

**EFFECT OF CORPORATE GOVERNANCE DIMENSIONS ON FINANCIAL
PERFORMANCE OF SAVINGS AND CREDIT COOPERATIVE SOCIETIES IN
NAIROBI COUNTY, KENYA**

BY

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DECLARATION

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

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ABSTRACT

Cooperatives play significant role in national economy and socio-economic development in Kenya. Savings and Credit Cooperative Societies (SACCOs) in Kenya not only provide loans to their members, but they also offer investment opportunities, agricultural facilities for farmers, create employment, housing solutions, and much more. In the recent one decade, SACCOs in Kenya have been experiencing challenges in financial performance. The return on assets among SACCOs in Nairobi County in the year 2018 was 14.53%, which decreased to 14.13% in the year 2019, 13.82% in 2020 and 13.75% in 2021. The main objective of the study was to examine the influence of corporate governance dimensions on SACCOs' financial performance in Nairobi County. Specifically, the study sought to determine the effect of board independence, board accountability, audit committee and financial disclosure on financial performance of SACCOS in Nairobi County. The study was anchored on agency, stewardship, and stakeholder theories. This research used descriptive survey design. The target population was the heads of finance and administration in all the 43 SACCOs in Nairobi County. Pre-testing of research instruments was carried out among SACCOs in Kiambu County. The researcher used census methodology to collect data. Secondary data on return on assets, total deposits, total assets and non-performing loans was collected from the annual reports of the SACCOs. Primary data was collected using semi-structured questionnaires. Content analysis was used to analyze qualitative data and the results were presented in a narrative form. Quantitative data was then analyzed using inferential and descriptive statistics with the help of statistical software known as Statistical Package for Social Sciences version 22. Descriptive statistics comprised of mean, frequencies, standard deviation, and percentages. Regression and correlation analysis were examples of inferential statistics used. The study's findings were represented using both tables and figures. The study found that board independence has a positive and significant effect on the financial performance of SACCOs in Nairobi County. In addition, board accountability has a positive and significant effect on the financial performance of SACCOs in Nairobi County. The study also found that the audit committee has a positive and significant effect on the financial performance of SACCOs in Nairobi County. The study established that financial disclosure has a positive and insignificant effect on the financial performance of SACCOs in Nairobi County. The study recommends that SACCOs should select independent members of the boards to help the societies run honestly and efficiently since they are not under the influence of the management teams. In addition, SACCOs should make sure that the board of directors actively oversees and holds management accountable for financial decisions, risk management, and strategic planning. They should select the audit committee to monitor financial reporting, audit process, internal control system of the organization, and legal and regulatory conformity. They should also clearly define the roles and responsibilities of the audit committee in the SACCO's bylaws. Further, SACCOs should also establish a system for regular reporting to the board on financial performance, risk exposure, and compliance with financial policies and regulations.

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ABBREVIATIONS AND ACRONYMS

BA	:	Board Accountability
CEO	:	Chief Executive Officer
CMA	:	Capital Markets Authority
DOPU	:	Drop-off Pick-up
GCC	:	Gulf Cooperation Council
GSE	:	Ghana Stock Exchange
IDX	:	Indonesia Stock Exchange
NACOSTI	:	National Commission for Science, Technology, and Innovation
NGO	:	Non-Governmental Organization
NIM	:	Net Interest Margin
NPM	:	Net Profit Margin
QFR	:	Quality of Financial Reporting
ROA	:	Return on Assets
ROE	:	Return on Equity
ROC	:	Return on Capital
SACCOs	:	Savings and Credit Cooperatives
SASRA	:	Sacco Societies Regulatory Authority
VIF	:	Variance Inflation Factor

OPERATIONAL DEFINITION OF TERMS

An audit committee refers to the group within an organization charged with overseeing the financial reporting process, choosing the independent auditor, and receiving both external and internal audit results (Tuovila, 2020).

Board accountability: refers to accepting responsibility for all business operations and giving stakeholders a fair, accurate, and intelligible evaluation of the organization's condition and prospects (Mwesigwa, Sentrine & Suzan, 2014).

Board independence: refers to the situation where all or the majority of a board of directors have no connection to the company other than that of director (Fuzia, Julizaerma & Halima, 2016).

Corporate Governance: Is the grouping of techniques, procedures, and connections that multiple parties utilize to manage and run companies (Wondem & Batra, 2019).

Financial disclosure: refers to the complete accounting of the current financial results and any assets, along with any proof-serving supporting evidence. It refers to the procedure for granting access to financial information (Awinbugri & Prince, 2019).

Financial performance: Refers to a subjective evaluation of how effectively resources can be utilized by an organization from its key business line to yield profit. The term is also utilized as a broad company's long-term financial stability indicator (Oroud, 2019).

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Following industrial revolution, the cooperative movement started in Europe in the early 19th century to protect workers and small-scale farmers from the whims of automation and greed (Mmari, 2020). Since then, it has developed tremendously, and today it is thought that 1 in 7 people worldwide belong to a cooperative organization (Mmari &Thinyane, 2019). Due to its capacity to reach out to the grassroots and to individual homes, cooperatives have been employed successfully in several regions of the world as a tool for national development and poverty alleviation (Thampoe & Alfred, 2014). By providing funding to members so they can start profitable businesses, they promote economic growth and development. Therefore, their financial health and sustainability is key to the national economy.

In different parts of the world, savings and credit cooperatives have been characterized by financial malpractices such as fraud leading to their poor performance and at times collapse and hence the need for appropriate corporate governance (Shafii, Samad & Yunanda, 2019). As indicated by the agency theory, corporate governance focuses on strategies to align managers' and investors' objectives and make sure that businesses are governed in investors' best interests (Mayo, 2020). However, an agency problem occurs when the management of the savings and credit cooperatives (agents) seeks to serve their interests instead of considering the interests of the members (principal). The stakeholder theory indicates that a firm should ensure that all stakeholders' interests are covered. In savings and credit cooperatives, the main stakeholders include members and staff working in the management. As indicated by the stewardship theory, it is in the interest of all stakeholders for the organization to perform well. While the members will benefit from wealth

maximization, the reputation of the management depends on the performance of the organization and hence they must be honest, diligent, and accountable. Well-governed organizations tend to have higher organizational competitiveness in terms of profitability, efficiency in service delivery and customer satisfaction, as compared to poorly governed companies. Additionally, a company is protected from future financial hardship by good corporate governance. The claim that any corporate individual's governance structure impacts its capacity to adjust to external forces that may have effect on financial performance has been made numerous times (Mmari, 2020).

Different authors show mixed findings on the effect of corporate governance on the organizations' financial performance. In India, Thampoe and Alfred (2014) attributed the poor financial and operational performance of Cooperatives to loss of assets, high non-performing loans, delayed payments as well as operational risks and failed internal processes, fraud, and mismanagement of funds. In Pakistan, Mayo (2020) indicates that there were malpractices and financial irregularities in some cooperatives and cases of promoters of some cooperatives decamping with depositors' money were rampant. In Bangladesh, Datta (2018) indicates that corporate governance measured in terms of board audit committee, board meetings and board composition influenced financial performance positively. In addition, Aggarwal (2013) indicates that role of external auditors, number of board meetings, financial expertise of directors, separation of chairman and CEO, and independence of board from management. However, in Egypt, Shahwan (2015) found insignificant association between corporate governance practices and firms' financial performance. In addition, there was an insignificant negative relationship between corporate governance practices and possibility of financial distress. Different countries are characterized by different macroeconomic environments, business environments and rules and regulations governing different types of

organizations. As such, the findings of these studies are not generalizable to SACCOs in Kenya.

Mmari (2020) argues that while corporate governance is a global problem, African nations face more challenges and issues related to corporate governance than developed countries. In Nigeria, Olayiwola (2018) observed that board size has significant inverse correlation with NPM, board composition influenced NPM significantly and positively, and audit committee size influenced NPM insignificantly. In addition, Wondem and Batra (2019) found that corporate governance measured in terms of board of directors meeting frequency, board of directors meeting attendance, audit committee accountability and financial reporting had positive influence on financial performance measures such as ROA and ROE in Ethiopia.

In Uganda, Muhanguzi (2019) indicates that there has been massive fraud of funds by savings and credit cooperatives' leaders and that delinquency in savings and credit cooperatives had increased. As indicated by Muheebwa (2018), poor corporate governance and poor management have accelerated the amount of NPLs in SACCOs and negatively affected performance in Uganda. In Tanzania, Mmari (2020) observed that savings and credit cooperatives face problems of poor corporate governance and embezzlement of funds. These problems have led to not only poor performance of savings and credit cooperatives but also to low efficiency which affects their sustainability. In Kenya, Munga (2018) observed that corporate governance measured in terms of board's ownership, committees' dependency, and board size influenced insurance firms' performance significantly. These studies outline mixed findings on the relationship between various components of corporate governance and financial performance of firms. While some studies show positive associations between various components of corporate governance and financial performance of firms, others show negative associations. In addition, while some African nations have similar characteristics in

their business environments and macroeconomic environment, the legal framework governing organizations such as SACCOs differ from one country to another.

1.1.1 Corporate Governance Dimensions

Corporate governance refers to the system of rules, practices, processes, and structures by which an organization is directed, controlled, and managed (Stuebs & Sun, 2021). According to Azzam and Muneeza (2022), corporate governance involves a set of relationships between a company's management, its board, its shareholders, and other stakeholders. Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals (Rossouw, 2021). Amartey, Yu, and Chukwu-lobelu (2019), defined corporate governance as all the methods that stakeholders try to ensure that managers, employees, and other insiders are always taking proper actions to protect their interests.

The corporate governance structure outlines the methods and rules for making decisions in corporate affairs as well as obligations and rights distribution among various stakeholders, including the board, managers, shareholders, and other stakeholders. Due to its perceived significance for the financial health of firms and society at large, corporate governance has been successful in attracting the public's interest (Shahwan, 2015). In the context of Savings and Credit Cooperative Societies (SACCOs), corporate governance was used to refer to the set of principles, practices, rules, and structures that guide the management and oversight of SACCOs.

For businesses to run effectively, increase access to finance, minimize risk, and safeguard stakeholders' interests, good corporate governance is required. In order to reduce expropriation and unfairness for shareholders, it also increases corporate transparency and accountability (Datta, 2018). Additionally, corporate governance equips investors with the

means to address genuine stakeholder issues including sustaining social and environmental advancement. It fosters growth and greater access to money, promotes fresh investments, spurs economic expansion, and creates job possibilities (Aggarwal, 2013).

Board independence is the ability of the board members to make decisions independently, free from intervention or influence from outside forces such as politics, duress, personal gain, or conflicts of interest (Ayodeji & Okunad, 2019). The elements of board independence include freedom of decision making, resistance to pressure from stakeholders and executive/non-executive directors. Independence of board of directors adds value to a company by increasing responsibility, offering self-governance judgment, expanding the board's and executive's business network connections, and moderating CEO power and the board chairman, which in many organizations is a sufficiently powerful position (Datta, 2018).

Board accountability is taking ownership of all business operations and providing stakeholders with a balanced, fair, and clear evaluation of organization's status and future potentials (Mayo, 2020). Board accountability can be assessed in terms of strategic leadership, performance evaluation, and policy and guidelines formulation. The yearly financial statements give the board the opportunity to discuss the year's outcomes and to evaluate performance. Open, transparent, and honest reporting can help an organization develop connections with stakeholders, such as customers, investors, and employees (Muhanguzi, 2019). Policies and guidelines provide guidance, uniformity, and accountability in an organization operation. Improved corporate governance, which can lessen the frequency and severity of financial crises and boost consumer confidence in business practices, can be achieved through increased accountability.

A company's audit committee serves as a conduit between board of directors and external auditors (Mmari & Thinyane, 2019). The group, which is predominately made up of nonexecutive directors, is supposed to approach business affairs with objectivity and impartiality. The components of audit committee are audit quality and frequency, size of the committee and expertise of the committee. Audit quality may be impacted by interactions between auditors and people responsible for the organization's governance (Mayo, 2020). An organization's financial reporting process is overseen by the audit committee, which also plays an oversight function over the organization's internal control framework, risk management practices, and governance procedures.

The process of granting access to financial information is referred to as financial disclosure. It refers to the action of promptly making all pertinent information about a company accessible to the public. Financial disclosure encompasses financial reporting, investments reporting, and operations cost disclosure. Financial reporting provides details to various stakeholders about the organization's financial performance and financial situation over a predetermined period (Esokomi & Mutua, 2018). Investment reports means statements, reports, analyses, data, summaries, calculations, formulas, and the like concerning account assets, investment strategy and performance results. Operating costs are expenses incurred daily for maintaining and managing a business (Sahore & Verma, 2017).

1.1.2 Financial Performance

Financial performance refers to the measurement of how well a firm can use assets from its primary mode of organization and generate revenues (Ashari & Krismiaji, 2019). According to Zakhem and Palmer (2020), financial performance is the level of performance of a business over a specified period of time, expressed in terms of overall profits and losses, the rate of return on investment, earnings per share, and various other indicators used for

measuring the financial health and outlook of a firm. In the context of Savings and Credit Cooperative Societies (SACCOs), financial performance was used to refer to the assessment and measurement of how well a SACCO manages its financial resources, generates income, and achieves its financial objectives. In this study financial performance was measured in terms of return on assets, total deposits, total assets and nonperforming loans.

The goal of financial performance is to enable organization's advancement by guaranteeing that ROC exceeds cost of capital while avoiding taking on significant financial risks. It includes both long-term and short-term decisions and strategies (Barus, Muturi & Kibati, 2017). It is viewed as the extent to which a company's financial objectives are being or have been met within a given time frame. Financial ratios including liquidity ratios, profitability ratios, activity ratios and debt ratios (generated from their financial statements) are typically examined in financial performance measurement for businesses (Mmari & Thinyane, 2019).

The activities of firms which include revenues generated from the operations of firm's operations, other incomes from organizational activities or income from the investment of shareholders are often used to assess financial performance (Muheebwa, 2018). Other ways used to measure financial performance include looking deeper into the financial statements and determining margin growth rates in different areas. The ROE, NIM and the ROA have been widely used and are considered appropriate measures of financial performance in different sectors (Rai, Ojha & Singh, 2018).

Different studies conducted on the SACCOs' measured financial performance differently. For instance, Barus, Mutur and Kibati (2017) indicated that financial performance measure among Savings and Credit Cooperatives was Return on Assets (ROA). In addition, Esokomi and Mutua (2018) indicate that financial performance measures in Savings and

Credit Cooperatives include liquidity, Return on Equity (ROE), asset quality, capital structure and income diversification. Further, Mmari and Thinyane (2019) measured financial performance among SACCOs using ROE, ROA, total deposits. This study measured the financial performance of deposit taking SACCOs using ROA, total deposits, total assets, and non-performing loans ratio.

1.1.3 Savings and Credit Cooperatives in Kenya

Deposit taking SACCOs have grown rapidly in Kenya. Members establish SACCOs with the aim of mobilizing savings to develop credit sources for their fellow members at interest rates that are competitive (Sacco Societies Regulatory Authority, 2018). SACCOs are by their very nature intended to combat poverty because many of the members have low incomes. They are a part of the cooperative movement, which is one of the alternatives for attaining long-term economic growth because it underpins 45 percent of Kenya's economic operations (Sacco Societies Regulatory Authority, 2019).

The first Sacco-specific Act was passed by the Kenyan parliament in November 2008. The law outlines the most up-to-date frameworks for safety and soundness of the Sacco as well as how they are supposed to perform their services, giving them level playing field to effectively compete with nation's commercial banks (Otieno, Mugo & Kimathi, 2015). The Sacco Societies Act (Cap 490B) of the Kenyan Laws serves as the legal framework for the Sacco Societies Regulatory Authority (SASRA), a public partnership. On June 18, 2010, the Act was fully implemented.

Deposit taking SACCOs have persisted to spread out their physical operations and presence across the nation, with 464 physical branches total dispersed around the nation being recorded in 2017. About 638 physical financial delivery channels dispersed throughout the nation are accounted for deposit taking SACCOs, in addition to the head office locations

that serve as channels of delivery. The deposit taking SACCOs' branch networks are typically located in small market as well as trading centers, where they are the only recognized formal financial organization, which significantly increases the access to financial services to Kenyan population. This is true although there is an obviously high concentration of physical branches in almost a third of all counties.

