INFLUENCE OF CORPORATE GOVERNANCE PRACTICES ON PERFORMANCE OF SAVINGS AND CREDIT COOPERATIVE SOCIETIES IN THE CENTRAL REGION OF KENYA

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ABSTRACT

The goal of this research was to see how corporate governance policies affected the performance of deposit-taking SACCOs in the Central Region of Kenya. Corporate governance is commonly thought of as a framework that protects businesses against potential financial difficulties. The study's particular goals were to look at the impact of board selection, regulatory compliance, board leadership, and information transparency on deposit-taking SACCO performance in the Central Region of Kenya. A descriptive research design was used in this study. Deposit-taking SACCOs were chosen since the region is home to 61 percent of Kenya's SACCOs. The study's population included all 52 deposit-taking SACCOs in the Central Region of Kenya. A sample of 10% was selected. This generated a sample of 54 respondents. The study collected primary data gathered using a structured questionnaire administered through drop and pick later method. Both qualitative and quantitative analysis of data was done to answer the research questions of this study. The qualitative data was analyzed using content analysis and presented in prose form. For quantitative analysis, the researcher used Statistical Package for Social Sciences (SPSS Version 25) software. A multiple linear regression analysis was conducted. Tables and figures were used to summarize responses for further analysis and facilitate comparison. The study discovered that board qualities and regulatory compliance have a minor impact on deposit-taking SACCO success. The study shows that board factors, such as board size, board composition, board meetings, and board independence, have a significant impact on deposit-taking SACCO performance. The degree to which legal systems, such as state laws and statutory rules, are followed is critical in safeguarding, preventing, controlling, and lowering activities that have an impact on SACCO performance. The appointment of board members, the independence of non-executive directors, and the separation of the CEO and chairman positions all have an impact on deposit-taking SACCO performance. Information disclosure takes into account the transparency, reliance and reverence in accounting, auditing and reporting which influence the end results in organizational performance. The SACCOs realize better and higher organizational performance in terms of income, equity, assets and financial leverage due to adoption of specific tactics, corporate governance being one of them. SACCOs should form boards with the appropriate size, independent directors, and a balance of executive and non-executive directors, as well as relevant subcommittees, according to the report. The study recommends that the deposit taking SACCOs should adopt practices that enhance their compliance with the law and regulatory bodies. Deposit SACCOs should adopt board leadership approaches which embrace appropriate appointment of board members, independence of non-executive directors and separation of Separation of CEO.

Key words: Board selection, regulatory compliance, board leadership, information disclosure, corporate governance, organizational performance

INTRODUCTION

Corporate governance is largely viewed as a framework that safeguards firms from weaknesses and future monetary misery. Cooray and Senaratne (2020) define corporate governance as a way a corporation adopts its policies and as such it is regarded as a method of governing a company like a sovereign state instating its own customs, policies and laws to its employees from the highest to the lowest levels. As per Warrada and Khaddam (2020) corporate governance is the framework by which organizations are coordinated and controlled. Corporate administration incorporates customs, laws, strategies and cycles and establishments that influence how a firm is overseen (Naciti, 2019). Wu (2021) showed that corporate governance of any corporate substance influences the capacity of organizations to react to outside factors that make them bear on their monetary presentation.

For organizations to leverage corporate governance as a competitive differentiator, there is a need to incorporate the corporate governance practice as part of the overall organizational strategy. According to Warrada and Khaddam (2020), corporate governance has become a concern in the contemporary world due to its role in ensuring effectiveness and enhancing strategic relevance. A poorly instituted corporate governance results in a poor organizational strategy, which compromises the strategic brand positioning on the market, affecting overall corporate success. Commonly, Savings and Credit Cooperative Societies (SACCOs) comprise of managers who are also shareholders (members). SACCOS are inclined to have a less conspicuous demarcation between proprietorship and administration compared to larger firms. Since SACCOs are dependent on public funds, the matters surrounding accounting role towards the public sphere does not exist.

