$), signifying that there was a possibility of problems linked to fulfilling short-term cash flow needs. The score is high on loan default management, which is consistent with Maina et al. (2024), who concluded that effective loan-loss provisioning represents an important strategy to improve the SACCO financial performance. Additionally, the low score of liquidity maintenance is consistent with the findings of Otworko and Maina (2022), who determined that the effect of liquidity risk is direct, thus the criticality of appropriate liquidity management practices.

TABLE 18
DESCRIPTIVES FOR SACCO PERFORMANCE

Descriptive Statistics						
	N	Min.	Max.	Mean	Std. Dev.	Variance
SACCO Profitability Improvement	368	2	5	3.74	.693	.481
Members Are Satisfied with Loan Terms and Conditions	368	1	5	4.07	.807	.651
SACCO Maintains Adequate Liquidity to Meet Member Needs	368	2	5	3.33	.650	.423
Loan Defaults Are Well Managed	368	2	5	4.58	.763	.583
Membership has Registered Growth Over the Last 3 Years	368	1	3	1.45	.675	.455
Valid N (listwise)	368					

4.7 Inferential Statistics

The effect of the explanatory variables on SACCO performance was determined using inferential statistical procedures. The strength and direction of the relationship between the study variables were studied through correlation analysis, and the predictive power of each governance practice on performance was studied through multiple regression analysis. These methods enabled understanding of the direct and indirect contributions to the performance of the SACCOs by the attributes of governance. Diagnostic checks were also done to ascertain the validity and reliability of the results.

4.7.1 Correlation Analysis

Analysis of correlation shows that the effectiveness of the board leadership has significant positive correlation with member participation ($r = .316$, $p < .01$), board composition ($r = .148$, $p < .01$) and adherence to SASRA regulations ($r = .194$, $p < .01$). This means that the more the participation of the members, the greater the governance attributes in SACCOs. The board composition is positively correlated with the Board Leadership Practices ($r = .243$, $p < .01$), and this indicates that the more diverse and skilled the board is, the more effective the board leadership is perceived to be.

TABLE 19
CORRELATION ANALYSIS

Correlations					
		Member Participation	Board Leadership Practices	Board Composition	Compliance with SASRA Regulations
Member Participation	Pearson Correlation	1	.316**	.148**	.194**
	Sig. (2-tailed)		.000	.005	.000
	N	364	364	364	364
Board Leadership Practices	Pearson Correlation	.316**	1	.243**	-.050
	Sig. (2-tailed)	.000		.000	.340

	N	364	368	368	368
Board Composition	Pearson Correlation	.148**	.243**	1	-.112*
	Sig. (2-tailed)	.005	.000		.031
	N	364	368	368	368
Compliance with SASRA Regulations	Pearson Correlation	.194**	-.050	-.112*	1
	Sig. (2-tailed)	.000	.340	.031	
	N	364	368	368	368

Board composition is, however, weakly and negatively related to compliance ($r = -.112$, $p < .05$) as shown in Table 4.17. This indicates that certain aspects of composition may reduce regulatory compliance-possibly due to a reduced independence. The insignificance of the relationship between leadership effectiveness and compliance ($r = -.050$, $p = .340$) implies that leadership perceptions do not always imply compliance performance. These results are in line with Myeza et al. (2024) who reported that when member engagement is high, there is a synergy on governance, yet also in line with Jensen and Meckling (1976), who warned that agency risks may be present in some cases when board structure is involved.

4.7.2 Regression Analysis

According to the regression model as shown in Table 20, the participation of the SACCO stakeholders is a positive predictor of SACCO performance, and it is a statistically significant one ($\beta = 0.196$, $p < .001$), which implies that the greater the participation of the members, the higher the performance outcomes will be. The composition of boards is statistically significant and a negative predictor ($B = -0.227$, $p < .001$), meaning that the current structure of boards is a limiting factor to performance, which could be due to too much insider representation or insufficient independent oversight.