Deposit taking SACCOs have been performing well in a number of financial measures, but poorly in others. The overall asset portfolio exceeded the half-trillion-dollar threshold in 2019 to reach Kshs 556.71 billion, an increase of 12.41 percent from Kshs 495.25 billion reported in 2018. In addition, the total deposit on the other hand grew by 11.27% in 2019 to reach Kshs 380.44 billion from Kshs 341.91 billion reported in 2018 and represents a marginal decline from a growth rate of 11.99% recorded in 2018. The gross loans portfolio grew by 12.09% to reach Kshs 419.55 billion in 2019 from Kshs 374.29 billion in 2018, while net loans and other credit advances increased by 11.46% to reach Kshs 400.16 billion in 2019 from Kshs 359.02 billion recorded in 2018.

Co-operative societies in Kenya are driven by seven core values and four universal ethical beliefs that guide their governance. Ethical beliefs include honesty, social responsibility, openness and caring for others. In addition, Cooperative enterprises operate and are modeled along a set of seven internationally acceptable principles. Section 4 of the Kenyan Cooperative Societies Act, which governs the registration and incorporation of all cooperative societies in Kenya, has been amended to include the seven principles (Sacco Societies Regulatory Authority, 2019). It indicates that a Co-operative society should incorporate in its by-laws the following cooperative principles; open and voluntary membership; democratic member control; autonomy and independence; economic involvement by members; education information and training; co-operation among co-

operatives, as well as concern for the community in general. Consequently, all cooperative societies, including SACCOs may be registered and incorporated under the Co-operative Societies Act only upon the confirmation that these seven principles have been enshrined in their respective governing By-laws.

1.2 Statement of the Problem

Cooperatives play significant role in the national economy and socio-economic development in Kenya. SACCOs in Kenya not only provide loans to their members, but they also offer investment opportunities, agricultural facilities for farmers, create employment, housing solutions, and so much more (Otieno, Mugo & Kimathi, 2015). The mobilization of savings in Kenya through Saccos has been increasing over the years. In 2017, Saccos mobilized Kshs. 442.27 billion, which increased to Kshs. 495.25 billion and Kshs. 556.71 billion in 2018 and 2019 respectively. The increasing rate of deposit and savings mobilization calls for prudent management of the funds which can only be achieved by ensuring appropriate corporate governance.

In the recent one decade, SACCOs in Nairobi County have been experiencing challenges in financial performance. The return on assets among SACCOs in Nairobi County in the year 2018 was 14.53%, which decreased to 14.13% in the year 2019, 13.82% in 2020 and 13.75% in 2021. Non-performing loans among SACCOs in Nairobi County increased from 12.06% in 2018 to 12.79% in 2019, 13.63% in 2020 and 14.32% in 2021 (SASRA report, 2021). Incidences of fraud and embezzlement of members' savings have also been witnessed among SACCOs (SASRA report, 2018). In addition, the SASRA (2019) report shows that 11 percent of the Saccos had been reported on complaints related to failure to pay dividends on time, suspected fraud, failure to hold annual general meetings, mismanagement of the organizations, irregular deductions of deposits and irregular account transactions. The

poor performance of Sacco's continues to frustrate the vision 2030 goals of increasing financial inclusion. Since it is within the mandate of the Saccos' boards to ensure that the management adheres to regulations and operate within the interest of the Sacco members, it is important to understand how board independence, accountability, existence of audit committee and financial disclosure influence the performance of Sacco's in Kenya.

Various studies have been conducted in Kenya on corporate governance dimensions and financial performance. For instance, Osedo, Mwanza and Ogendo (2020) examined the effect of corporate governance on financial performance of general insurance companies in Kenya; Miring'u and Muoria (2017) studied the effect of Corporate Governance on Performance of Commercial State Corporations in Kenya, while Njuguna (2018) studied the role of corporate governance practices on financial performance of not-for-profit faith-based Hospitals in Central Kenya. However, Osedo *et al.* (2020) focused on general insurance companies, Miring'u and Muoria (2017) focused on commercial state corporations while Njuguna (2018) focused on not-for-profit faith-based Hospitals. This study therefore sought to find out the effect of corporate governance dimensions on financial performance of SACCOs in Nairobi County.

1.3 Research Objectives

The general objective was to find out the effect of corporate governance dimensions on financial performance of SACCOs in Nairobi County, while the specific objectives are as follows:

- i. To evaluate the effect of board independence on financial performance of SACCOs in Nairobi County

- ii. To establish the effect of board accountability on financial performance of SACCOs in Nairobi County.
- iii. To evaluate the impact of audit committee on financial performance of SACCOs in Nairobi County.
- iv. To find out the effect of financial disclosure on financial performance of SACCOs in Nairobi County.

1.4 Research Hypothesis

H₀₁: Board independence has no statistically significant effect on the financial performance of Savings and Credit Cooperatives in Nairobi County.

H₀₂: Board accountability has no statistically significant effect on financial performance of Savings and Credit Cooperatives in Nairobi County.

H₀₃: Audit committee has no statistically significant effect on financial performance of Savings and Credit Cooperatives in Nairobi County.

H₀₄: Financial disclosure has no statistically significant effect on financial performance of Savings and Credit Cooperatives in Nairobi County.

1.5 Significance of the Study

The research findings may be of beneficial to the SACCOs' management, the government and policy makers as well as academicians, scholars, and researchers. To the SACCOs' management, the study may provide insight on how corporate governance dimensions influence the SACCOs' financial performance. Additionally, the findings may be employed to enhance or create new approaches based on board independence, board accountability, audit committee and financial disclosure to improve the SACCOs' financial performance.

By encouraging a savings culture among the citizens, which is essential for planning in terms of investments and expenditures, SACCOs in Kenya are the main driver of economic growth. As a result, the Kenyan governments and decision-makers place a high value on their performance. Therefore, since this study provides information on how corporate governance dimensions influence SACCOs' financial performance, policymakers may benefit from it. This information may be employed in the country in making policies on corporate governance best approaches to ensure their survival and improved performance.

This research may also add information to the existing body of knowledge on the effect of corporate governance dimensions on SACCOs' financial performance. Moreover, to other scholars, academicians and researchers, this research may give insights and information that may be utilized as research material in literature review and in identification of research gaps in related studies. Additionally, this research may form proper basis upon which further study can be done on corporate governance and other sectors' financial performance in Kenyan economy.

1.6 Scope of the Study

The researcher emphasized four elements of corporate governance dimensions: board independence, board accountability, audit committee and financial disclosure. The study focused on deposit taking SACCOs' within Nairobi County. According to Sacco Societies Regulatory Authority (2021), there are 43 SACCOs in Nairobi County. Large Tier SACCOs are those SACCOs with total deposits above Kshs 5 billion, Mid-Tier SACCOs have deposits between Kshs 1 billion & Kshs 5 billion and small Tier SACCOs have deposits below Kshs 1 billion. The study population involved heads of finance and administration in all the 43 SACCOs in Nairobi County. Further, the study was conducted from June 2022 to July 2022.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter covered literature on corporate governance and organizations' financial performance. In particular, the chapter covered theoretical as well as empirical review relating to effect of board independence, board accountability, audit committee as well as financial disclosure on SACCOs' financial performance. The chapter also encompassed conceptual framework as well as operationalization of variables.

2.2 Theoretical Framework

A theory is defined as coherent groups of already tested prepositions that can be used to give an explicit explanation of a particular phenomenon under investigation (Latwal, 2020). A research study's theory is supported or held in place by a theoretical framework. It describes and introduces why the research problem exists (Hair, Page & Brunsveld, 2020). This research was guided by agency theory, stewardship theory and stakeholder theory.

2.2.1 Agency Theory

The above theory was propagated by Meckling and Jensen (1976). Agency theory describes managers as agents and shareholders as principals because many decisions that affect the principal financially are made by the agents. When the priorities and interests of the agents and principals diverge, a principal-agent dilemma develops. The agent might be driven to work against the principals' interests, who would prefer higher dividends in order to further their own interests, such as satisfying their own financial and psychological demands. According to agency theory, agents are self-interested, boundedly rational, and have distinct objectives and risk tolerance preferences than principals.

To overcome their differing preferences for company activity and varied attitudes toward risk exposure, the principals and agents must be balanced. It is challenging and costly for the principle to keep an eye on the activity of the agent because information asymmetry holds that the principal and agent possess unequal amounts of information (typically the agent has better access to more information than the principal). Because principals and agents frequently view risk differently, risk is one of the reasons for agency problem. Due to the allure of huge profits, shareholders can be more prepared to accept greater risk than management. Managers who do not get the same rewards from unsafe decisions should exercise greater caution. Different agendas lead to distinct kinds of agency issues. Managers may make decisions that boost their own bottom line instead of maximizing the interests of the shareholders. In a study on corporate governance mechanisms and the operational performance of small and medium-sized enterprises, Ranka (2020) utilized the agency theory and indicated that the presence of an audit committee within the board of directors is sufficient to ensure the reliability of financial statements. Simple agency theory implies that principals do not trust agents to provide them with reliable and relevant information, therefore they will hire external experts who are independent of these agents.

One of the fundamental assumptions of agency theory is that individuals act in their self-interest. Critics argue that this assumption oversimplifies human behavior, as many individuals may be motivated by a variety of factors beyond self-interest such as ethics, personal values, and a sense of duty (Sewpersadh, 2020). Critics also contend that agency theory tends to ignore non-financial goals and outcomes that are essential for organizations such as innovation, corporate social responsibility, and employee well-being. Focusing solely on financial metrics may not capture the full range of factors that contribute to organizational success. Agency theory often assumes a one-size-fits-all approach to governance mechanisms and contractual arrangements. Rostn and Frey (2021) argued that the effectiveness of these

mechanisms can vary significantly depending on the specific context and industry. What works in one situation may not work in another.

Agency theory was employed to explain the effect of corporate governance on SACCOs' financial performance. One of the key problems with corporate governance is how to hold directors responsible for their actions. According to the theory, the main challenge is figuring out how principals (shareholders in corporate governance) can make sure that the agents (management) behave in the principals' interests instead of their own. To ensure that the interest of the shareholders is met, the organizations' management should ensure board independence and accountability. They should also ensure that the audit committee has enough experience and financial reporting is done often.

2.2.2 Stewardship Theory

Davis and Donaldson established the above theory (1991). According to this theory, directors serve as stewards and are willing to act in their company's best interests. They will also operate in a way that promotes organizational value instead of self-serving gains. Directors' personal needs are met as they work toward organizational goals. As stewards, directors are therefore concerned with upholding moral principles and "doing the right thing".

The idea of serving others rather than one's own interests characterize stewardship theory. According to stewardship theory, people for instance directors, are frequently driven by concerns about justice, fairness and interests of others. Directors frequently view themselves as stewards of the organizations' affairs who can be relied on to handle matters competently and professionally, and they are so entwined with organizations' goals that these take preference over their own. They will operate diligently and honestly as professionals, and they will make personal sacrifices (Menyah, 2013).

Stewards are assumed to be collectivists, pro-organizational, and trustworthy. Through company success, the steward maximizes and preserves shareholder value. Stewards are corporate leaders and managers who aim to protect and maximize shareholder returns. When organizational success is attained, stewards are satisfied. It places emphasis on the responsibility of employees to act with greater independence to maximize profits to shareholders. The workers faithfully perform their jobs and take ownership of them. Managers pursue goals such as a sense of self-worth, altruism, a good reputation, a job well done, a sense of fulfillment, and a sense of purpose other than financial ones according to stewardship theory. Segal and Lehrer (2012) contend that because each manager's career is entwined with the accomplishment of organizational goals and their reputations are entwined with the success of their companies and shareholder returns, managers share interests with the company.

According to Waldkirch and Nordqvist (2016), the individual can and should be trusted and as a result given more flexibility to behave in a pro-organizational manner because the steward in the organization will strive towards organizational purposes. Control can be counterproductive since it might make the steward less motivated. In a study on corporate governance and operational performance, Ranka (2020) used stewardship theory and indicated that directors act as stewards and will not be concerned about fostering their own economic interests as agency theory holds but will be willing to act in the best interests of their company, and they will act in a way that leads to collectivist/organizational utility rather than self-serving benefits.

Critics argue that stewardship theory is overly idealistic in its assumptions about managerial behavior. It assumes that managers will naturally act in the best interests of shareholders and the organization without the need for strong monitoring or incentives (Hu & Alon, 2020). In reality, human behavior is complex, and individuals may not always act as

benevolent stewards. In addition, stewardship theory's emphasis on trust, and delegation of authority to managers can lead to reduced accountability. Critics contend that without adequate checks and balances, managers may engage in unethical or self-serving behavior with minimal oversight (Dumay & Farneti, 2019). While stewardship theory aims to reduce agency conflicts by emphasizing shared goals, critics argue that conflicts can still arise, particularly in situations where managers' interests diverge from those of shareholders. In such cases, stewardship theory may not provide sufficient guidance for resolving these conflicts.

In line to this research, Stewardship theory was employed to explain the influence of corporate governance on SACCOs' financial performance. This theory suggests that the management should act in the company's best interests and in such a way that leads to organizational success. To facilitate the success of an organization, the top management should ensure that the audit committee works towards ensuring the accountability of all persons within the organization and financial reporting is carried out frequently.

2.2.3 Stakeholder Theory

Edward Freeman founded the above theory in 1984. According to this theory, a wide range of interested parties must be considered when defining a stakeholder. These include the company's employees, clients, suppliers, financiers, communities, governmental agencies, political parties, business associations, labor unions, and even rival companies, as all these groups have the potential to affect an organization's performance. According to this point of view, the workplace is an ecosystem of interrelated groups that should be considered and satisfied to maintain the organization's long-term health and prosperity (Zakhem & Palmer, 2020).

Not just those who own shares, but also those engaged in diverse activities, need to be considered by the firm. Employees, who are regarded as stakeholders, will work harder and be more productive if they feel valued. Additionally, this implies that businesses will have higher levels of staff and customer retention. With the improvement in service delivery comes more customer loyalty. Investors are more willing to invest money in production to benefit from this greater market share as the organizations' worth rises because of the appreciation of other stakeholders (Wright, 2018).

Stakeholder theory considers management's responsibility to many different stakeholders. When managing stakeholders connected with an organization, it also handles corporate ethics, morality and values. It aims to improve efficiencies across the board by maximizing relationships with stakeholders (Blackburn, 2019). According to this theory, the firm's goals and hence its outcomes should be determined by balancing the competing interests of its stakeholders. It suggests that a board will be primarily concerned with how well the firm performs in terms of living up to stakeholder expectations and ensuring that the reported outcomes are advantageous to shareholders. In a study on corporate governance on financial performance of deposit taking SACCO's, Oguku (2016) observed that involvement of all stakeholders was important in ensuring improvement in the financial performance of SACCOs.

Balancing the interests of various stakeholders can be challenging, as their interests may conflict with one another. Critics contend that stakeholder theory does not provide a clear framework for resolving such conflicts, potentially leading to decision paralysis or suboptimal outcomes. Critics argue that stakeholder theory can be vague and lacks clear guidelines for identifying and prioritizing stakeholders (Zakhem & Palmer, 2020). It may be challenging to determine which stakeholders should take precedence in decision-making, leading to ambiguity in practice. Implementing stakeholder theory in practice can be

complex. Critics argue that it may require significant changes in organizational culture, governance structures, and decision-making processes, making it challenging to adopt especially in larger organizations (Miles, 2019).

In this study shareholder theory was used to evaluate the influence of board independence, board accountability, audit committee as well as financial disclosure on SACCOs' financial performance. The theory therefore emphasizes that an organization should endeavor to satisfy all its stakeholders. To satisfy their members' interest in maximization of dividends, the management of SACCOs should ensure enhanced accountability, availability of audit committee and frequent financial reporting.

2.3 Empirical Review

This section encompassed empirical review on the influence of board independence, board accountability, audit committee and financial disclosure on SACCOs' financial performance. It covered the names of the authors, the purpose of the study, methodology used and the results.

2.3.1 Board Independence and Financial Performance

Board independence refers to the situation in which the majority or all members of board of directors have no relationship with the organization apart from the directors (Fuzia, Halima & Julizaerma, 2016). The board of directors are able to effectively exercise their duties and ensure they provide unbiased business judgment when they are independent from management. Board independence encompasses freedom of decision making, resistance to pressure from stakeholders and executive/non-executive directors.

Fuzia, Julizaerma and Halima (2016) examined the association between board independence, as measured in terms of freedom of decision making, resistance to pressure

from stakeholders and executive/non-executive directors, and firm performance among Canadian firms. The findings revealed a mixed nexus between the ratio of independent directors and performance. The study discovered that although service sector companies had the highest proportion of independent directors, this did not guarantee improved firm performance. When manufacturing companies pursue a cost-savings approach rather than an innovative one, board independence significantly improves performance. However, this study was conducted in Canada, which is a developed country and hence its findings cannot be generalized to SACCOs in Kenya. In addition, the study adopted a cross-sectional survey design and sampling was done using simple random sampling. However, the current study used a descriptive survey design and a census approach to include the whole population.