Nyangau and Oluoch (2021) alludes that high rate of interest attract more members to save with the Sacco thus creating a bigger pool of finances and they should also offer attractive products and better services in order to attract more deposits than their competitors. Customer satisfaction is a key indicator of performance because satisfied customers are likely to provide recurring business. This is because, not only will satisfied customers be loyal and possibly willing to accept higher prices for the goods or services of an organization, but they will also recommend the firm’s products to others (Abor & Wen, 2020). The organizations' management and leaders view, interpret and implement strategies and organizations' projects based on their personal traits, principles, experiences, moral standing and other human factors. Performance metrics in line with protecting and advancing the interest of a co-operative society, especially in preserving autonomous decision-making ideologies.

As per Warrada and Khaddam (2020), a well working corporate administration framework encourages a firm to pull in speculation, raise reserves and fortify the establishment for firm money related execution. Corporate governance of any corporate substance influences the capacity of organizations to react to outside factors that make them bear on their monetary presentation. For organizations to leverage corporate governance as a competitive differentiator, there is a need to incorporate the corporate governance practice as part of the overall organizational strategy. Nugroho (2021) recapped that changes in share ownership across the United States and the UK led to an increased concentration of institutional shareholders such as insurance companies and pension funds also necessitated the institutionalization of stricter controls to curb fraud. External funding from the capital market from local and overseas markets led to the need for legitimacy in acquiring funds at the lowest risk. These have led to the increase in internal controls as an element of corporate governance.

Yameen, Farhan and Tabash (2019) additionally reasoned that board responsibility and review council insignificantly affected firms' exhibition estimated by return on values and Tobin's Q. Additionally, straightforwardness and divulgence (TD) had a unimportant adverse consequence on firms' presentation estimated by Tobin's Q. Likewise, the nation sham outcomes uncovered that Indian firms were performing better compared to Gulf nations as far as corporate administration rehearses and monetary execution. According to Chigundu (2018), South Africa is amongst the best performers in corporate governance in Africa. Corporate governance has become a concern in the contemporary African setting due to its role in ensuring effectiveness and enhancing strategic relevance. Tremendous progress has taken place in implementing CG rules and standards. CG in Africa is undermined by the lack of progress in economic and political governance. However, lack of framework to manage wealth continues to plague and plunge many corporate entities in many developing countries of the world and especially in Africa into the vicious circle of liquidation.

Mukaddam and Sibindi (2020) reported that relative to other developing regions of the world, sub-Saharan African countries have the lowest overall level of investor protection next to the Middle Eastern and North African countries as measured by this index. It ranks lowest for the sub-index on the extent of director liability and second and third from the bottom for the ease of shareholder’s suit and extent of disclosure sub-indices, respectively. Chigudu (2018) indicated that CG is relatively high rating with regard to ease of shareholders suits is due to the particularly strong performance by countries such as Mozambique, Lesotho, Tanzania, and Zambia. In contrast, its relatively lower performance with regard to extent of disclosure is on account of the poor performance of some African countries (Mukaddam & Sibindi, 2020). Kenya has ratified and adopted the most significant international standards and codes for CG, but needs to extend them to the SME sector as well. Enforcement has been patchy, as the institutional capacity of regulators and supervisors has been limited. The Centre for Corporate Governance Practices in Kenya has been instrumental through participatory processes in developing generic and sector specific corporate governance codes of best practices, covering all companies generally, state-owned enterprises, cooperatives, banks, reporting and disclosure and on the role, duties and obligations of shareholders and members (Omware, Atheru & Jagongo, 2020).

Kipruto and Minja (2020) reiterated that the corporate governance codes in Kenya recommend that companies have non-executive directors, form audit committees with independent members, and separate the positions of chairperson and chief executive as among of good practices of corporate governance. According to Manduku, Mulwa, Omolo and Lari (2020), the legal framework governing accounting and financial reporting, professional education and training, professional associations, and enforcement mechanisms also need to be improved. Kenya's CG framework does not provide for the pooling of voting rights of minority shareholders. It has, however, effectively pursued a public awareness campaign on business policies and is collaborating with local business associations and non-government organizations to develop codes of ethics for businesses. SACCOS are inclined to have a less conspicuous demarcation between proprietorship and administration compared to larger firms. In SACCOs, satisfied members will always recommend the Sacco to others which enables the Sacco to grow in membership.