Board Leadership Practices ($\beta = 0.087$, $p = .112$) and compliance with SASRA regulations ($\beta = 0.003$, $p = .958$) did not demonstrate statistically significant impacts, which is

to say that although these variables are significant, they may have their effects indirectly or need to be accompanied by other governance practices to translate to performance gains. These findings are in line with the Stakeholder Theory formulated by Freeman (1984) that active participation is a performance driver, and the negative coefficient of the board composition is in line with the caution of the Resource Dependence Theory that diversity without the presence of proper governance processes may not have the desired effect.

TABLE 20
REGRESSION ANALYSIS

Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.763	.076		62.887	.000
	Member Participation	.115	.032	.196	3.585	.000
	Board Leadership Practices	.044	.028	.087	1.591	.112
	Board Composition	-.116	.027	-.227	-4.336	.000
	Compliance with SASRA Regulations	.001	.027	.003	.052	.958

The Regression Model is given as follows: $TSP = \beta_0 + \beta_1 BC + \beta_2 LE - \beta_3 FRC + \beta_4 MP + \epsilon$

Where:

TSP represents Teacher-Based SACCO Performance

BC represents Board Composition

LE represents Leadership Effectiveness

FRC Represents Financial Regulatory Compliance

MP represents Member Participation

$\beta_1, \beta_2, \beta_3, \beta_4$ represents Regression Coefficients while

ϵ represents the Error Term.

From the results, $\beta_0 = 4.763$, $\beta_1 = .196$, $\beta_2 = .087$, $\beta_3 = -.227$, $\beta_4 = .003$ and $\varepsilon = 0.076$

Therefore, the Regression Model becomes

$$\text{TSP} = 4.763 + 0.196\text{BC} + 0.087\text{LE} - 0.227\text{FRC} + 0.003\text{MP} + 0.076$$

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

In this chapter, the study synthesizes the research findings on the relationship between corporate governance practices and the performance of teacher-based Savings and Credit Cooperative Organizations (SACCOs) in the Central Region of Kenya. It combines the empirical evidence, continues to form conclusions within the research objectives, and gives specific recommendations to SACCO management, policymakers, and regulatory agencies, and in this case, the SACCO Societies Regulatory Authority (SASRA) and the Teachers Service Commission (TSC). The chapter also sheds light on recommendations that can be used to enrich governance and sustainability in the SACCO sector.

5.2 Summary of Findings

5.2.1 *Member Participation*

The study determined that member contribution within the SACCO positively and significantly impacted the SACCO performance ($\beta = 0.196$, $p < .001$). Annual General Meeting (AGM) attendance, decision-making involvement, and access to committees were rated highly ($M = 3.91$, $SD = 0.658$; $M = 3.83$, $SD = 0.747$; $M = 4.18$, $SD = 0.679$), respectively. Lower ratings were observed in clarifying financial reports ($M = 3.76$, $SD = 0.779$), indicating financial illiteracy. In addition, clarity of the financial reports elicited lower means of 3.76 ($SD = 0.779$), which is an area that needs improved financial literacy.

The research findings align with the Stakeholder Theory (Freeman, 1984), which opines that active member participation stimulates the increase of accountability and performance. These findings are supported by Njiru (2018) and Ochieng and Muriithi (2021), who

determined that accountability and performance in the Kenyan SACCO system are enhanced by active involvement in the recruitment of boards and decision-making. Similarly, Karanja and Maina (2020) established that the involvement of the member in the loan and policy making process strengthened the financial position, although low levels of literacy were a weakness, a fact established in this research.

Poor communication and leadership deficiencies as negative influencers were pointed out by Dzomonda (2020). The research findings also point out that too much influence by the SACCO members might result in unfavorable lending decisions, as was also determined by Tarus and Simiyu (2024). The inimitable finding of the research shows the uniqueness of paying attention to financial literacy as the major inhibitor for members to actively and effectively participate in SACCO management.

5.2.2 Board Composition

The analysis show that performance was significantly negatively correlated with board composition ($\beta = -0.227$, $p < .001$). Although skills diversity ($M = 4.26$, $SD = 0.883$), term limits ($M = 4.34$, $SD = 0.644$), and gender/age diversity ($M = 4.11$, $SD = 0.620$) were perceived highly, little participation of members who are not part of SACCOs ($M = 2.90$, $SD = 0.921$) weakened the oversight that exists outside the organization.