Al-Sahafi, Rodrigs and Barnes (2015) conducted a study to investigate the connection between corporate governance factors and the financial performance of all Saudi Arabian listed banks. The Saudi Stock Exchange's overall list of listed banks was employed in the research archived data. Moreover, analysis was done on the 2009 and 2012 annual reports for each of Saudi Arabia's 11 banks. The results of this study show that board independence characterized by freedom of decision making has a significant positive relationship with banks' financial performance. Nonetheless, this study was conducted among commercial banks and hence its findings are not generalizable to SACCOs in Kenya. In addition, having been conducted in Saudi Arabia, the findings of the study are not generalizable to Kenya. This study made use of secondary data, but the current study used primary and secondary data.

In Canada and Nigeria, Ayodeji and Okunad (2019) sought to examine the association between board independence, as measured in terms of freedom of decision making and executive/non-executive directors, and corporate financial performance of Deposit Money

Banks. The study used secondary data taken from 2008 and 2017 yearly financial statements of Deposit Money Banks quoted on Nigerian Stock Exchange and in Canadian Stock Market. According to the results, there is strong correlation between profitability of deposit money banks in Nigeria and Canada and board independence. Oludele, Oloko, and Tobiah (2016) looked at the relationship between listed manufacturing businesses' financial success and board independence in Nigeria. 34 businesses were purposefully chosen among the 74 that make up Nigeria's manufacturing sector. Secondary and also primary data were utilized in this research. The outcome demonstrated that board independence and financial performance are significantly positively correlated. The study was conducted among commercial banks and hence its findings cannot be generalized to SACCOs due to differences in regulatory framework.

Waithaka (2014) investigated how board effectiveness affected the financial performance of companies in the banking sector. Explanatory and descriptive research designs were used in the study. Thirty-nine banks were chosen at random from a target population of forty-three banks for the study. Interview guidelines were used to interview the board members, and a secondary data guide was employed to assess the financial accounts. The findings revealed that in the banking sector, board independence affected financial performance. The net profit and number of executive directors were significantly correlated. Additionally, there was a significant correlation between net profit and number of non-executive directors. This study was conducted in the banking sector, which is different from SACCOs in terms of regulation and organizational structure. The study used simple random sampling in the selection of the sample size, but the current study adopted a census approach.

In Kenya, Manini and Abdillahi (2018) examined the relationship between board characteristics and listed manufacturing and allied firms' financial performance. The research

employed an explanatory research design. The study population comprised 10 listed manufacturing and allied companies on NSE. The results indicated that board characteristics constructs including board independence had significant effect on listed manufacturing and allied firms' financial performance. Further, using a cross-sectional survey Mandu (2010) examined the association between board independence measured in terms of resistance to pressure from stakeholders and executive/non-executive directors and the commercial banks' financial performance. The study targeted 45 commercial banks operating in Nairobi. The yearly financial reports of Kenyan commercial banks were used to compile the data for the years 2004 through 2008. The study discovered that the structure of audit committees has no impact on a company's success. However, this study was conducted among listed manufacturing and allied companies in the NSE, which are different from SACCOs in terms of structure, organizational culture and vision. The study utilized secondary data only, but the current study combined both primary and secondary data. Also, a cross-sectional survey design was used, but the current study adopted a descriptive survey design.

2.3.2 Board Accountability and Financial Performance

Board accountability is accepting responsibility for all business operations and providing stakeholders with fair, balanced as well as clear evaluation of organization's condition and prospects. Accountability entails board taking on the duty of making sure the organization abides by the law, conducts itself ethically, and doesn't waste the resources entrusted to its care. An organization can develop relationships with stakeholders by providing open, honest, and transparent reporting. Keay (2015) argues that enhanced board accountability helps to reduce the severity and frequency of financial crises and enhance confidence in company practice.

Al-ahdala, Alsamhib, Tabashc and Farhand (2019) assessed the impact of board accountability in terms of strategic leadership, performance evaluation and policy and guidelines formulation on Indian firms' financial performance. The study population consisted of 53 non-financial quoted firms from India and Gulf Cooperation Council (GCC) countries for the duration 2009–2016. Data was gathered from official company websites, annual reports, and money management websites. According to the findings, board accountability (BA) has little influence on the firm's performance as assessed by ROE and Tobin's Q. However, the study was limited to India and Gulf Cooperation Council (GCC) countries. Also, the study utilizes secondary data and hence the views of stakeholders in the selection organizations were not collected.

Amartey, Yu, and Chukwu-lobelu (2019) examined the mechanisms used to improve board accountability in terms of performance evaluation and policy and guidelines formulation of Ghanaian listed banks, and how to improve board accountability. A survey questionnaire was issued to the board members of nine banks, and the 2011 and 2016 yearly reports of banks listed on GSE were reviewed. The findings demonstrated a shift towards stakeholders and a preference for a shareholder approach to accountability among the directors of Ghanaian listed banks. They claimed that the appointment of highly qualified individuals to the board, national implementation of mandatory code of corporate governance, the frequent rotation of external auditors, and the requirement that non-executive directors stand for re-election more frequently can all improve board accountability. Nonetheless, the study was conducted Ghanaian listed banks, which are different from SACCOs. In addition, purposive sampling was used in the selection of the board members of nine banks, but the current study used heads of finance and administration departments.

Mwesigwa, Sentrine, and Suzan (2014) conducted a study to ascertain if board accountability as well as managerial skills are associated with the commercial banks' financial performance in Uganda. Twenty-five commercial banks operating in Uganda were taken into consideration for the study, which used a cross-sectional and quantitative design. Purposive sampling was used to make sure that more board members and CEOs from commercial banks were taken into consideration while simple random sample was employed to choose managers and banking assistants. The study found a strong correlation between board accountability and managerial skills and the commercial banks' financial performance in Uganda. Nonetheless, the study was limited to commercial banks operating in Uganda, which are different from SACCOs in Kenya. The study used simple random sampling, but the current study used a census approach and hence the whole population was involved in the study.

Mbugua (2013) assessed the influence of accountability in terms of strategic leadership and performance evaluation on NGOs performance in Kenya. This study employed a descriptive survey. The Nairobi County headquarters of 30 foreign NGOs were designated by the NGO coordination board. The sample was chosen using a stratified random sampling approach. The study employed primary data gathered via a semi-structured questionnaire. The researcher found a significant link between accountability and the NGOs' financial performance in Kenya. However, the study was limited to NGOs in Kenya, whose mission, vision, structure, and culture differs from that of SACCOs. Stratified random sampling was used in the selection of the sample size, but the current study adopted a census approach.

Chemakai, Alala and Charles (2018) examined the contribution of board accountability in Sacco's performance in Kakamega County. The research used explanatory

survey research approach. The study targeted 5 selected SACCOs within Kakamega urban area. A total of 800 shareholders and 45 board members made up the 890 respondents chosen by employing stratified random sampling. Study findings indicated that board accountability had positive and significant relationship with SACCOs' performance. However, the study was limited to SACCOs in Kakamega County, but the focus of this study is SACCOs in Nairobi County. Just like Mbugua (2013), this study adopted stratified random sampling in the selection of the sample size.

2.3.3 Audit Committee and Financial Performance

An organization's audit committee is tasked with overseeing the financial reporting process, choosing the independent auditor, and receiving both external and internal audit results (Madia, Ishakba & Manaf, 2014). The major function of an organization's audit committee is to monitor financial reporting, audit process, internal control system of the organization, and legal and regulatory conformity (Ashari & Krismiaji, 2019). In order to allow them to discuss any significant issues that came up during the audit process, it is a good practice for the audit committee to organize, at least yearly, a meeting with external auditors without the management of the organization in attendance. The audit committee should include at least three members, the majority of whom should be independent directors and all of whom should be non-executive directors (Tuovila, 2020).

Hamdan, Sarea and Reyad (2013) carried out a study to assess the effect of audit committee characteristics; audit quality, frequency, size of the committee and committees' knowledge on performance, including operating, financial and stock performance. The study population comprised of 106 corporations from financial sector listed in Amman Stock Exchange Market during 2008-2009. Results revealed that audit committee (financial experience, audit committee size and independence of audit committee) influences stock and

financial performance. However, the study was limited to firms listed in Amman Stock Exchange and hence its findings are not generalizable to SACCOs in Kenya due to differences in macroeconomic environment. The study made use of secondary data covering the period between 2008 and 2009, but the current study used primary data.

Krismiaji and Ashari (2019) examined the influence of audit committee attributes in terms of audit quality, frequency and size of the committee on financial performance of IDX quoted manufacturing companies. This research used manufacturing firms accessible on IDX for 2016 and 2017. The study found that all the characteristics of audit committee, including audit committee independence, competence, size as well as frequency of meetings positively affect company's performance. Nonetheless, the study was conducted among quoted manufacturing companies that deal with production of goods unlike SACCOs that deal with provision of financial services. Just like Hamdan et al. (2013), secondary data was used in this study and hence the views of the stakeholders were not put into consideration.

Azembila (2016) examined the effect of audit committees measured using audit quality, frequency, size of the committee and expertise of the committee on performance of firms listed on Ghana Stock Exchange. Data from 36 listed companies in the year 2015 were used in the cross-sectional study. Primary and secondary data sources were utilized during the study. Moreover, the companies and the GSE fact books were used to get the stock price and financial information. This study found a link between audit committees' qualities and firms' performance. The firm's performance was unaffected by the audit committee's ratio of independent members. The performance of the company was adversely affected by the number of independent audit committee members who held degrees in finance or accounting. Nonetheless, the study focused on firms listed on Ghana Stock Exchange and hence the

findings cannot be generalized to SACCOs in Kenya. In addition, the study used a cross-sectional study design, but the current study adopted a descriptive survey design.

Amer (2016) assessed the association between audit committee characteristics and board of directors on firms' financial performance. The study population was 56 firms listed on Egyptian stock exchange. The research covered nine-year period (2004-2012). The results revealed that audit committee independence, frequency of meetings and financial expertise influences firm performance significantly and positively, while the size of the audit committee is significantly negatively correlated with firms' performance. However, the focus of this study was Egyptian stock exchange, which is different from SACCOs in Kenya in terms of structure, culture and objectives. In addition, the study made use of secondary data that covered the period between 2004 and 2012. The current study adopted primary data, which was collected by use of questionnaires.

A study by Mbobo and Umoren (2016) examined the influence of audit committee attributes like audit frequency, audit quality and expertise of the committee on the QFR in Nigerian banks. The study population consisted of all deposit money banks operating within Nigeria as of 31st December 2013. Data on these characteristics was taken from selected banks' annual reports from 2006 to 2013. The result demonstrated that the QFR in Nigerian banks is highly influenced by the audit committee's size independence, meeting attendance, and possession of a written charter. Nonetheless, this study was conducted in Nigerian banks which differ from SACCOs in terms of regulatory framework and business environment. Just like in Amer's (2016) study, this study used secondary data covering the period between 2006 and 2013. However, the current study used primary data collected from heads of finance and administration.

In Kenya, Mwangi (2018) carried out a study to examine the effect of audit committee characteristics like audit quality and audit frequency on QFR among non-commercial state corporations. Moreover, the study used a descriptive research approach, and 72 noncommercial state corporations that were in existence after the issuance of Treasury instructions on the operationalization and creation of audit committees within public sector in 2005 were study's target population. The research found a statistically significant association between quality of financial reporting and audit committee's independence, diversity, financial knowledge, and meetings. However, the dependent variable in this study was frequency on QFR, which is different from financial performance. The study used data that was collected from board members in the selected noncommercial state corporations. However, the focus of this study was on heads of finance and administration in SACCOs.

Maina and Oluoch (2018) carried out research to evaluate the effect of corporate audit committee characteristics including experience, size of the committee as well as audit quality on manufacturing firms' financial performance in Kenya. Moreover, a descriptive research approach was used in this study. For a five-year period, from 2013 to 2017, this study focused on 766 manufacturing companies. For the study, secondary and primary data were collected. The study showed that large audit committees tend to lose focus and become less engaged than smaller audit committees, that regular audit committee meetings ensured that organizational finance and administration departments constantly followed accounting rules and that most firms took into account third gender rule when forming audit committees, which enhanced the effectiveness on company's financial management. However, the study was conducted among manufacturing firms that focus on production of goods and hence different from SACCOs that focus on provision of financial services. Also, the study used data that was collected from the audit committees, but the current study focused on heads of finance and administration in SACCOs.

2.3.4 Financial Disclosure and Financial Performance

The process of granting access to financial information is referred to as financial disclosure. The fundamental goal of disclosure requirements is to ensure that there is no abuse of trust and that there are no conflicts of interest between an official's financial holdings and the duties that are entrusted to the official (Awinbugri & Prince, 2019). Management can share information about its accomplishments managing the company with interested third parties, including investors, the news media, and industry analysts, by issuing financial statements. The management can create appropriate policies and future plans of action by supplying them with the reasons behind business results (Oroud, 2019).

Newman, Mhaka, Katiyo, Ongayi and Milondzo (2017) carried out an assessment in hospitality industry of the financial statements effectiveness in disclosing true performance of the business to stakeholders. The study used a case study design. The study population comprised of 180 major shareholders, senior managers, accounts staff and junior managers in African Sun Limited in Zimbabwe. Questionnaires and structured interviews were used as research instruments. The study findings revealed that regulatory requirement regarding financial information disclosure, audience to financial statements and preparation of financial statements were amongst the factors to be taken into consideration for purposes of information disclosure. However, the independent variable in this study was financial information disclosure. This study used a case study design and used one institution, African Sun Limited. However, this study used a descriptive research design.

In India, Sahore and Verma (2017) assessed the relationship between corporate disclosures in terms of financial reporting and financial performance of non-manufacturing as well as manufacturing companies. Moreover, the study targeted 100 NSE-listed companies. The results were quite positive and showed that stock returns, particularly in recent years, have reacted to corporate voluntary disclosures of financial and non-financial information.

The investing community and other stakeholders, such as policymakers and regulators, may be interested in the impact of more disclosures on stock prices. However, the study was limited to firms in India, and the independent variable was corporate disclosures. Further, this study focused on the board members of 100 NSE-listed companies, but the current study made use of heads of finance and administration departments.

In Nigeria, Ojeka, Mukoro and Kanu (2015) examined the relationship between financial reporting disclosures in annual financial reports and investment reports and the performance of manufacturing companies listed between 2005 and 2009. The criteria used to quantify financial reporting disclosure were timeliness, the type of auditors' report, and the proportion of value added kept for expansion. Moreover, financial performance was measured using ROE. 110 manufacturing firms made up the sample. The findings indicated that financial reporting disclosures and financial performance are significantly correlated, with the exception of the proportion of value added kept for growth size, where there was insignificant correlation. Nonetheless, the study used financial reporting disclosures as the independent variable. This study made use of secondary data only, but the current study made use of both primary and secondary data.

In Kenya, Kendi (2015) examined the association between voluntary disclosures and NSE listed companies' performance. This study used descriptive design. Moreover, the population was 66 companies listed in NSE as of July 31, 2016. The type of data in this research was secondary data from published yearly reports obtained from the NSE, CMA websites and also from the company's website. The findings noted that voluntary financial disclosures are a significant predictor of financial performance. As such, voluntary disclosures account for 63.5 percent of variation in the financial performance of NSE-listed companies. Further, this study found that forward looking disclosures account for the largest proportion of variations in financial performance followed by, social environmental and

board disclosures, then by financial information and lastly general corporate and strategic disclosures. However, the independent variable in the study was financial disclosure. The study made use of secondary data only, which was collected by use of a data collection checklist.