Deposit-taking SACCOs in Kenya are licensed to undertake and operate quasi-banking activities where members are offered opportunity to operate current and transactional accounts just like in conventional banks. Nyangau and Oluoch (2021) pointed that some of the benefits of quasi-banking services include business and salary accounts, processing of salaries, salary advances, mobile banking and debit cards. According to SASRA (2021), there are 175 registered deposit taking SACCOs in Kenya. A report by State Department of Cooperatives (2017) indicated that deposit taking SACCOs command 72% of the SACCOs sector in Kenya, most of these are regulated to safeguard their depositors (CBK, 2020). Deposit taking SACCOs have resorted to borrowing from commercial banks to satisfy their member's demand for loans.

STATEMENT OF THE PROBLEM

Majority of the grassroots Sacco's that draw their membership from the most vulnerable populations have specifically been found to be weak or dormant, informing the need to wind them up or propose mergers if they are to survive (Ministry of Cooperatives, 2018). Just three Sacco's; Mwalimu, Ekeza and Stima Investment Co-operative, are together estimated to have lost their members upwards of Sh3.6 billion through mismanagement or outright fraud by officials and boards. Deposit-taking SACCOs form a key ingredient within the Kenyan financial sub-sector which provides financial services and products to a large proportion of the Kenyan population (CBK, 2020). In 2015**,** SASRA blacklisted Seven Sacco's including Good life Sacco Society, Fedha Microfinance ltd, Prevailing Sacco society ltd, Millionaire Sacco Kenya, New Milimani Sacco ltd, Urithi premier and Urithi housing coop society ltd because they did not meet the regulatory criteria and poor governance, some of these Sacco's finally collapsed.

Other SACCOs have collapsed due poor corporate governance and weak internal controls including DECI, Good life Sacco Society, Ekeza Sacco, Moi University Sacco (Musco), Nitunze

Sacco (Formerly Mumias out growers Sacco), Shoppers Sacco (Formerly Nakumatt employees Sacco), Nyamobite coffee society in Kisii and Ntiminyakiru in Meru. This is a major problem that needs to be addressed. Despite commanding 72% of the SACCOs sector in Kenya, deposit taking SACCOs have been grappling with fluctuating performance over the recent years. Their Return on Assets increased from 5.30% in 2018 to 10.05% in 2019 before decreasing to 9.91% in 2020 and later increasing to 11.33% in 2021. The non-performing loans in the Deposit-Taking SACCOs grew from KSh 3.87 Billion in 2019 to Kshs.5.04 Billion in 2020. In addition, Institutional Capital/Total Assets decreased by 1.2% and operational risks contributed to losses amounting to KSh 106 million between 2019 and 2021 (Nyangau & Oluoch, 2021).

Locally, Nyangau and Oluoch (2021) conducted a study on overall monetary performance of deposit-taking financial savings and credit score cooperative societies in Western Kenya is prompted by using board features. Kipruto and Minja (2020) investigated the effect of company governance practices on economic performance amongst Kenyan parastatals, with a focus at the Kenya Pipeline organization (KPC), whilst Omware, Atheru, and Jagongo (2020) investigated the link among company governance and monetary overall performance of decided on industrial banks listed on the Nairobi Securities exchange. None of those research have checked out Kenyan SACCOs' corporate governance and overall performance. because of the foregoing, limited research were done to analyze the relationship among company governance and deposit-taking SACCO overall performance inside the Central Region of Kenya area, resulting in a research hole. This research was a modest try and near this hole via searching into the effect of company governance tactics on deposit-taking SACCO overall performance inside the Central Region of Kenya.

OBJECTIVES OF THE STUDY

General Objective

The general objective of this study was to study the influence of corporate governance practices on the performance of the deposit taking SACCOs in the Central Region of Kenya.