The findings follow the Agency Theory (Jensen & Meckling, 1976) and Resource Dependence Theory (Pfeffer & Salancik, 1978), which suggest that independence ought to be coupled with diversity to achieve the most successful results in governance. Wambugu (2022) and Post and Byron (2020), opined that gender and skills diversity serve as a source of strategic capacity. However, Kyere and Ausloos (2020) and Otieno and Karihe (2024) positively describe the effect of diversity on performance. The findings of the research indicate negative

correlation due to insider dominance and lack of any independent oversight. The results resonate with those of Owalo (2022) who warned that diversity without autonomy might not be able to reduce agency risks.

5.2.3 Board Leadership Practices

The findings on Board Leadership Practices show that the statistical effect on performance was not significant ($b = 0.087$, $p = 112$). Descriptive results however depict clear trends of leadership practices in that ethics scored highest ($M = 4.16$, $SD = 0.792$), accessibility ($M = 4.15$, $SD = 0.708$), and the least were adaptability ($M = 3.51$, $SD = 0.842$) and strategic alignment ($M = 3.78$, $SD = 0.841$). This is to say that SACCO boards exhibit good democratic leadership practices (ethics and accessibility) but poor adaptive and strategic practices. To some extent, these findings reinforce the Stewardship Theory (Donaldson and Davis, 1989), which considers ethical leadership, yet stresses the necessity of strategic responsiveness.

The findings of the study align with those of Wambugu (2022) and Mishra and Manju (2013), who assert that ethical leadership behaviors enhance trust and stimulate participation of members in the life of the organization. Conversely, the results are also consistent with Kiriinya and Nyariki (2023), who cautioned that bureaucracy and populism may limit responsiveness to change and therefore adaptability of leadership practices.

The results of the study indicate that the democratic leadership practice is being rated as a significant factor influencing performance, but the adaptive and strategic practices are not as strong, which makes them less effective in total. This finding is contrary to Mohamed and Bett (2024), who found undesirable impacts of leadership in politically complicated SACCO environments. The implication is, SACCOs in Central Kenya are less politically influenced,

but they remain inadequately strategic as far as responding to changes in technology and regulations are concerned.

5.2.4 Financial Regulatory Compliance

Financial regulatory compliance did not have any significant effect on the performance ($\beta = 0.003$, $p = .958$). The relatively high responses related to compliance with SASRA regulations ($M = 3.73$, $SD = 0.713$), internal audits ($M = 3.68$, $SD = 0.749$) and prevention of fraud, but there were areas of weakness in the operations related to cost of compliance ($M = 3.73$, $SD = 0.886$) and uniformity in transparency ($M = 3.73$, $SD = 0.886$). The results are partly consistent with Wangari (2018) and Njuguna and Muturi (2020), who studied the importance of compliance in ensuring stability. The results are consistent with Omolo (2022), and FSD Kenya (2024), who reported that there is a deterrent of high compliance costs to innovations. However, unlike research reporting strong positive impacts on compliance, the result shows that the impact of benefits is indirect and situational, and especially so among smaller teacher-based SACCOs facing barriers to resources.

5.2.5 Innovation and Digital Governance

Digital governance enhanced transparency ($M = 4.72$, $SD = 0.529$), and participation by members, and it had a good impact on performance ($M = 1.47$, $SD = 0.630$, reversed Likert scale). This agrees with other scholars, Moki et al. (2019), and Kariuki and Ondieki (2020), who discovered that technology increases competitiveness and service delivery. It is also concurrent with the findings of Kilonzo and Munene (2020) and Serem et al. (2020) stating the importance of digital platforms to increase the level of participation and efficiency of operating. The adoption rate in this study is high; this could be an indication that there could be good

infrastructure on the side of the teacher-based SACCO in Central Kenya as compared to other regions.