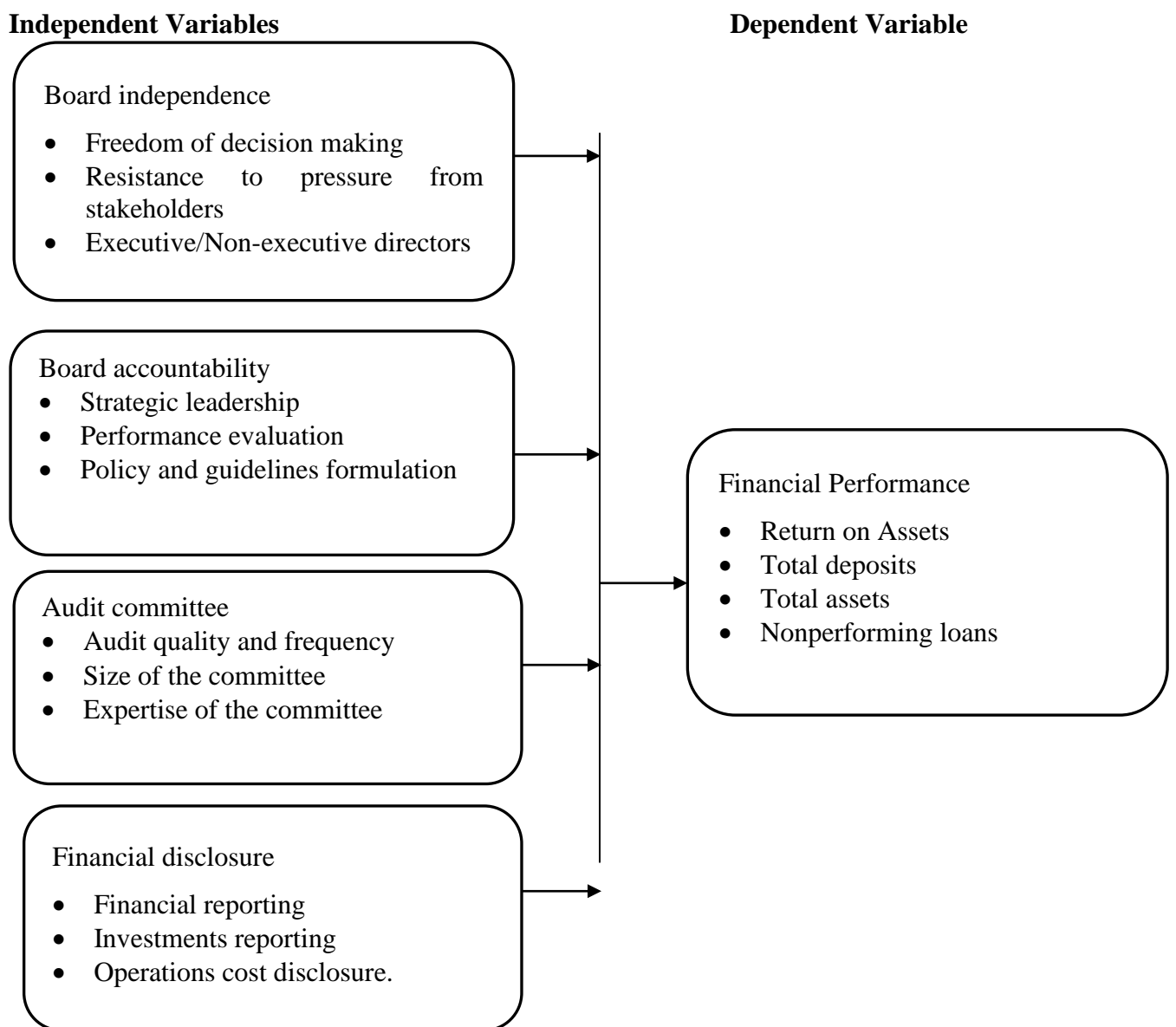
Musyoka (2017) examined the impact of voluntary disclosure in terms of financial reporting and investments reporting on NSE-listed companies' financial performance. The correlation research approach was applied during the research. Furthermore, the study population involved of 64 companies listed in NSE. The study found a strong and positive association between financial policy disclosures, investment policy disclosures, financial liquidity, research and development, sales growth and firm performance. However, the study used voluntary disclosure as the independent variable in the study. In addition, this study used a correlation research approach, but the current study adopted a descriptive research design.

Mutiva (2015) examined the relationship between voluntary disclosures in terms of financial reporting, investments reporting, and operations cost disclosure and financial performance of NSE-listed companies. The study employed a descriptive research approach. The population was derived from 61 NSE-listed companies as of December 2013. Moreover, secondary data was derived from published yearly reports, NSE handbooks and company's website from 2011 to 2013. The study revealed a negative relationship between voluntary disclosure of financial information and ROI. However, the study was limited to NSE-listed companies and the independent variable was voluntary disclosures. Also, the study made use of secondary data only, but the current study adopted both primary and secondary data.

2.4 Conceptual Framework

Figure 1 presents the hypothesized relationship between independent and dependent variables. Independent variables included board independence, board accountability, audit committee and financial disclosure. The dependent variable was financial performance.

FIGURE 1
Conceptual Framework



Source: Researcher (2023)

2.5 Operationalization of Study Variables

Operationalization of study variables encompasses the objectives, variable types, indicators, measures of the variables and types of data analysis, as shown in Table 1.

TABLE 1
Operationalization of Variables

Objective	Variable Type	Indicators	Measures	Type of data analysis
To assess the influence of board independence on financial performance of SACCOs in Kenya	Independent • Board independence	<ul style="list-style-type: none"> • Freedom of decision making • Resistance of pressure from stakeholders • Executive/Non-executive of directors 	• Ordinal	<ul style="list-style-type: none"> • Regression analysis • Correlation analysis
To evaluate the effect of board accountability on financial performance of SACCOs in Kenya	Independent • Board accountability	<ul style="list-style-type: none"> • Strategic leadership • Performance evaluation • Policy and guidelines formulation 	• Ordinal	<ul style="list-style-type: none"> • Regression analysis • Correlation analysis
To determine the effect of audit committee on SACCOs' financial performance in Kenya	Independent • Audit Committee	<ul style="list-style-type: none"> • Audit quality and frequency • Size of the committee • Expertise of the committee 	• Ordinal	<ul style="list-style-type: none"> • Regression analysis • Correlation analysis
To find out the influence of financial disclosure on SACCOs' financial performance in Kenya	Independent • Financial disclosure	<ul style="list-style-type: none"> • Financial reporting • Investment reporting • Operations cost disclosure 	• Ordinal	<ul style="list-style-type: none"> • Regression analysis • Correlation analysis
	Dependent • Financial performance	<ul style="list-style-type: none"> • Return on asset. • Total deposits • Total assets • Non-performing loan 	• Ordinal	<ul style="list-style-type: none"> • Regression analysis • Correlation analysis

Source: Researcher (2023)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section comprised the research design, study population, sample size, sampling technique, research instruments, data collection, data processing and analysis as well as ethical considerations.

3.2 Research Design

In order to bring together diverse research components in a logical as well as cohesive way to successfully handle a research problem, a research approach provides a framework of techniques and methodologies used in the study (Stokes & Wall, 2017). It describes a set of processes the researcher uses to gather data, analyze data, and measure variables in a particular phenomenon under examination. The researcher used a descriptive survey method, enabling her to use the mixed method approach where she combined quantitative and qualitative data. This mixed method approach enables the use of both open-ended questions and closed ended questions. The approach assists the research in responding to who, where, how, and when questions in the study problem (Mukherjee, 2020). This kind of research design assists in describing "what exists" in respect to the variables being studied by offering information about the status of the research problem (Waddell, 2020). This study used a descriptive research design since it gives us a chance to combine qualitative as well as quantitative techniques of collecting data. Descriptive studies also take minimal time and money to conduct compared to experimental research.

3.3 Target Population

The target population is the population of interest. It refers to the specific group or set of individuals or elements that a researcher intends to study, analyze, or draw conclusions about in a research project (Latwal, 2020). The unit of analysis was all the SACCOs in Nairobi County. According to Sacco Societies Regulatory Authority (2021), there are 43 SACCOs in Nairobi County. The 43 SACCOs in Nairobi County were categorized into different tiers including Large Tier SACCOs, Mid-Tier SACCOs and small Tier SACCOs. Large Tier SACCOs are those SACCOs with total deposits above Kshs 5 billion, Mid-Tier SACCOs have deposits between Kshs 1 billion & Kshs 5 billion and small Tier SACCOs have deposits Kshs 1 billion. The study population involved heads of finance and administration in all the 43 SACCOs in Nairobi County as presented in Table 2.

TABLE 2
Target Population

Category	No of SACCOs
Large-Tier	6
Mid-Tier	16
Small-Tier	21
Total	43

Source: Researcher (2023)

Since the target population was small, this study conducted a census, which means the whole population was involved in the study. Small populations are the ideal size for a census. According to Creswell and Creswell (2022), census sampling designs eliminate sample error, are attractive for small populations, and provide information on every member of the community. The word "census" is the quantitative research method in which the whole population is counted (Bhattacharjee, 2012). It is considered to be a complete count of the whole population, wherein every unit of the population is included in the data collection. One of the advantages of census is that the results obtained by carrying out a census are reliable

and accurate whereas there are possibilities of errors in the findings derived from the study sample.

3.4 Research Instruments

The study adopted both primary and secondary data. Secondary data on return on assets, total deposits, total assets and non-performing loans was collected from the annual reports of the SACCOs. Primary data was collected using semi-structured questionnaires. Semi-structured survey combines open-ended as well as structured questions (Singpurwalla, 2013). Closed-ended questions are some of the questions that have their order and content predetermined; other questions do not (open ended questions). All participants are asked similar questions following the same order since structured questions are prepared and arranged in advance (Greenfield & Greener, 2016).

Likert scale and nominal scale were used in this study's structured questions. Data on the dependent and independent variables was gathered using a five-point Likert scale. The respondents' demographic data was gathered using the nominal scale. Unstructured questions, sometimes referred to as open-ended questions, result in a higher cognitive load because they need the respondent to think more carefully in order to come up with an answer (Latwal, 2020). As a result, there may be a reduction in response rates and perhaps poorer data quality. On the other hand, they generate deep insights that give the black and white color of structured queries depth and color. Questionnaires were used in this study since they make it easier to gather data from a wide target population. Since it is a very affordable and useful form of data collection, this method is recommended. Additionally, questionnaires are among the most affordable ways to get quantitative data, particularly self-administered questionnaires, which are an affordable method to quickly gather a ton of data from a lot of individuals in a relatively short amount of time (Mukherjee, 2020).

3.5. Validity and Reliability of the Research Instrument

Pre-testing of research instruments was carried out among SACCOs in Kiambu County. Due to Kiambu County's proximity to and similarity to Nairobi County, it was chosen as the county government. A questionnaire's strengths and shortcomings can be discovered through pretesting. Additionally, pretesting is employed to evaluate the questionnaire's clarity and applicability for the participants. Random samples from the pre-test group made up 10% of the total sample size (4 individuals). As per Bryman (2013), a sample size ought to be 10% of the sample needed for the entire study.

3.5.1 Validity of Research Instruments

The extent to which a research tool provides an accurate reflection or true measurement of what it is supposed to measure is referred to as its validity. Both content validity and face validity were applied in this study. The likelihood that a respondent may misunderstand a question or fail to interpret it as intended is known as face validity (Greenfield & Greener, 2016). A question is said to have face validity if participants find it to be significant. Face validity is usually concerned with how the research tool looks in terms of consistency in style, practicality, formatting, readability, and also language clarity. By asking the supervisor and other subject-matter experts for their input, the researcher in this study increased face validity. The degree to which an item assesses what the researcher wants to measure is known as content validity (Bhattacharjee, 2012). Content validity was improved by seeking input and feedback from experts in the field who are knowledgeable about the construct, including the supervisors. Experts provide valuable insights into the content coverage and relevance of the instrument's items. This study used confirmatory factor analysis to test the construct validity of the study variables. The results showed that the average variance explained for all the variables was more than 0.7.

3.5.2. Reliability of Research Instruments

The degree to which an instrument produces consistent findings is referred to as reliability. Moreover, the most prevalent measure for reliability in research equipment is internal consistency. Mukherjee (2020) suggests that internal consistence reliability takes into account frequency of individual objects' consistence in the instrument made up of different objects to test a particular construct. Cronbach's alpha is one of the key measures for assessing internal consistency. By using the Cronbach's alpha coefficient, one can evaluate an item's internal consistency. The research tool was considered reliable with an alpha value of 0.70 and above.

3.6 Data Collection Procedure

A letter of data collection was obtained from the School of Business and Public Management at KCA University. The researcher also got a permit to collect data from NACOSTI and a letter of authorization from management of each of the SACCOs. When distributing questionnaires to participants, the researcher used a Drop Off and Pick Up Later (DOPU) technique. The questionnaires were hand delivered to the respondents and then collected later. This strategy also gave the researcher and the enumerators a chance to interact with the respondents and was helpful to gather the maximum responses.

3.7 Data Processing and Analysis

A semi-structured questionnaire generated quantitative and qualitative data. Content analysis was used in this study to analyze qualitative data, which was derived from open ended questions. This is a valuable technique for researchers to uncover patterns, themes, and insights within texts or other forms of content (Mukherjee, 2020). It is a flexible and widely used technique for systematically organizing, describing, and interpreting qualitative data. Thematic analysis can be applied to various forms of data, such as interview transcripts,

survey responses, field notes, articles, or any dataset containing rich, unstructured information. A narrative format was used for the reporting of qualitative findings.

Quantitative data is a type of data that is expressed in numerical terms and can be subjected to mathematical and statistical analysis. It deals with measurable and quantifiable variables, making it suitable for performing various mathematical operations and statistical tests (Greenfield & Greener, 2016). Quantitative data in this study was analyzed using inferential as well as descriptive statistics. Descriptive statistics are a set of numerical and graphical techniques used to summarize and describe the main features or characteristics of a dataset. The categories of descriptive statistics are mean, frequencies, standard deviation, and percentages (Latwal, 2020). Correlation and regression analysis are examples of inferential statistics. In this study, there were four independent variables hence, multiple regression model was:

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

Whereby: Y= Financial Performance

B_0 = Constant

β_1 - β_4 =Coefficients of determination

X_1 = Board Independence

X_2 = Board accountability

X_3 = Audit committee

X_4 = Financial disclosure

ε = Error term

3.8 Diagnostic Statistics

Before conducting inferential statistics, the researcher tested from regression assumptions. Specifically, the test focused on autocorrelation test, normality, and multicollinearity. To ascertain whether the study's data were drawn from a population that was normally distributed, Shapiro Wilk Test was used (Greenfield & Greener, 2016). The null hypothesis of Shapiro Wilk Test states that a population is distributed normally; as a result, null hypothesis is not accepted if p value is below alpha value which implies that population from which the tested data came was not randomly disseminated. Instead, if p value is greater than alpha value, it is assumed that the data came from a normally distributed population. The hypothesis is therefore not rejected. The present study used Durbin Watson Test to assess for autocorrelation. According to the general rule of the Durbin-Watson statistic, values from 1.5 to 2.5 tend to be indicative of the absence of autocorrelation in a given set of data (Hall, 2020).

A statistical method known as the Durbin-Watson statistic is employed to assess the degree of autocorrelation among residuals of a specific regression analysis (Hair, Page & Brunsveld, 2020). According to the general rule of the Durbin-Watson statistic, values from 1.5 to 2.5 tend to be indicative of the absence of autocorrelation in a given set of data. The VIF shows that the presence of multicollinearity tends to increase the variation in regression estimates (Waddell, 2020). The VIF was employed in the current study to assess how collinearity impacts particular regression model variables. VIF is presented as the reciprocal of tolerance, which is always greater than or equal to one. Strong multicollinearity among the factors under examination is typically represented by VIF values larger than ten, whilst weak multicollinearity is typically represented by VIF values less than 2.5.

3.9 Ethical consideration

Ethics refers to the research's goal to adhere to a code of conduct throughout the entire research process. Plagiarism was avoided by the researcher by citing all ideas that they have taken from other scholars. By asking the respondents if they are interested in taking part in the data collection exercise, the researcher increased voluntary engagement throughout data collection. Nobody was forced to participate if they did not want to. Only willing participants got questionnaires from the study. The researcher explained to the respondents the purpose and main points of the study. The respondents were also made aware that any information they gave was only to be used for educational purposes. A letter from the institution authorizing data collection was obtained by the research from KCA University. Additionally, NACOSTI was asked for a permit for data collection. Moreover, the researcher reassured all participants that any information they gave was to be treated with confidence. Additionally, the researcher locked up the questionnaires and made sure that only those with permission may access the data. To increase anonymity, the researcher requested that respondents leave their names off of the questionnaire.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter contains data analysis section as well as a summary of the study's findings. The general objective of the study was to find out the effect of corporate governance dimensions on financial performance of SACCOs in Kenya. In particular, the study examined the effect of board independence, board accountability, audit committee and financial disclosure on financial performance of SACCOs in Kenya. The findings were presented in Figures and Tables.

4.2 Questionnaires' Response Rate

The target population of this study was all the 43 SACCOs in Nairobi County, and the respondents involved were the heads of finance and administration in those SACCOs. The researcher distributed questionnaires to the 43 heads of finance and administration in all the 43 SACCOs in Nairobi County as shown in Table 3

TABLE 3
Questionnaires' Response Rate

Category	Sample Size	Responses	Percent
Large-Tier	6	5	83.33
Mid-Tier	16	14	87.5
Small-Tier	21	20	95.24
Total	43	39	90.70

Source: Researcher (2023)

Out of the 43 questionnaires that were distributed, 39 questionnaires were duly filled and then returned to the researcher hence providing a response rate of 90.70%. Babbie (2017) claims that 75 percent response rate is adequate for statistical analysis, drawing conclusions as well as inferring on study population. This denotes that 90.70% response rate was adequate for

data analysis.