Specific Objectives

The study was guided by the following specific objectives;

i. To examine the influence of board selection on the performance of deposit taking SACCOs in the Central Region of Kenya.
ii. To establish the influence of regulatory compliance on the performance of deposit taking SACCOs in the Central Region of Kenya.
iii. To determine the influence of board leadership on the performance of deposit taking SACCOs in the Central Region of Kenya.
iv. To assess the influence of information disclosure on the performance of deposit taking SACCOs in the Central Region of Kenya.

THEORETICAL REVIEW

Agency Theory

Alchian and Demsetz (1972) established agency theory which was later on value-added by Jensen and Merckling (1976). The agency hypothesis expounds that supervisors dependably try to make need their welfare at the investors cost which causes irreconcilable situation between the two gatherings. As per Mallin (2012), the proprietors, who for this situation are investors, experience office costs since supervisors are observing and controlling their riches for their benefit. However, Koji, Bishnu and Le (2020) argued that an agent may succumb to resourceful trend, selfish interest and fail to meet set targets of the principal.

Under agency theory, issues on management of a corporation under Corporate governance is defined as a process by which the senior management and board of directors function as monitors and try to resolve issues that arise from the principal-agent relationship. The major purpose of corporate governance standards, according to Mohan and Chandramohan (2018), is to reduce the likelihood of managers acting against shareholders' interests. The annual general meeting is the highest decision-making body in the credit societies and the meeting is the backbone of the internal governance system. Nestor (2018) revealed that there has to be separation of ownership between the board members and management as the principal-agent relationship needs this. For management purposes, good corporate governance practices must be encouraged and cultivated. In most cases, principals are in desperate need of funds, while agents are anxious about wage increases (Chigudu, 2018).

According to Zahid (2018), a rise in salaries can be achieved by incorporating good corporate governance principles and employing good leadership systems. Additionally, growth of members' deposits as a result of the culture of a business enterprise which ensures that the management does not abuse power of the office, they hold through a working culture that is based on ethical approach or means. According to Chigudu (2018), monitoring and control of costs is reduced and managers or agents are able to focus on other wealth creation ventures in a firm. In this study, the board members are agents while the principals are the shareholders. This theory is thus relevant in explaining the general roles of corporate governance practices.

Stewardship Theory

Donaldson and Davis (1991) propelled this hypothesis as an option in contrast to the organization hypothesis. He contended from the perspective on administrative inspiration by expressing that administration a long way from being a sharp shirker basically needs to work admirably, to be a decent steward of the corporate resources. The hypothesis attempts to recognize the circumstance where both the vital and the steward are adjusted. Its utility is augmented when the stewards' objectives are facilitated with the principals' (Arthurs and

Busenitz, 2003). The hypothesis acknowledges that operators are astute yet that human thought processes are something other than self-realization.

In this manner specialists that are driven by hierarchical and collectivistic thought processes have a higher utility by going for objectives that are the best for the business which regularly line up with the enthusiasm of its key (Bender, 2011). This circumstance is accomplished all the more promptly where the CEO is likewise seat of the board. Further the stewardship hypothesis expresses that observing and controls that are proposed by the organization hypothesis meddle with the inspiration of the steward. This could prompt loss of profitability and actuate shrewd conduct. Since there is no contention between the essential and the steward the hypothesis recommends that the operators get strengthening and self-sufficiency from their principals. This prompts an expansion in profitability, and in this structure, they can make a situation where the operators could continue successfully.

In the event that the two gatherings choose for a stewardship relationship, this would be a genuine stewardship relationship. Here no organization costs happen in light of the fact that the stewards' demonstration in light of a legitimate concern for its essential (Bender, 2011). Along these lines, stewardship hypothesis centers around encouraging, engaging structures, and holds that combination of the incumbency of the jobs of seat and CEO will improve viability and produce, therefore, better returns than investors than partition of the jobs of seat and CEO and is thus considered important in understanding the board leadership. This theory therefore relates to the roles of board leadership in execution of corporate governance in the societies.

Stakeholder Theory

According to Freeman (1994), the stakeholder theory is based on the assumption that values are necessarily and explicitly a part of doing business and that managers need to articulate the shared sense of value they create to bring its key stakeholders together. John and Senbet (1998) noted that the multiplicity of principals tends to give rise to conflicting interests. They also emphasize the importance of board size, noting that after a point, increasing the size of the board could be detrimental to firm performance. The Stakeholders' theory challenges the primacy assumption of shareholder interests and advocates that a company should be managed in the interests of all its stakeholders. When stakeholders get what they want from a firm, they return to the firm for more (Freaman & McVea, 2001).