5.2.6 *SACCO Performance*

Loan default management ($M = 4.58$, $SD = 0.763$) and member satisfaction ($M = 4.07$, $SD = 0.807$) got the strongest performance but poorer results in profitability ($M = 3.74$, $SD = 0.693$) and the maintenance of liquidity ($M = 3.33$, $SD = 0.650$). These findings are mirrored in Maina et al. (2024), and Otworko and Maina (2022), which determined that SACCOs are active in credit control, but there is a liquidity risk, especially with delayed TSC remittances. These findings are also consistent with Rasugu (2020) on the significance of credit management, but contrary to Mutui et al. (2020), who stated higher profitability of SACCOs with effective cash flow regimes.

The role played by the members and digital governance is the most contributing factor to SACCO performance. Although the board is diverse, there is a superiority of insiders that lacks the provision of strategic oversight. Effectiveness in leadership is ethical yet not adaptable, and compliance is a tool of stability that shows indirect effects. Generally, independence, flexibility and use of technology by governance changes are critical in connection to sustainability. Member participation is a key SACCO performance driver whose input is limited by literacy levels in financial literacy differences and inequality in access to governance processes.

5.3 Recommendations

5.3.1 *SACCO Management*

The management of SACCO will need to raise the level of financial literacy of the members and improve the financial reporting to ensure that the members are motivated to engage in making informed decisions. The admission of independent directors should be prioritized to increase control and strategic potential and reduce dominance threats among insiders. The flexibility of leadership must be built through continuous learning and education in managing and incorporating the practices of digital transformation. The management can also streamline the decision-making process as another way to eliminate any form of extra bureaucracy, which must be effective and receptive. It will also enhance interaction and provision of services to the members by increasing the availability of friendly and cheap digitalized platforms and enhancing transparency and efficiency in operations.

5.3.2 *Policymakers and Regulators (SASRA)*

To policymakers and regulators, specifically SASRA, relationships to meet compliance should be made fit to the capability of the small SACCOs, which will lessen the financial burden and enable them to remain competitive. The incentives systems must be structured in a manner that will encourage the adoption of digital forms of governance that will, in turn, foster innovation and organizational efficiency at the government service delivery level. This also implies that the state should not only prescribe diversity obligations on boards but also demand independent representation in the boards, and it is also supposed to have the objective of improving governance and ensuring there is proper strategic management in the SACCO sector.

5.3.3 *Teachers Service Commission (TSC)*

Teachers Service Commission (TSC) should ensure timely remittances by having strong payroll and transfer mechanisms to avoid the disruption of liquidity and facilitate SACCOs in meeting their financial requirements as soon as possible. The TSC is also supposed to liaise with SACCOs to consider options of income diversification, like the Front Office Services Activities (FOSA) to non-teacher members, and hence eliminate overreliance on payroll deductions. Also, there is a need to actively involve SACCO leaders in policymaking to co-develop models to facilitate the embrace of digital governance and achieve transparency to meet national goals of cooperative development.

5.4 Areas for Further Research

Based on the research findings, the researcher proposes comparative studies on SACCOs from other blocks in the country. This will assist in leveling the divergences in conditions and in determining the contributing factors from the different environments. Future research on the impact of governance reforms in the long term would be much more informative about the role played by regulators and compliance authorities. Further research can be instituted to evaluate how much SACCOs can embark on innovation, harmonizing with regulatory requirements, especially in low-resource environments. The other fields of study can also incorporate an emphasis on gender diversity as an indicator of good governance and good performance, therefore providing empirical evidence-based arguments to support policy formulation.

5.5 Conclusion

This study reiterates that proper corporate governance- particularly that of member engagement and e-Innovation is central to the sustenance performance of teacher-based SACCOs. The findings revealed that although SACCO boards seem to possess good democratic practice in

the leadership such as transparency, accountability and accessibility, they also exhibit poor adaptive and strategic practices, especially to technological changes, regulatory changes and competition. However, the insider Dom of boards, inflexible management, and high cost of compliance clearly pose significant obstacles to the maximization of the level of performance outcomes.

With the proposed recommendations in place, the financial sustainability, transparency, and competitiveness will be enhanced, and this will bring about growth and resilience to SACCOs across Central Kenya and beyond. In doing this, SACCOs will be able to stand tall as credible financial institutions that can manage to support the welfare of their members even as the financial environment changes fast. Through effective governance reforms, not only will the efficiency of operations be enhanced, but long-term mutual trust will be established between the members and the leadership. Finally, not only will the efficiency of operations be improved through effective governance reforms, but long-term mutual trust will be created between the leadership and the members.