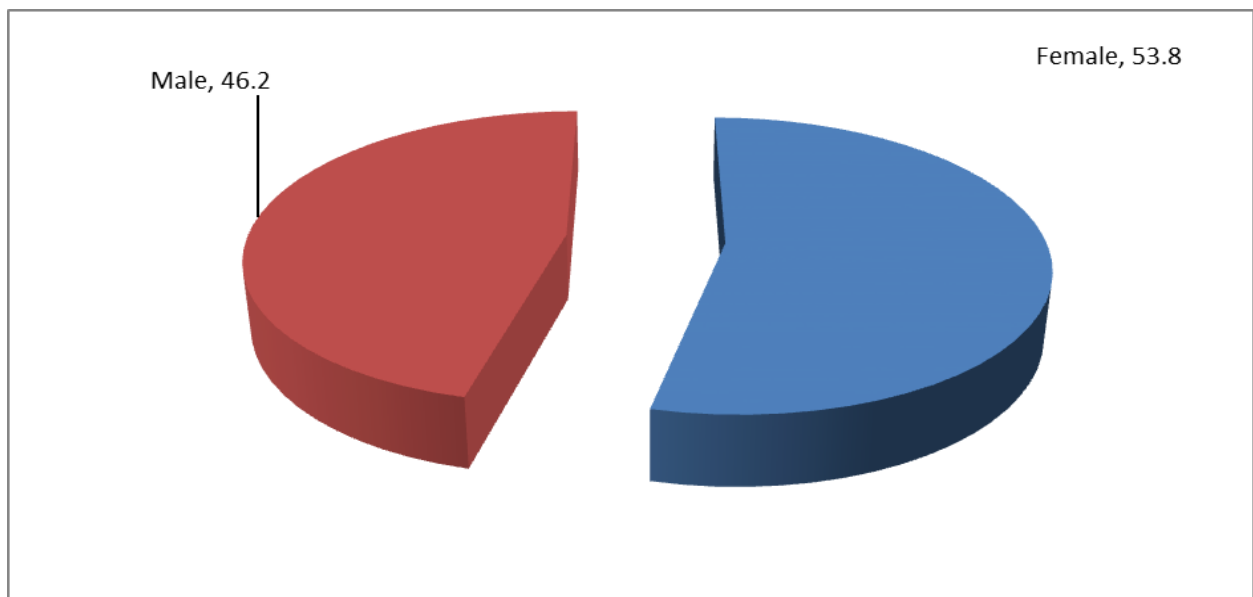
4.3 General Information

The general information of the respondents comprised of the respondents' gender, age bracket, duration of working in the organization, highest level of education and number of years the SACCOs have been in operation.

4.3.1 Respondents' Gender

The respondents were required to specify their gender to establish whether the SACCOs were keen on implementing the government affirmative action on women empowerment. The findings were as presented in Figure 2.

FIGURE 2
Respondents' Gender



Source: Researcher (2023)

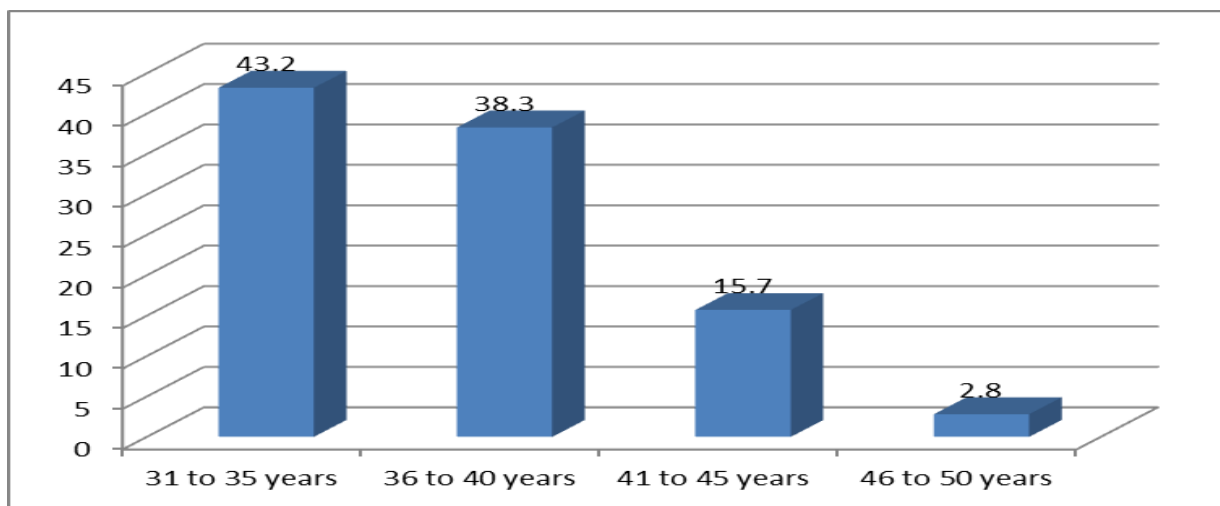
According to the findings, 53.8% of the respondents indicated that they were female and 46.2% indicated that they were male. This shows that most of the heads of finance and administration in SACCOs were male. The findings also show that SACCOS in Nairobi

County have made efforts to promote gender diversity in leadership roles, or it could indicate the natural distribution of individuals in these roles based on the available talent pool.

4.3.2 Age Bracket

The respondents were required to indicate their age bracket to establish age diversity and also establish whether the SACCOs were contributing to the government’s agenda on youth empowerment. The findings were as presented in Figure 3.

FIGURE 3
Respondents age bracket



Source: Researcher (2023)

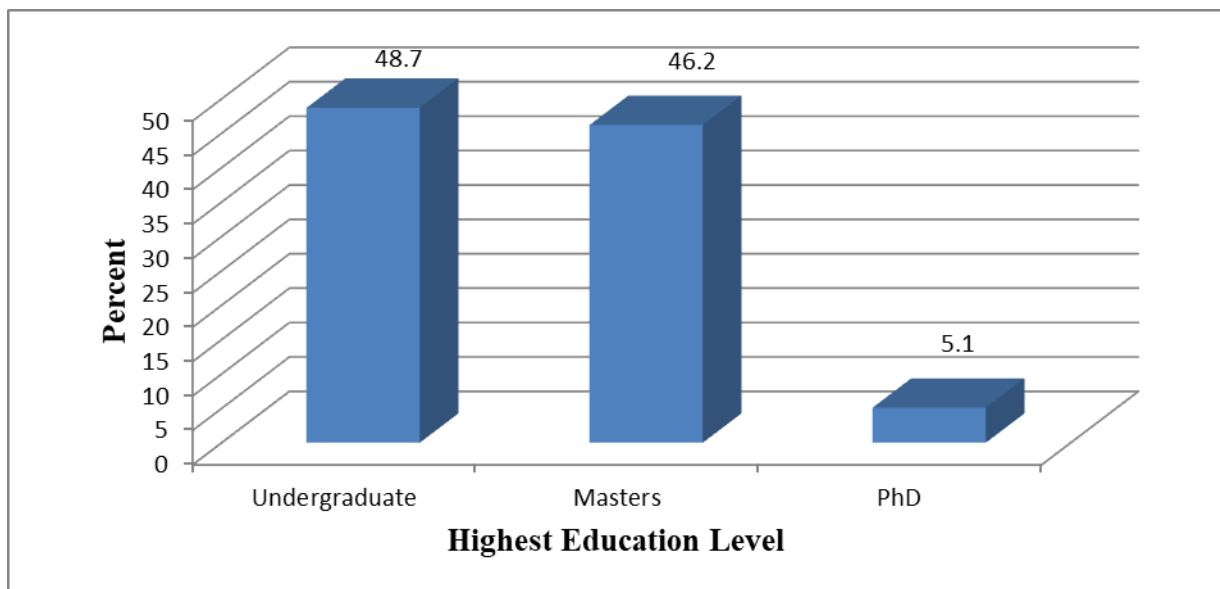
According to the findings, 43.2% of the respondents pointed out that they were aged between 31 and 35 years, 38.3% indicated between 36 and 40 years, 15.7% indicated between 41 and 45 years and 2.8% pointed out between 46 and 50 years. This denotes that the majority of the heads of finance and administration in SACCOs based in Nairobi County were youthful, therefore adept to social media and technology which has a positive impact on business. It also implied that the SACCOs were promoting the government’s agenda on youth empowerment through provision of employment opportunities to young job seekers. Also,

while the majority of the heads of finance and administration are in the 31 to 35 and 36 to 40 age groups, there is still some diversity in age among the leaders.

4.3.3 Highest Level of Education

The respondents were further requested to point out their highest level of education to ascertain the level of knowledge and technical skills they had to manage the SACCO operations effectively. The results were as shown in Figure 4.

FIGURE 4
Highest Education Level



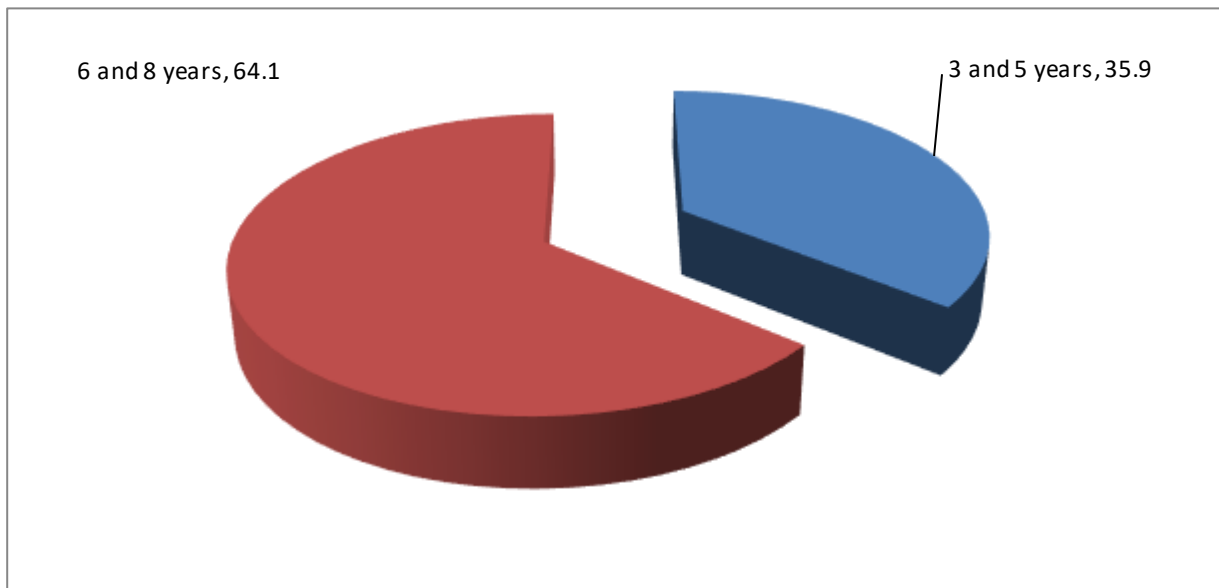
Source: Researcher (2023)

From the study findings, 48.7% of the respondents pointed out that they were undergraduates, 46.2% indicated Masters, 5.1% indicated PhD. This means that majority of the heads of finance and administration in the 43 SACCOs in Nairobi County were literate enough to provide relevant information regarding corporate governance dimensions and financial performance, and also had the relevant technical skills to manage the SACCOs operations. The educational distribution also reflects the qualifications deemed necessary or beneficial for leadership positions within the context being studied.

4.3.4 Duration of Working in the Organization

The respondents were further required to specify the duration for which they had been working in their organizations since long serving employees have more information about an organization than the new ones. The findings were as shown in Figure 5.

FIGURE 5
Duration of Working in the Organization



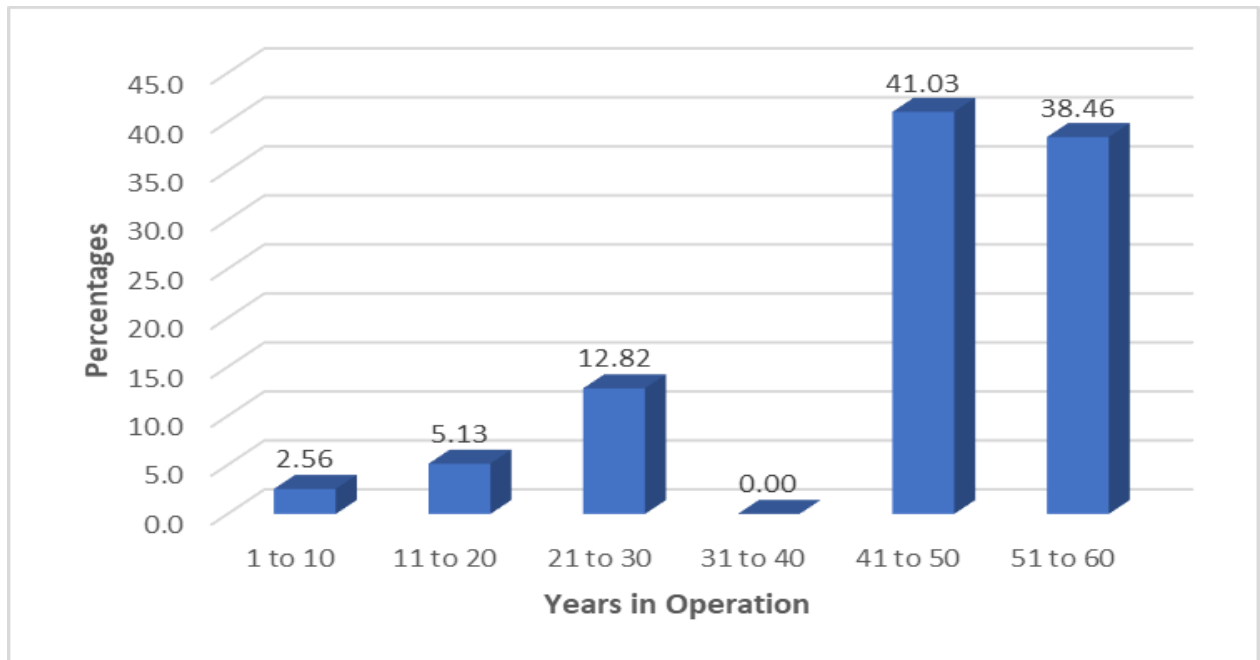
Source: Researcher (2023)

As depicted in Figure 4.4, 64.1% of the respondents revealed that they have been working in their organizations for between 6 and 8 years and 35.9% specified for between 3 and 5 years. This implies that most of the heads of finance and administration in SACCOs within Nairobi County had been working in their organizations for more than 6 years, hence they had adequate information on corporate governance dimensions and financial performance. In addition, longer tenures often indicate stability and experience within an organization. Heads of finance and administration who have been with the company for several years may have a deeper understanding of its culture, processes, and history.

4.3.5 Number of years the SACCOs have been in operation.

The respondents were required to indicate the number of years the SACCOs have been in operation to establish their stability. The findings were as presented in Figure 6.

FIGURE 6
Number of years the SACCOs have been in operation.



Source: Researcher (2023)

According to the findings, 38.46% of the SACCOS had been in operation for 51 to 60 years, 41.03% had been in operation for 41 to 50 years, 12.82 % had been in operation for 21 to 30 years, 5.13% had been in operation for 11 to 20 years, 2.56% had been in operation for 1 to 10 years. This implies that most of the SACCOs in Nairobi County were stable. SACCOs that have been operating for 50 or more years have a long history, which can be seen as a sign of trustworthiness and resilience in serving their members' financial needs over time as well as a sign of continuous improvement in corporate governance.

4.4 Descriptive Statistics

This section covers descriptive statistics on board independence, board accountability, audit committee, financial disclosure, and financial performance. Closed questions yielded quantitative data, as did items measured on a 5-point Likert scale, with 1 representing strongly disagree, 2 representing disagree, 3 representing neutral, 4 representing agree and 5 representing strongly agree.

4.4.1 Board Independence and Financial Performance

The first study objective of the study was to evaluate the effect of board independence on financial performance of SACCOs in Kenya. The respondents were requested to indicate their agreement level on diverse statements regarding the effect of board independence of SACCOs in Kenya. The findings obtained were as presented in Table 4.