Ulrich, et al. (2008) argues that stakeholders can be instrumental to corporate success and therefore, corporate leaders have to consider the claims of stakeholders when making decisions and conduct business responsibly towards the interests of all stakeholders. Freeman (1994) argues that advocates of stakeholder theory refuse to specify how to make the necessary tradeoffs among these competing interests, they leave managers with a theory that makes it impossible for them to make purposeful decisions. According to Kaptein and Van Tulder (2003) with no way of keeping a balanced score, stakeholder theory makes managers unaccountable for their actions making them adopts a reactive approach which does not integrate stakeholders into corporate decision-making processes.

This results into a misalignment of organizational goals and stakeholder demands (Mackenzie, 2007). Turnbull (2002) and Watkins (2003) attribute scandals such as those of Enron and WorldCom to the failure of the managers to consider stakeholder concerns in decision making. Mallin (2004) argues that compared to agency theory, enlightened stakeholder's theory which utilizes much of the structure of shareholder's theory advocates that, a firm's top management cares more about the firm's long-term success and accepts maximization of the long run value of the firm as the criterion for making the requisite tradeoffs among its stakeholders. Similarly, this theory is deemed to be informative to the influence of board selection practices on performance of deposit taking SACCOs.

Upper Echelons Theory

Upper Echelons Theory (UET) was developed by Hambrick and Mason's in 1984. The theory explains the correlation between the organizational outcomes in terms of both strategies and effectiveness and the reflections of the values and cognitive bases of senior management in the organization (Hambrick & Mason, 1984). The theory further explains that top managers' perception of their corporate environment influences the strategic choices they make which eventually affects the performance of the organization. It further states that the areas' top managers direct their attention to and the perceptions of the environment that result are restricted by their cognitive base and values.

In other words, personal characteristics of top managers determine the aspects of the environment that they can "see" and what they see inform the decisions they make regarding strategic choices which ultimately affects the bottom-line of the organization. Basically, based on the above understanding, the top managers and leaders in an organization are directly responsible for strategy and project formulation and implementation. The organizations' management and leaders view interpret and implement strategies and organizations' projects based on their personal traits, principles, experiences, moral standing and other human factors. The theory suggests that strategic choices of managers and leaders in organizations are a function of twenty-five unique characteristics displayed by those leaders. These characteristics are divided into psychological and observable characteristic; where psychological characteristics include cognitive bases values and observable characteristics include factors such as age, financial position, education, socio economic factors, career experiences and ground characteristics (Hambrick & Mason, 1984).

The theory focuses on examining observable characteristics given the challenges in measuring of values, cognitive factors and perceptions of leaders (Carpenter, Geletkanycz and Sanders (2004). The age differences, career experiences and education background can be used to forecast the actions of managers when making decisions and thus directly affects organizations strategic choices of projects hence performance. Individual managers' characteristics may be overshadowed by their professional experience within an organization or the macro environment that the organization operates in Juravich (2012). Managers who are more experienced than their counterparts tend to make strategic decisions and choices based on their experience and not personal attributes.

Upper Echelons theory is applicable in Microfinance institutions industry in Kenya in that any person to be appointed as a Managing Director or Chief Executive Officer of any financial institution requires that the person should possess relevant experience within the industry. This experience is essential in establishing the relevant approaches in information dissemination. As such this theory will be crucial in informing the influence of information disclosure practice on performance of SACCOs.