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APPENDICES

7.1 Appendix I: Approval to Undertake Research



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KCA UNIVERSITY SCIENTIFIC & ETHICS REVIEW COMMITTEE

REF: **KCAU/SERC/SOB0160**

Date: **13th JUNE 2025**

TO: **MERCY N. WACHUKA (22/09057)**

Dear Sir/Madam,

RE: CORPORATE GOVERNANCE PRACTICES AND PERFORMANCE OF TEACHER-BASED SACCOs IN CENTRAL REGION, KENYA

This is to inform you that KCA University Scientific Ethics Review Committee (KCAUSERC) has reviewed and approved your above research proposal. Your application approval number is **KCAUSERC/SOB0160**. The approval period is **16th June 2025 – 16th June, 2026**.

This approval is subject to compliance with the following requirements:

- i. Only approved documents including (informed consents, study instruments, MTA) will be used.
- ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by **KCAUSERC**.
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to **KCAUSERC** within 72 hours of notification
- iv. Any changes, anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to **KCAUSERC** within 72 hours
- v. Clearance for export of biological specimens must be obtained from relevant institutions.
- vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal.
- vii. Submission of an executive summary report within 90 days upon completion of the study to **KCAUSERC**.

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke> and also obtain other clearances needed.

Yours sincerely,

Dr. Caroline Ntara
Chairperson
KCA University Scientific & Ethics Review Committee

7.2 Appendix II: Research License.

 REPUBLIC OF KENYA Ref No: 402009	 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION Date of Issue: 15/July/2025
RESEARCH LICENSE	
	
This is to Certify that Miss. Mercy Nyawira Wachuka of KCA University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Kiambu, Kirinyaga, Laikipia, Muranga, Nairobi, Nyandarua, Nyeri on the topic: CORPORATE GOVERNANCE PRACTICES AND PERFORMANCE OF TEACHERS-BASED SACCOs IN CENTRAL REGION, KENYA for the period ending : 15/July/2026.	
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See overleaf for conditions	

7.3 Appendix III: Questionnaire

CORPORATE GOVERNANCE PRACTICES AND PERFORMANCE OF TEACHERS BASED SACCOs IN CENTRAL REGION, KENYA

Dear Respondent,

My name is Mercy N. Wachuka (Reg. No: 22/09057), and I humbly invite you to participate in this research survey. The research aims to assess the Corporate Governance Practices and Performance of Teachers-Based Saccos in the Central Region, Kenya. The research will be submitted in partial fulfillment of the requirements for the award of the Master of Business Administration (Development Finance) in the School of Business at KCA University. Participation in the research is voluntary, and confidentiality is guaranteed as reporting shall only be done in aggregate. Completing this survey, you consent to the use of your responses for academic purposes only.

Topic: Corporate Governance Practices and Performance of Teacher-Based SACCOs
in Central Region, Kenya

Section A: Demographic Information

1. Role in the SACCO:

☐ Member

☐ Board of Directors

☐ Management/Employee

☐ Other:

2. Gender:

☐ Male

☐ Female

☐ Prefer not to say

3. **Years of membership/employment in the SACCO:**

☐ Less than 1 year

☐ 1–3 years

☐ 4–6 years

☐ Over 6 years

4. **SACCO Name:** _____

Section B: Member Participation in Governance

(Likert Scale: 1 = Strongly Disagree, 5 = Strongly Agree)

5. Members actively participate in Annual General Meetings (AGMs).

☐ 1

☐ 2

☐ 3

☐ 4

☐ 5

SACCOs seek member approval for all important decisions about loans and investments.

☐ 1

☐ 2

☐ 3

☐ 4

☐ 5

The SACCO provides financial reports that are easy to understand.

☐ 1

☐ 2

☐ 3

☐ 4

☐ 5

Members can join key SACCO committees (e.g., audit, credit).

☐ 1

☐ 2

☐ 3

☐ 4

☐ 5

The rate of member participation positively affects the SACCO's overall performance.