TABLE 4
Board Independence and Financial Performance

	Mean	Std. Deviation	Coefficient of variation
Board of directors in the SACCO are free to exercise their duties effectively	4.231	0.427	0.101
The freedom of decision making by board of directors is limited	2.359	1.013	0.429
Am satisfied with the level of freedom of decision making exercised by board of directors	4.103	0.447	0.109
Board of directors is fully controlled by stakeholders	3.641	0.668	0.183
Board of directors are free from any pressure originating from the stakeholder	4.000	0.000	0.000
Am satisfied with the level of control exercised by stakeholders on board of directors	3.744	0.549	0.147
The proportion of non-executive members in the board of directors is very high.	3.974	0.486	0.122
Non-executive members influence decision making of the board of directors	3.769	0.427	0.113
Am satisfied with percentage of non-executive members in the board of directors	3.846	0.489	0.127

Source: Researcher (2023)

As depicted in Table 4, the respondents agreed with a mean of 4.231 (SD=0.427) that the boards of directors in the SACCOs are free to exercise their duties effectively. These findings conform to Fuzia, Halima & Julizaerma, 2016) discoveries that board of directors are able to effectively exercise their duties and ensure they provide unbiased business judgment when they independent from management. Moreover, they agreed that they are satisfied with the level of freedom of decision making exercised by boards of directors as shown by a mean of 4.103 (SD=0.447). Nonetheless, the respondents disagreed that the freedom of decision making by boards of directors is limited. This is shown by a mean of 2.359 (SD=1.013).

With a mean of 4.000 (SD=0.000), the respondents agreed that boards of directors are free from any pressure originating from the stakeholder. These findings conform to Ayodeji and Okunad (2019) findings that the board of directors should be resistance to pressure from stakeholders and executive/non-executive directors. In addition, they agreed that they are satisfied with the level of control exercised by stakeholders on the board of directors. This is shown by a mean of 3.744 (SD=0.549). In addition, with mean of 3.641 (SD=0.668), the respondents agreed that the boards of directors are fully controlled by stakeholders.

With a mean of 3.974 (SD=0.486), the respondents agreed that the proportion of non-executive members in the boards of directors is very high. These findings conform to Waithaka (2014) findings that selecting adequate number of independent directors leads to a third-party expertise and advice (due to executives' diverse backgrounds) hence improving financial performance of the firm. Moreover, the respondents agreed that they are satisfied with percentage of non-executive members on the boards of directors. This is shown by a mean of 3.846 (SD=0.489). The respondents also agreed with a mean of 3.769 (SD=0.427) that non-executive members influence decision making of the boards of directors.

Respondents were requested to indicate how else board independence influences the financial performance of SACCOs in Kenya. The respondents noted that boards of directors are able to effectively exercise their duties and ensure they provide unbiased business judgment when they are independent from management. Moreover, the respondents revealed that board independence leads to freedom of decision making as well as resistance to pressure from stakeholders and executive/non-executive. The respondents also indicated that independent boards, instead of boards of dependent directors, would be more prepared to manage CEOs. Moreover, independent directors lead to more third-party knowledge and input (due to executives' diverse backgrounds). The respondents further revealed that independent boards are not subjected to influence from management team since members do not have material relationship with the company. Additionally, the respondents revealed that independent boards enable companies to run honestly and efficiently since the members are not influenced by companies' interests.

4.4.2 Board Accountability and Financial Performance

The second objective was to establish the effect of board accountability on financial performance of SACCOs in Kenya. The respondents were asked to indicate their level of agreement on statements regarding board accountability of SACCOs in Kenya. The findings were presented in Table 5.

TABLE 5
Board Accountability and Financial Performance

	Mean	Std. Deviation	Coefficient of variation
The board of directors ensures that organization's operations are in line with established laws of the land	4.564	0.502	0.110
Am satisfied with the level of strategic leadership exercised by the board of directors	4.128	0.339	0.082
The board of directors in the SACCO take responsibility of all the operations	3.923	0.480	0.122
Performance of the organization employees is assessed on a regular basis	4.462	0.600	0.134
The organization has established strategies to conduct performance evaluation	4.154	0.366	0.088
Am satisfied with the level of employee performance in the organization	4.000	0.324	0.081
Board accountability can be improved through policy formulation	4.308	0.468	0.109
Board accountability can be improved through guidelines formulation	4.256	0.442	0.104
The views of all stakeholders are put into consideration when formulating policies in the organization	3.949	0.223	0.056

Source: Researcher (2023)

The respondents agreed with a mean of 4.564 (SD=0.502) that the boards of directors ensure that organization's operations are in line with established laws of the land. These findings concur with Key (2015) discoveries that the board should take on the duty of making sure the organizations' operations abides by the law. In addition, the respondents agreed that they are satisfied with the level of strategic leadership exercised by the boards of directors as shown by a mean of 4.128 (SD=0.339). Moreover, the respondents agreed with mean of 3.923 (SD=0.480) that the boards of directors in the SACCO take responsibility for all the operations.

With a mean of 4.462 (SD=0.600), the respondents agreed that the performance of the organizations' employees is assessed on a regular basis. In addition, the respondents agreed that the organizations have established strategies to conduct performance evaluation. This is

shown by a mean of 4.154 (SD=0.366). These findings are in line with Al-ahdala, Alsamhib, Tabashc and Farhand (2019) findings that board accountability entails establishing fair, balanced as well as clear strategies to conduct evaluation of organization's condition and prospects. Moreover, the respondents agreed that they are satisfied with the level of employee performance in the organization as shown by a mean of 4.000 (SD=0.324).

The respondents agreed with a mean of 4.308 (SD=0.468) that boards accountability can be improved through guidelines formulation. In addition, they agreed that the board's accountability can be improved through guidelines formulation. This is shown by a mean of 4.256 (SD=0.442). The respondents also agreed with a mean of 3.949 (SD=0.223), that the views of all stakeholders are put into consideration when formulating policies in the organization. These findings are in line with Mwesigwa, Sentrine, and Suzan (2014) arguments that an organization can develop relationships with stakeholders by involving them in formulating policies.

The respondents were further requested to indicate how else board accountability influences financial performance of SACCOs in Kenya. The respondents revealed that enhanced board accountability helps to reduce the severity and frequency of financial crises and enhance confidence in company practice. In addition, the respondents indicated that board accountability provides stakeholders with fair, balanced as well as clear evaluation of organization's condition and future prospects. The respondents further revealed that board accountability ensures the organization abides by the law, conducts itself ethically, and doesn't waste the resources entrusted to its care. The respondents also noted that the appointment of highly qualified individuals to the board, national implementation of mandatory code of corporate governance, the frequent rotation of external auditors, and the requirement that non-executive directors stand for re-election more frequently can all

improve board accountability. Board accountability promotes clarity and transparency in daily tasks of the SACCO.

4.4.3 Audit Committee and Financial Performance

The third study objective was to examine the effect of audit committee on financial performance of Savings and Credit Cooperatives in Kenya. The respondents were also asked to rate their level of agreement with various statements on audit committee of Savings and Credit Cooperatives in Kenya. The findings were as shown in Table 6.

TABLE 6
Audit Committee and Financial Performance

	Mean	Std. Deviation	Coefficient of variation
The audit committee ensures quality audit reports every time an audit is conducted	4.308	0.468	0.109
Auditing in the organization is done frequently in a year	3.974	0.428	0.108
The organization always uses internal auditor in financial operations in the organization	4.051	0.223	0.055
Our organization always ensures inclusion of non-executive directors in the committee	4.128	0.339	0.082
Our organization makes sure that in audit committee, most of the members are independent directors	4.000	0.459	0.115
The organizations ensures that audit committee has the maximum number of staff as required by the organization by-laws	4.026	0.160	0.040
Audit committee always includes experts in the field of auditing	4.462	0.505	0.113
Members of the audit committee have enough experience to effectively perform their duties	4.205	0.409	0.097
Am satisfied with the level of training of the audit committee	4.154	0.587	0.141

Source: Researcher (2023)

With a mean of 4.308 (SD=0.468), the respondents agreed that audit committees ensure quality audit reports every time an audit is conducted. These findings concur with Madia, Ishakba and Manaf (2014) findings that an organization's audit committee is tasked with overseeing the financial reporting process and ensuring it is of good quality. Moreover,

they agreed that the organizations always use internal auditors in financial operations in the organizations. This is shown by a mean of 4.051 (SD=0.223). Moreover, with a mean of 3.974 (SD=0.428), the respondents agreed that auditing in the organizations is done frequently in a year.

The respondents agreed with a mean of 4.128 (SD=0.339) that the organizations always ensure inclusion of non-executive directors in the committee. These findings are in line with Ashari and Krismiaji (2019) arguments that audit committee should include at least three members, the majority of whom should be independent directors and all of whom should be non-executive directors. Moreover, the respondents agreed that the organizations ensure that audit committee has the maximum number of staff as required by the organization by-laws as shown by a mean of 4.026 (SD=0.160). Furthermore, they agreed that the organizations make sure that in audit committees, most of the members are independent directors. This is shown by a mean of 4.000, SD=0.459).

With a mean of 4.462 (SD=0.505), the respondents agreed that audit committees always include experts in the field of auditing. Moreover, they agreed that members of the audit committees have enough experience to effectively perform their duties. This is shown by a mean of 4.205 (SD=0.409). Further, the respondents agreed that they are satisfied with the level of training of the audit committees as shown by a mean of 4.154 (SD=0.587). These findings conform to Krismiaji and Ashari (2019) discoveries that an organization should enhance audit committee effectiveness by providing them with quality training.

The respondents were asked to discuss how audit committee influences the financial performance of SACCOs in Kenya. The respondents revealed that audit committee oversees the financial reporting process, chooses the independent auditor, and receiving both external and internal audit results. Moreover, the respondents revealed audit committee monitors financial reporting, audit process, internal control system of the organization, and legal and

regulatory conformity. The respondents also indicated that audit committee (financial experience, audit committee size and independence of audit committee) influences stock and financial performance. The respondents also noted that the presence of audit committee members with experience will also reduce financial misreporting and enhance quality monitoring. The chances of fraud are also reduced as well as the cost of debt. Further, the vast wealth of experience of audit members is associated with quality monitoring and greater audit knowledge which is instrumental to improved firm performance. The audit committee ensures accountability and proper use of finances therefore improving financial performance. Moreover, inclusion of experts in audit committee ensures auditing is done as per the expected standard.

4.4.4 Financial Disclosure and Financial Performance

The fourth objective of the study was to find out the effect of financial disclosure on financial performance of SACCOs in Kenya. The respondents were asked to specify their level of agreement on diverse statements regarding financial disclosure and financial performance of SACCOs in Kenya. The findings were as depicted in Table 7.

TABLE 7
Financial Disclosure and Financial Performance

	Mean	Std. Deviation	Coefficient of variation
Financial reports in the organization present the actual financial position of the organization	4.359	0.486	0.111
Am satisfied with the process of providing access to financial information.	4.154	0.366	0.088
Financial reports for the institution adhere to the GAAP guidelines	4.051	0.223	0.055
Investors are always satisfied with the investment reports issued by the institution	4.410	0.498	0.113
Investment reports are not exaggerated in any way	3.846	0.904	0.235
Am satisfied with the level of investments reporting in the institution	3.949	0.223	0.056
The organization discloses the actual operations cost after every financial year	4.282	0.456	0.106
Operation costs are always lower than the total income	4.077	0.422	0.104
The operations cost has been increasing over years	4.154	0.366	0.088

Source: Researcher (2023)

As depicted in Table 7, the respondents agreed with mean of 4.359 (SD=0.486) that financial reports in the organizations present the actual financial position of the organizations. Moreover, the respondents agreed that they are satisfied with the process of providing access to financial information as shown by a mean of 4.154 (SD=0.366). In addition, with a mean of 4.051 (SD=0.223), the respondents agreed that financial reports for the institutions adhere to the GAAP guidelines. These findings are in line with Sahore and Verma (2017) arguments that financial disclosure should be guided by consistency, materiality, prudence, continuity, sincerity and utmost good faith to ensure that there is no abuse of trust and that there are no conflicts of interest between an official's financial holdings and the duties that are entrusted to the official.

With a mean of 4.410 (SD=0.498), the respondents agreed that investors are always satisfied with the investment reports issued by the institutions. In addition, they agreed that

they are satisfied with the level of investments reporting in the institutions. This is shown by a mean of 3.949 (SD=0.223). The respondents also agreed that investment reports are not exaggerated in any way as shown by a mean of 3.846 (SD=0.904). These findings conform to Oroud (2019) arguments that the management should share information about its accomplishments in managing the company with interested third parties including investors in a transparent and honest manner.

With a mean of 4.282 (SD=0.456), the respondents agreed that the organizations disclose the actual operations cost after every financial year. These are in line with Ojeka, Mukoro and Kanu (2015) discoveries that an organization should disclose its actual operations cost after the end of every financial year. In addition, they agreed with a mean of 4.154 (SD=0.366) that the operations cost has been increasing over the years. The respondents further agreed that operation costs are always lower than the total income. This is shown by a mean of 4.077 (SD=0.422).

The respondents were also required to indicate how else financial disclosure influences financial performance of SACCOs in Kenya. The respondents indicated that financial disclosure ensures that there is no abuse of trust and that there are no conflicts of interest between an official's financial holdings and the duties that are entrusted to the official. In addition, the respondents revealed that the management can share information about its accomplishments managing the company with interested third parties, including investors, the news media, and industry analysts, by issuing financial statements. Moreover, the respondents noted that the management can create appropriate policies and future plans of action by supplying them with the reasons behind business results. Financial disclosure ensures finances are allocated well to ensure satisfaction of the investors. Financial disclosure has promoted transparency in all financial transactions of the SACCO. The respondents indicated that financial disclosure helps the organization to know its financial position.

Financial disclosure has promoted the fight against money laundering and provides information about company's revenue and expenses.

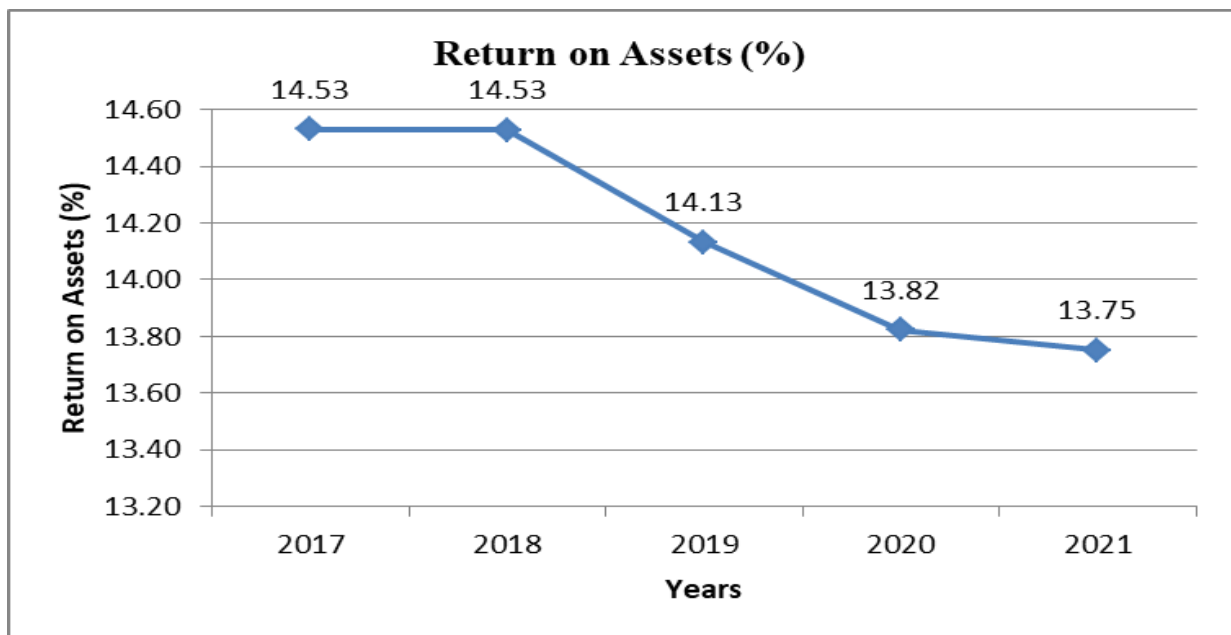
4.4.5 Financial Performance of SACCOs

The dependent variable in this study was financial performance of SACCOs. Measures of financial performance of SACCOs were return on assets, total deposits, total assets and nonperforming loans.

4.4.5.1 Return on Assets.

Return on assets shows how profitable an organization is in relation to its total assets. The return on Assets of SACCOs in for the last 5 years (2017-2021) was as shown in Figure 7.