CONCEPTUAL FRAMEWORK

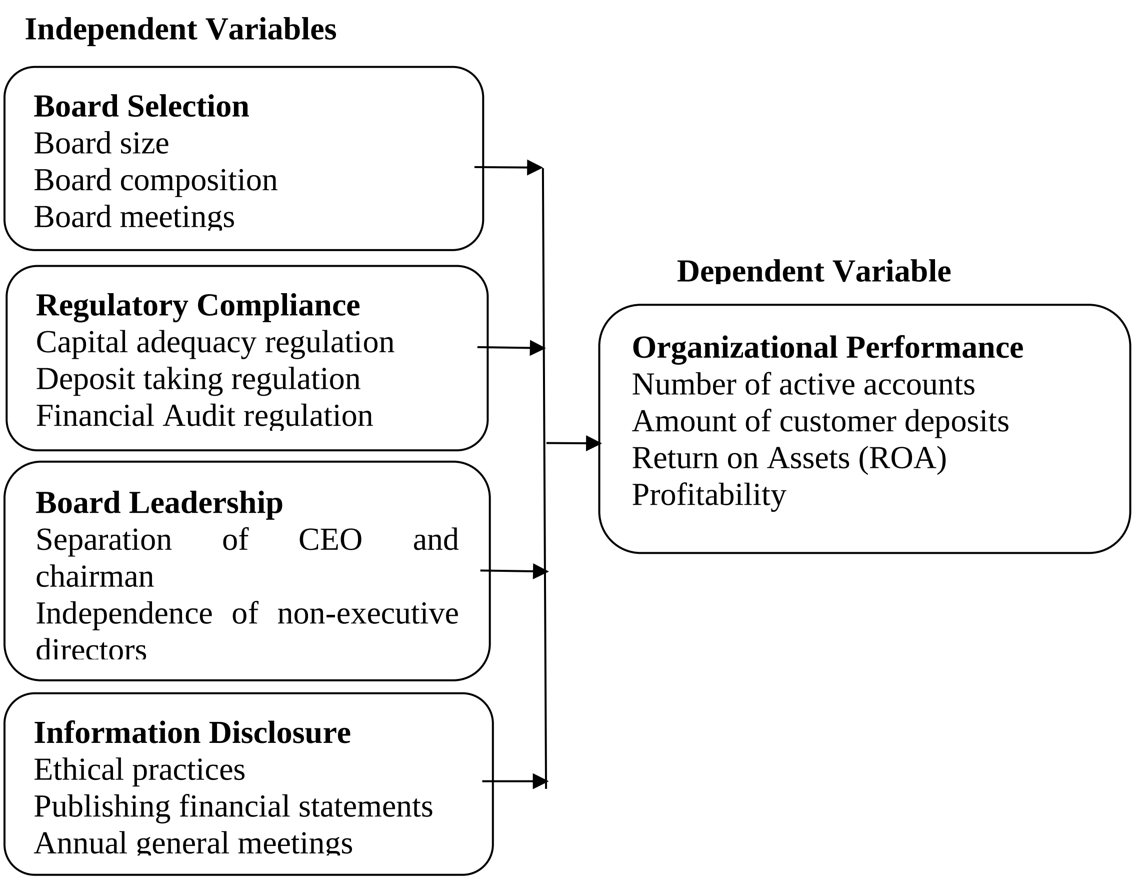

Figure 1: Conceptual Framework

Board Selection

Attributes are the features and traits of the board members chosen to lead the organizations (Naciti, 2019). The multiplicity of these features and traits determines the committee's capabilities as a body of thought in managing and guiding the entities' operations. As a result, some characteristics of board members are highly valued in achieving the organizations' aims and objectives. Board features are analyzed by means of board structure, board composition, and board meetings in the current study.

Zahid (2018) carried out a study on the impact of corporate governance on earning quality in Pakistan. The study consisted of firms from food, agriculture, pharmaceuticals and manufacturing sectors listed on the PSX. The total sample taken for analysis is 107 companies belongs from multiple manufacturing sectors. The data covers a time span of 10 years from 2007 till 2016. This study is based on the secondary data which is collected from PSX and individual company portals. The overall results of the study have shown mixed results as multiple variables of corporate governance have been regressed during the study. Board size, CEO duality, Board composition, Board independence, Frequency of board meetings, Audit Committee size, Audit committee meeting and Audit quality were taken to measure the impact of corporate governance. The overall results have shown very positive impact of audit meeting and board composition on earning quality. On the other hand, CEO duality and board size have shown very negative impact on earning quality.