Likert Scale: 1 = *Strongly Agree*, 5 = *Strongly Disagree*,

☐ 1

☐ 2

☐ 3

☐ 4

☐ 5

6. **Open-ended:** What factors reduce members from participating in governance?

Section C: Board Leadership Practices

(Likert Scale: 1 = Strongly Disagree, 5 = Strongly Agree)

The board shows ethical leadership through practices that include transparency as well as accountability.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Board decisions align with the SACCO's long-term goals.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

The board adapts to new challenges (e.g., digital transformation, economic shifts).

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Board members are accessible to members for feedback.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

The effectiveness of the board leadership enhances the SACCO's performance.

Likert Scale: 1 = *Strongly Agree*, 5 = *Strongly Disagree*,

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

7. **Open-ended:** How could board leadership improve?

Section D: Board Composition

(Likert Scale: 1 = Strongly Disagree, 5 = Strongly Agree)

The board possesses members with multiple fields of expertise, including finance, law, and education.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

The board includes independent directors (not SACCO staff).

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

The board reflects gender and age diversity.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

SACCOs conduct regular training for board members about governance practices.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

8. The board serves fixed terms of service to bring new ideas to the organization.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

9. The composition of the board positively influences SACCO performance.

Likert Scale: 1 = *Strongly Agree*, 5 = *Strongly Disagree*,

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

10. **Open-ended:** What changes would strengthen the board's composition?

Section E: Financial Regulatory Compliance

(Likert Scale: 1 = *Strongly Disagree*, 5 = *Strongly Agree*)

11. The SACCO meets all SASRA regulation requirements (liquidity and capital requirements)

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

12. Internal audits are conducted regularly.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

13. Financial reports are shared transparently with members.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

14. The SACCO has mechanisms to prevent fraud (e.g., dual signatures, oversight).

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

15. Compliance with financial regulations contributes positively to SACCO performance.

Likert Scale: 1 = *Strongly Agree*, 5 = *Strongly Disagree*,

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

16. **Open-ended:** What compliance challenges does the SACCO face?

Section F: Innovation and Digital Governance

(Likert Scale: 1 = *Strongly Disagree*, 5 = *Strongly Agree*)

17. The SACCO conducts member involvement through digital platforms for governance administration.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

18. The accessibility of online financial statements and transaction records is easy.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

19. The implementation of digital transformation improved the transparency present in SACCO operations.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

20. The use of digital innovations enhances SACCO performance.

Likert Scale: 1 = *Strongly Agree*, 5 = *Strongly Disagree*,

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Open-ended: What digital innovations would enhance governance and performance?

Section G: SACCO Performance

(Likert Scale: 1 = *Strongly Disagree*, 5 = *Strongly Agree*)

21. The SACCO's profitability has improved in the last 3 years.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

22. Members are satisfied with loan terms and conditions.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

23. The SACCO maintains adequate liquidity to meet member needs.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

24. Loan default rates have been well managed.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

25. Membership has grown steadily in the last 3 years.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

26. Corporate governance practices play a significant role in the performance of the SACCO.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Open-ended: Which elements create the biggest influence on SACCO performance?

Section H: Additional Comments

Share any other ideas that could improve corporate governance in your SACCO:

Your time, along with your hard work and contribution to the project, is very much appreciated. Thank you.

7.4 Appendix IV: Budget

Item	Units	Unit Cost (Kshs)	Total (Kshs)
Personnel Costs			
Research Assistants	4	2,500	10,000
Data Analyst	2	3,000	6,000
Equipment			
Stationery and Printing			
Special Activities	16	1000	16,000
Internet Access	1	10,000	10,000
Printing Questionnaires	1	5,000	5,000
Publishing	1	20,000	20,000
Travel and Transportation			
Subsistence Cost	1	10,000	10,000
Transport	1	5,000	5,000
Total			82,000

7.5 Appendix V: Work Plan

Activity / Timeline	2025					
	Mar	May	June	July	Aug-Sept	Oct
Development of Concept Paper						
Proposal Development						
Proposal Presentation						
Data Collection						
Data Analysis						
Project Presentation						
Publishing						