FIGURE 7
Trend of Return on Assets in SACCOs in Nairobi County



Source: Researcher (2023)

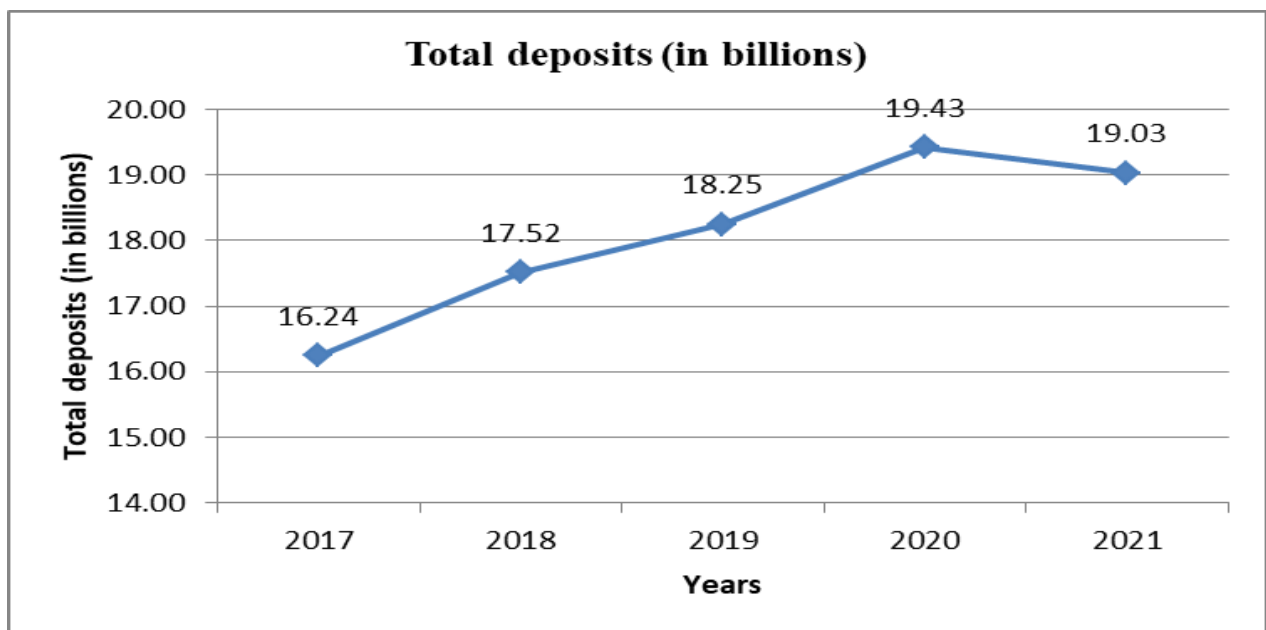
As indicated in Figure 7, the ROA of SACCOs was 14.53 percent in the year 2017. This figure remained constant in the year 2018 before decreasing to 14.13 percent in the year 2019 and further decreasing to 13.82 percent in the year 2020. The ROA of SACCOs further

decreased to 13.75 percent in the year 2021. These findings concur with Sacco Societies Regulatory Authority (2019) findings that Return on Assets of SACCOs has been decreasing due to the increase in loan loss provision.

4.4.5.2 Total deposits

Total deposits is the amount of money held by an organization from depositors. The total deposit of SACCOs for the last 5 years (2017-2021) was as shown in Figure 8.

FIGURE 8
Trend of Total deposits in SACCOs in Nairobi County



Source: Researcher (2023)

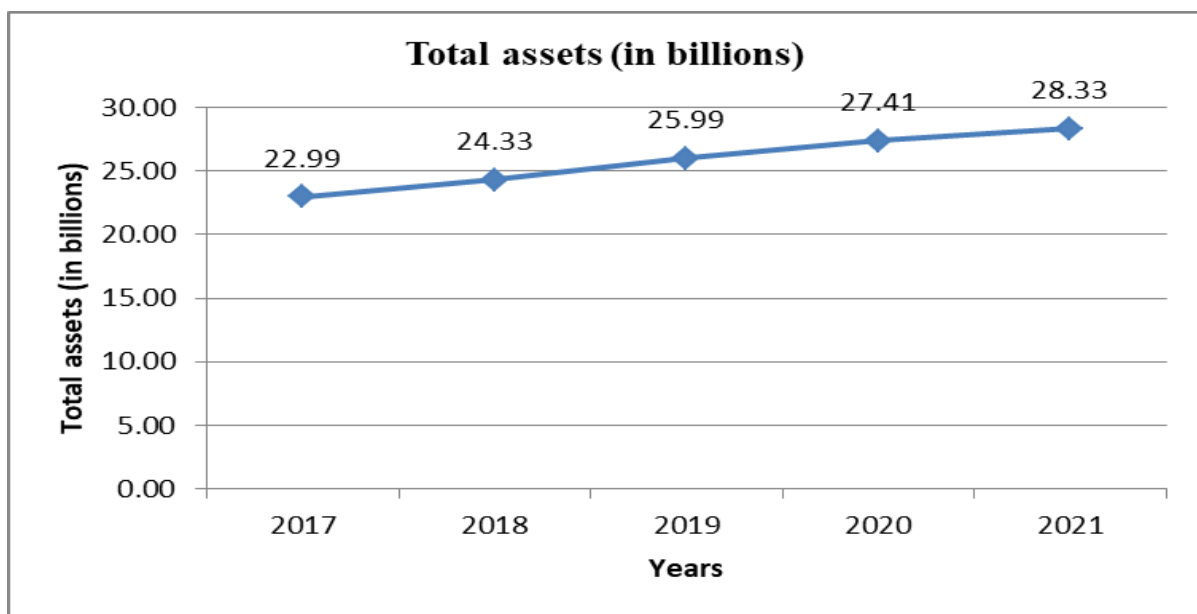
As indicated in Figure 8, the total deposit of SACCOs was 16.24 billion in the year 2017. This figure increased to 17.52 billion in the year 2018 and further increased to 18.25 billion in the year 2019. In the year 2020, the total deposit of SACCOs increased to 19.43 billion before decreasing to 19.03 billion in the year 2021. These findings conform to Esokomi and Mutua (2018) discoveries that the total deposit of SACCOs decreased by 0.4 billion in the

year 2021 from 19.43 billion in the year 2020, due to inefficient systems in deposit mobilization.

4.4.5.3 Total Assets

Total assets represent the value of everything that an organization owns. The total Assets of SACCOs for the last 5 years (2017-2021) was as shown in Figure 9.

FIGURE 9
Trend of Total Assets in SACCOs in Nairobi County



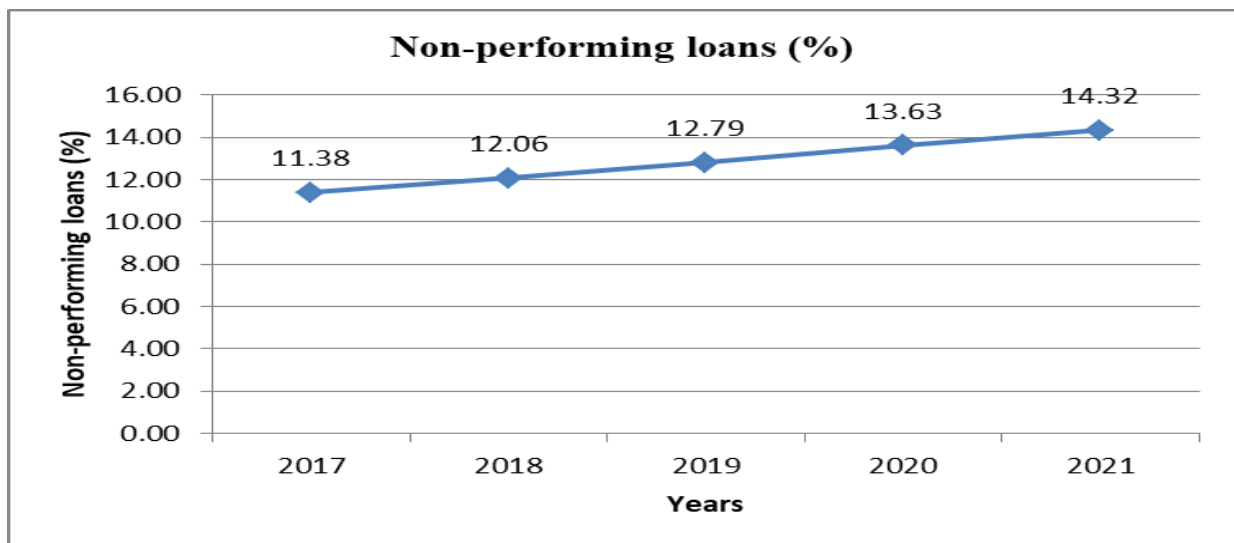
Source: Researcher (2023)

As indicated in Figure 9, the total Assets of SACCOs was 22.99 billion in the year 2017. This figure increased to 24.33 billion in the year 2018 and further increased to 25.99 billion in the year 2019. In the year 2020, the total Assets of SACCOs was 27.41 billion which increased to 28.33 billion in the year 2021. These findings are in line with Muheebwa (2018) discoveries that the total assets of the SACCOs in Nairobi County have been increasing over the years due to maintenance of optimal liquidity level.

4.4.5.4 Nonperforming loans

Non-performing loans is an outstanding loan balance whose scheduled payments have not been made by the borrowers for a particular period of time, usually above 90 days. The Non-performing loan of SACCOs for the last 5 years (2017-2021) was as shown in Figure 10.

FIGURE 10
Trend of Non-performing loans in SACCOs in Nairobi County



Source: Researcher (2023)

As indicated in Figure 10, the Non-performing loan of SACCOs was 11.38% in the year 2017. This figure increased to 12.06% in the year 2018 and further increased to 12.79% in the year 2019. In the year 2020, the non-performing loans of SACCOs were 13.63% which then increased to 14.32% in the year 2021. These findings conform to Otieno, Mugo & Kimathi, 2015) findings that the non-performing loans have been increasing since 2015. This increase was associated with non-compliance with industry regulations, leadership challenges and inability to manage non-performing loans.

4.5 Inferential Statistics

In this section, inferential statistics such as multivariate regression and correlation analysis were used to examine the effect of board independence, board accountability, audit committee and financial disclosure on financial performance of SACCOs in Kenya.

4.5.1 Correlation Analysis

Pearson product-moment correlation coefficient was utilized to assess the strength of association between independent variables (board independence, board accountability, audit committee and financial disclosure) and dependent variable (financial performance of SACCOs). The findings were as presented in Table 8.

TABLE 8
Correlation Coefficients

		Financial performan ce	Board Independen ce	Board Accountabili ty	Audit Committee	Financial Disclosur e
Financial performance	Pearson Correlatio n Sig. (2- tailed) N	1 39				
Board Independenc e	Pearson Correlatio n Sig. (2- tailed) N	.409** .010	1 39			
Board Accountabili ty	Pearson Correlatio n Sig. (2- tailed) N	.248 .128	.182 39	1 39		
Audit Committee	Pearson Correlatio n Sig. (2- tailed) N	.880** .000	.252 .122	.091 .583	1 39	
Financial Disclosure	Pearson Correlatio n Sig. (2- tailed) N	.103 .532	.196 .232	.157 .340	.089 .590	1 39

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Researcher (2023)

The study found that there exists a positive and significant relationship between board independence and financial performance of SACCOs ($r=0.409$, $p\text{-value}=0.010$). $P\text{-value}=0.010$ was less than 0.05, thus the association was significant. These findings are contrary to Oludele, Oloko, and Tobiah (2016) arguments that board independence and financial performance are significantly correlated.

Furthermore, the findings demonstrated a positive and insignificant relationship between board accountability and financial performance of SACCOs ($r=0.248$, $p\text{-value}=0.128$). The relationship was found to be insignificant because the $p\text{-value}=0.128$ was more than 0.05. These findings are contrary to Mbugua (2013) findings that there exists a significant link between board accountability and the NGOs' financial performance.

Furthermore, the study revealed that there exists a positive and significant association between audit committee and financial performance of SACCOs ($r=0.880$, $p\text{-value}=0.000$). The $p\text{-value}$ of 0.000 was less than 0.05 (significant level), indicating that the relationship was significant. These findings conform to Krismiaji and Ashari (2019) arguments that audit committee positively affects company's performance.

The study established that there exists a positive and insignificant relationship between financial disclosure and financial performance of SACCOs ($r=0.103$, $p\text{-value}=0.532$). Since the $p\text{-value}$ (0.532) was more than 0.05, the relation was considered to be insignificant. These findings are contrary to Ojeka, Mukoro and Kanu (2015) arguments that financial reporting disclosures and financial performance are significantly correlated.

4.5.2 Regression Analysis

Multivariate regression analysis was performed to examine the relationship between independent variables (board independence, board accountability, audit committee and financial disclosure) and dependent variable (financial performance of SACCOs).

TABLE 9
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.916 ^a	.839	.821	6.47458

a. Predictors: (Constant), Financial Disclosure, Audit Committee, Independence
Source: Researcher (2023)

As depicted in Table 9, R-squared for the relationship between corporate governance dimensions and financial performance of SACCOs was 0.839 which means that 83.9% of the variation of dependent variable (financial performance of SACCOs) could be explained by independent variables (board independence, board accountability, audit committee and financial disclosure).

TABLE 10
Analysis of Variance

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	7452.551	4	1863.138	44.445	.000 ^b
Residual	1425.286	34	41.920		
Total	8877.836	38			

a. Dependent Variable: Total assets (in millions)
b. Predictors: (Constant), Board Independence, Board Accountability, Audit Committee, Financial Disclosure.
Source: Researcher (2023)

In this study, the ANOVA was performed to determine if the model was a good fit for the data. As shown in Table 10, the F-calculated was 44.445, and the F-critical from the F-distribution table was 2.65. Because the F-calculated was greater than F-critical and the p-value (0.000) was not more than the significance level (0.05), the model was considered to be a good fit for the data.

TABLE 11
Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	362.756	45.082		8.047	.000
Board Independence	10.271	3.864	.196	2.659	.012
Board Accountability	15.276	7.033	.153	2.172	.037
Audit Committee	77.496	6.893	.809	11.242	.000
Financial Disclosure	8.471	6.465	.094	1.310	.199

a. Dependent Variable: Total assets (in millions)
Source: Researcher (2023)

Regression equation was.

$$Y = 362.756 + 10.271X_1 + 15.276X_2 + 77.496X_3 + 8.471X_4 + \varepsilon$$

The study found that board independence had a positive and significant effect on the financial performance of SACCOs ($\beta_2=10.271$, p-value=0.012). The correlation was considered to be significant because the p-value=0.012 was less than 0.05 (significant level). This suggests that an increase in board independence will lead to 10.271 increase in the financial performance of SACCOs. These findings conform to Waithaka (2014) findings that in the banking sector, board independence affected financial performance.

The study findings indicated that board accountability had a positive and significant effect on financial performance of SACCOs ($\beta_3=15.276$, p-value=0.037). P-value (0.037) was not more than 0.05 (significant level) hence, the relationship was considered to be significant. This denotes that increase in board accountability will lead to 15.276 increase in the financial performance of SACCOs. These findings conform to Chemakai, Alala and Charles (2018) discoveries that board accountability has a positive and significant relationship with SACCOs' performance.

Furthermore, the study revealed that audit committee had a positive and significant effect on the financial performance of SACCOs ($\beta_1=77.496$, $p\text{-value}=0.000$). Because the p -value of 0.000, was less than the significant level (0.05), the relationship was considered to be significant. This means that an enhancement in audit committee will lead to 77.496 improvement in the financial performance of SACCOs. The findings confirm those of Hamdan, Sarea and Reyad (2013) who found that audit committee influences stock and financial performance in Amman Stock Exchange.

The study also established that financial disclosure had an insignificant and positive effect on the financial performance of SACCOs ($\beta_4=8.471$, $p\text{-value}=0.199$). Because the p -value (0.199) was more than 0.05, the relationship was found to be insignificant. This means that improving financial disclosure will result in 8.471 decrease in the financial performance of SACCOs. These findings are contrary to Kendi (2015) arguments that financial disclosures are a significant predictor of financial performance.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This section covers a description of the study's findings, conclusions, and recommendations. The general objective of this study was to find out the effect of corporate governance dimensions on financial performance of SACCOs in Kenya. Specifically, the study evaluated the effect of board independence, board accountability, audit committee and the financial disclosure on the financial performance of SACCOs in Kenya.

5.2 Summary of the Findings

This section summarizes the findings of the study in regard to Demographic information (respondents age, respondents' gender, respondents' education level, duration of working with the society and number of years the SACCOs have been in operation), the effect of board independence, board accountability, audit committee and the financial disclosure on the financial performance of SACCOs in Kenya

5.2.1 Demographic information

The study found out that majority of the employees in the SACCOs in Nairobi County were youthful, which has a positive impact on SACCO business. In addition, the SACCOs were keen on promoting the government's agenda on youth empowerment. It also found out that most of the employees were literate enough and had the relevant technical skills to manage the SACCOs operations. Further, it established that the government affirmative action on women empowerment was bearing results. It also established that most of the employees had worked with the SACCOs for a longer period, and the SACCOs had been in operation for many years, which implied stability.

5.2.2 Board Independence and Financial Performance

The study found that board independence has a positive and significant effect on the financial performance of SACCOs in Kenya. In addition, the study found that the heads of finance and administration departments are satisfied with the level of freedom of decision making exercised by boards of directors. Furthermore, the boards of directors in the SACCOs are free to exercise their duties effectively. The study also found that the heads of finance and administration departments are satisfied with percentage of non-executive members in the boards of directors. The study revealed that the non-executive members influence decision making of the boards of directors.

The study found that the heads of finance and administration departments are satisfied with the level of control exercised by stakeholders on boards of directors. Furthermore, the boards of directors are free from any pressure originating from the stakeholders. Furthermore, the study indicated that the boards of directors are fully controlled by stakeholders. The study also found that the proportion of non-executive members in the boards of directors is very high. Nonetheless, the study found that the freedom of decision making by boards of directors is limited.

5.2.3 Board Accountability and Financial Performance

The study found that board accountability has a positive and significant effect on the financial performance of SACCOs in Kenya. Furthermore, the study found that the boards of directors ensure that organization's operations are in line with established laws of the land. The study also discovered that the organizations have established strategies to conduct performance evaluation. The study established that boards' accountability can be improved through guidelines and policy formulation. The study also found that the boards of directors in the SACCOs take responsibility of all the operations.

The study revealed that the heads of finance and administration departments are satisfied with the level of strategic leadership exercised by the boards of directors. Furthermore, the study discovered that the heads of finance and administration departments are satisfied with the level of employee performance in the organizations. Moreover, the study found that the performance of the organization employees is assessed on a regular basis. In addition, the views of all stakeholders are put into consideration when formulating policies in the organization.

5.2.4 Audit Committee and Financial Performance

The study found that audit committee has a positive and significant effect on the financial performance of SACCOs in Kenya. Furthermore, the study found that audit committees ensure quality audit reports every time an audit is conducted. The study also found that the organizations ensure that the audit committees have the maximum number of staff as required by the organization by-laws. Furthermore, the study revealed that the organizations always ensure inclusion of non-executive directors in the committees. The study revealed that the members of the audit committees have enough experience to effectively perform their duties.

The study found that auditing in the organizations is done frequently in a year. Moreover, the study revealed that the organizations make sure that in audit committees, most of the members are independent directors. In addition, the study revealed that the organizations always use internal auditors in financial operations in the organizations. The study further established that audit committees always include experts in the field of auditing. Furthermore, the study found that the heads of finance and administration departments are satisfied with the level of training of the audit committees.

5.2.5 Financial Disclosure and Financial Performance

The study revealed that financial disclosure has a positive and insignificant effect on the financial performance of SACCOs in Kenya. Furthermore, the study found that financial reports for the institutions adhere to the GAAP guidelines. In addition, the study revealed that the heads of finance and administration departments are satisfied with the process of providing access to financial information. The study also found that the operations cost has been decreasing over the years.

The study found that the financial reports in the organizations present the actual financial position of the organizations. In addition, the study revealed that investors are satisfied with the investment reports issued by the institutions. The study revealed that the operation costs are always lower than the total income. Moreover, the study found that investment reports are not exaggerated in any way. Moreover, the study established that the heads of finance and administration departments are satisfied with the level of investments reporting in the institutions. In addition, the study established that the organizations disclose the actual operations cost after every financial year.

5.3 Conclusions

The study therefore concludes that board independence has a positive and significant effect on the financial performance of SACCOs in Kenya. This implies that enhancing board independence (freedom of decision making, resistance to pressure from stakeholders and executive/non-executive directors) enhances the financial performance of SACCOs in Kenya.

The study further concludes that board accountability has a positive and significant effect on the financial performance of SACCOs in Kenya. This implies that enhancing board accountability (strategic leadership, performance evaluation and policy and guidelines formulation) enhances the financial performance of SACCOs in Kenya.

The study also found that audit committee has a positive and significant effect on the financial performance of SACCOs in Kenya. This implies that enhancing audit committee (audit quality and frequency, size of the committee and expertise of the committee) improves the financial performance of SACCOs in Kenya.

The study further concludes that financial disclosure has a positive and insignificant effect on the financial performance of SACCOs in Kenya. This implies that improving financial disclosure (financial reporting, investments reporting, and operations cost disclosure) would not considerably influence the financial performance of SACCOs in Kenya.

5.4 Recommendations

The study found that board independence had a positive and significant effect on the financial performance of SACCOs in Kenya. The study recommends that SACCOs should select independent members of the boards to help the companies run honestly and efficiently since they are not under the influence of the management teams. Independence can be enhanced by avoiding conflicts of interest. Moreover, policymakers should adopt policies on board independence, according to the study. The policies should ensure that board members have no material ownership of the companies and that they are not under the influence of the managements.

The study found that board accountability had a positive and significant effect on the financial performance of SACCOs in Kenya. The study recommends that SACCOs should make sure that the board of directors actively oversees and holds management accountable for financial decisions, risk management, and strategic planning. They should also establish a

system for regular reporting to the board on financial performance, risk exposure, and compliance with financial policies and regulations. SACCOs should provide financial literacy training for board members to ensure they have the necessary knowledge and skills to understand financial statements and make informed decisions.

The study found that audit committee has a positive and significant effect on the financial performance of SACCOs in Kenya. This study therefore recommends that the SACCOs should select the audit committee to monitor financial reporting, audit process, internal control system of the organization, and legal and regulatory conformity. They should also clearly define the roles and responsibilities of the audit committee in the SACCO's bylaws or governance documents. This should include oversight of financial reporting, internal controls, risk management, and compliance. SACCOs should ensure that the audit committee holds regular meetings to review financial statements, internal audit reports, and external audit findings. These meetings should be documented, and minutes should be maintained.

5.5 Recommendation for Further Research

The purpose of this research was to find out the effect of corporate governance dimensions on financial performance of SACCOs. However, the study was limited to SACCOs in Nairobi County hence, the findings cannot be applied to other SACCOs in other counties in Kenya. As a result, the study suggests that more studies should be done to determine the effect of corporate governance dimensions on financial performance of SACCOs in other counties in Kenya. Furthermore, the study discovered that board independence, board accountability, audit committee and financial disclosure can explain 83.9% of the financial performance of SACCOs. As such, more studies ought to be conducted to examine other factors affecting the financial performance of SACCOs.

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APPENDICES

Appendix I: Study Questionnaire

The below research tool is divided into six sections. Section one comprises respondents' demographic information. Moreover, section B, C, D and E will gather data on corporate governance whereas last section will gather information on SACCOs' financial performance in Kenya.

NB: The researcher will maintain the confidentiality of the information given. Any time spent completing the questionnaire below is much appreciated. Please answer the questions appropriately by ticking [√]. If the question is open-ended, please provide your response in the space provided.

A. General Information

1. Please specify your gender.

Female Male

2. Please indicate your age bracket

Less than 25-30 years 31 to 35 years

36 to 40 years 41 to 45 years

46 to 50 years 51 to 55 years

More than 56 years

3. Specify your highest education level?

Diploma Undergraduate

Masters PhD

Others specify.....

4. How long have you worked at the organization?

Below 2 years 3 and 5 years

6 and 8 years More than 8 years

5. How long has the SACCO been in operation.

51 to 60 years 41 to 50 years

31 to 40 years 21 to 30 years

11 to 20 years 1 to 10 years

B. Board Independence

6. Indicate the degree in which you disagree or agree with diverse statements pertaining to board independence and SACCOs’ financial performance? 1 denotes strongly disagree, 2 denotes disagree, 3 denotes Neutral, 4 denotes agree and 5 denotes strongly agree.

Statements	1	2	3	4	5
Freedom of decision making					
Board of directors in the SACCO are free to exercise their duties effectively					
The freedom of decision making by board of directors is limited					
Am satisfied with the level of freedom of decision making exercised by board of directors					
Resistance to pressure from stakeholders					
Board of directors is fully controlled by stakeholders					
Board of directors are free from any pressure originating from the stakeholder					
Am satisfied with the level of control exercised by stakeholders on board of directors					
Executive/Non-executive board of directors					
The proportion of non-executive members in the board of directors is very high					
Non-executive members influence decision making of the board of directors					
Am satisfied with percentage of non-executive members in the board of directors					

7. In your own view, how else does board independence influence SACCOs’ financial performance in Kenya?

.....

C. Board Accountability

8. Specify the degree to which you disagree or agree with below statements pertaining to board accountability and SACCOs’ financial performance in Kenya?

Statements	1	2	3	4	4
Strategic leadership					
The board of directors ensures that organization’s operations are in line with established laws of the land					
Am satisfied with the level of strategic leadership exercised by the board of directors					
The board of directors in the SACCO take responsibility of all the operations					
Performance evaluation					
Performance of the organization employees is assessed on a regular basis					
The organization has established strategies to conduct performance evaluation					
Am satisfied with the level of employee performance in the organization					
Policy and guidelines formulation					
Board accountability can be improved through policy formulation					
Board accountability can be improved through guidelines formulation					
The views of all stakeholders are put into consideration when formulating policies in the organization					

9. In your own opinion, how else does board accountability influence financial performance of Savings and Credit Cooperatives in Kenya?

.....

D. Audit Committee

- i. Specify the degree to which you agree with the below statements regarding audit committee and Savings and Credit Cooperatives’ financial performance of in Kenya?

Statements	1	2	3	4	5
Audit quality and frequency					
The audit committee ensures quality audit reports every time an audit is conducted					
Auditing in the organization is done frequently in a year					
The organization always uses internal auditor in financial operations in the organization					
Size of the committee					
Our organization always ensures inclusion of non-executive directors in the committee					
Our organization makes sure that in audit committee, most of the members are independent directors					
The organizations ensures that audit committee has the maximum number of staff as required by the organization by-laws					
Expertise of the committee					
Audit committee always includes experts in the field of auditing					
Members of the audit committee have enough experience to effectively perform their duties					
Am satisfied with the level of training of the audit committee					

- ii. In your own view, how else does audit committee influence the SACCOs’ financial performance in Kenya?

.....

E. Financial Disclosure

10. Indicate the degree to which you disagree or agree with various statements in relation to financial disclosure and SACCOs' financial performance?

Statements	1	2	3	4	5
Financial reporting					
Financial reports in the organization present the actual financial position of the organization					
Am satisfied with the process of providing access to financial information.					
Financial reports for the institution adhere to the GAAP guidelines					
Investments reporting					
Investors are always satisfied with the investment reports issued by the institution					
Investment reports are not exaggerated in any way					
Am satisfied with the level of investments reporting in the institution					
Operations cost disclosure					
The organization discloses the actual operations cost after every financial year					
Operation costs are always lower that the total income					
The operations cost has been increasing over years					

11. In your own opinion, how else does financial disclosure affects the SACCOs' financial performance?

.....

.....

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Appendix II: Data Collection Checklist

Financial Measure	2017	2018	2019	2020	2021
Return on Assets (%)					
Total deposits (in millions)					
Total assets (in millions)					
Non-performing loans (%)					

Appendix III: Work Plan

Activity								
	Oct	Nov	Dec	June	July	August	September	October
Concept paper								
Development of Proposal								
Proposal presentation								
Correcting the Proposal								
Piloting								
Collection of data								
Data Analysis								
Writing the Report								
Project presentation								
Correcting the Project								
Submission of project								

Appendix IV: Budget

Item	Total Amount
Stationery	
Papers	800
Pens	150
Folders	2000
Stapling machine	400
Staple pins	450
Paper punch	400
SUBTOTAL	4,200
Equipment and services	
Computer services	15000
Literature review	17100
Typing and printing research proposal	7920
Typing and printing research report	500
Questionnaires	1420
Photocopying report	900
Photocopying proposal	700
Binding of research proposal and project	300
Publishing the Article	12000
Miscellaneous	1500
TOTAL	63,740

Appendix V: Data Output

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Deviation
Board of directors in the SACCO are free to exercise their duties effectively	0.00	0.00	0.00	76.9	23.1	4.231	0.427
The freedom of decision making by board of directors is limited	17.9	48.7	12.8	20.5	0.00	2.359	1.013
Am satisfied with the level of freedom of decision making exercised by board of directors	0.00	0.00	5.1	79.5	15.4	4.103	0.447
Board of directors is fully controlled by stakeholders	0.00	5.1	30.8	59.0	5.1	3.641	0.668
Board of directors are free from any pressure originating from the stakeholder	0.000	0.000	0.00	100.0	0.00	4.000	0.000
Am satisfied with the level of control exercised by stakeholders on board of directors	0.00	0.00	30.8	64.1	5.1	3.744	0.549
The proportion of non-executive members in the board of directors is very high	0.00	0.00	12.8	76.9	10.3	3.974	0.486
Non-executive members influence decision making of the board of directors	0.00	0.00	23.1	76.9	0.00	3.769	0.427
Am satisfied with percentage of non-executive members in the board of directors	0.00	0.00	20.5	74.4	5.1	3.846	0.489

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Deviation
The board of directors ensures that organization's operations are in line with established laws of the land	0.00	0.00	0.00	43.6	56.4	4.564	0.502
Am satisfied with the level of strategic leadership exercised by the board of directors	0.00	0.00	0.00	87.2	12.8	4.128	0.339
The board of directors in the SACCO take responsibility of all the operations	0.00	0.00	15.4	76.9	7.7	3.923	0.480
Performance of the organization employees is assessed on a regular basis	0.00	0.00	5.1	43.6	51.3	4.462	0.600
The organization has established strategies to conduct performance evaluation	0.00	0.00	0.00	84.6	15.4	4.154	0.366
Am satisfied with the level of employee performance in the organization	0.00	0.00	5.1	89.7	5.1	4.000	0.324
Board accountability can be improved through policy formulation	0.00	0.00	0.00	69.2	30.8	4.308	0.468
Board accountability can be improved through guidelines formulation	0.00	0.00	0.00	74.4	25.6	4.256	0.442
The views of all stakeholders are put into consideration when formulating policies in the organization	0.00	0.00	5.1	94.9	0.00	3.949	0.223

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Deviation
The audit committee ensures quality audit reports every time an audit is conducted	0.00	0.00	0.00	69.2	30.8	4.308	0.468
Auditing in the organization is done frequently in a year	0.00	0.00	10.3	82.1	7.7	3.974	0.428
The organization always uses internal auditor in financial operations in the organization	0.00	0.00	0.00	94.9	5.1	4.051	0.223
Our organization always ensures inclusion of non-executive directors in the committee	0.00	0.00	0.00	87.2	12.8	4.128	0.339
Our organization makes sure that in audit committee, most of the members are independent directors	0.00	0.00	10.3	79.5	10.3	4.000	0.459
The organizations ensures that audit committee has the maximum number of staff as required by the organization by-laws	0.00	0.00	0.00	97.4	2.6	4.026	0.160
Audit committee always includes experts in the field of auditing	0.00	0.00	0.00	53.8	46.2	4.462	0.505
Members of the audit committee have enough experience to effectively perform their duties	0.00	0.00	0.00	79.5	20.5	4.205	0.409
Am satisfied with the level of training of the audit committee	0.00	0.00	10.3	64.1	25.6	4.154	0.587

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Deviation
Financial reports in the organization present the actual financial position of the organization	0.00	0.00	0.00	64.1	35.9	4.359	0.486
Am satisfied with the process of providing access to financial information.	0.00	0.00	0.00	84.6	15.4	4.154	0.366
Financial reports for the institution adhere to the GAAP guidelines	0.00	0.00	0.00	94.9	5.1	4.051	0.223
Investors are always satisfied with the investment reports issued by the institution	0.00	0.00	0.00	59.0	41.0	4.410	0.498
Investment reports are not exaggerated in any way	0.00	12.8	10.3	56.4	20.5	3.846	0.904
Am satisfied with the level of investments reporting in the institution	0.00	0.00	5.1	94.9	0.00	3.949	0.223
The organization discloses the actual operations cost after every financial year	0.00	0.00	0.00	71.8	28.2	4.282	0.456
Operation costs are always lower that the total income	0.00	0.00	5.1	82.1	12.8	4.077	0.422
The operations cost has been increasing over years	0.00	0.00	0.00	84.6	15.4	4.154	0.366