Guest (2019) noted that the UK provided an interesting institutional setting, because UK boards play a weak monitoring role and therefore any negative effect of large board size is likely to reflect the malfunction of the board's advisory rather than monitoring role. Based on the dependency perspective, skilled and qualified boards act as strategic resources to connect other important resources outside the firm. A large board is seen as less effective in monitoring performance, but when accounting returns are used, large boards seem to provide the firms with the diversity in contacts, experience and expertise needed to enhance performance. Guest (2019) found that board size has a strong negative impact on profitability, Tobin's Q and share returns. They also found that the negative relation is strongest for large firms, which tended to have larger boards. Overall, their evidence supports the argument that problems of poor communication and decision-making undermine the effectiveness of large boards.

Regulatory Compliance

Regulatory compliance is defined by Parise and Shenai (2018) as to the level of adhering to legal systems including state laws, and statutory regulations. Compliance to regulations is vital as it will help to prevent the occurrence of such incidents through controlling and reducing banking activities affects the country's economy. This is one of the critical attributes of governance infrastructure. regulatory frameworks and instruments are responsible for monitoring operations, preventing failures and directing the developments by SACCOs. Thus, the dimensions of regulatory quality and rule of law of country governance can reflect the legal environment. In this study, regulatory compliance is measure in terms of capital adequacy regulation, deposit taking regulation and financial audit regulation.

Ibrahim (2019), examine the relationship between SMEs corporate governance, the structure of capital, and the structure of ownership in Ghana. The study showed that a positive relationship exists and the ownership structure is found to be positive and substantially linked to the capital structure across all corporate governance variables, except for board size. According to Warrada and Khaddam (2020) compliance to regulations is vital as it will help to prevent the occurrence of such incidents through controlling and reducing banking activities affects the country's economy. This is one of the critical attributes of governance infrastructure. regulatory frameworks and instruments are responsible for monitoring operations, preventing failures and directing the developments by SACCOs. Thus, the dimensions of regulatory quality and rule of law of country governance can reflect the legal environment.

Board Leadership

Board leadership in characterized as the combination of various approaches and frameworks provided in ensuring that the board members are able to accomplish their duties as the leading body in an organization (Nugroho, 2021). According to Warrada and Khaddam (2020) board leadership plays a very crucial role in ensuring that there is reasonable distribution of duties and resources to accomplish the various functions. In this research, board leadership is quantified in terms of separation of CEO and chairman, independence of non-executive directors and appointment of board members.

Nestor (2018) conducted a comparative perspective on the effectiveness drivers in constituency boards. The study utilized board structure, bank size, audit existence, board size and ownership size and external corporate governance mechanisms namely: government regulation and supervision, capital adequacy ratio and loan loss provisioning as independent variables and ROE and ROA as dependent variables, they failed to consider Tobin's q as a market measure of performance that is critical in any study on corporate governance. The presence of a weak legal frameworks to protect shareholders' rights in these institutions might prompt governments and regulators to frequently intervene in financial institutions' operations. This is the case of the Kenyan deposit taking SACCOs where SASRA and Central Bank of Kenya are the regulatory bodies charged with the responsibility of directing these financial institutions.

Information Disclosure

Mohan and Chandramohan (2018) define information disclosure as the ethical and moral conformity with the provided guidelines in gathering, synthesizing and disseminating the relevant information regarding the financial status of an organization. Such process takes into account the transparency, reliance and reverence in accounting, auditing and reporting of these information. In this research, information dissemination is measured in terms of ethical practices, publishing financial statements and annual general meetings in the Deposit Taking SACCOs under investigation.

As indicated by Darko et al., (2018), the executives are liable to occasional (frequently yearly) re-appointment by the investors. This would seem to give the investors extreme power, yet in many divisions it is perceived that execution must be made a decision over the medium to long haul. The board of directors comprises of five to eleven officials but this figure differs depending on the organization. Nugroho (2021) reported that even if leadership is learned, the aptitude and facts a leader possesses is subject to influence by his or her traits or attributes for example, their character, what they believe in and their ethics and values.

Organizational Performance

Organizational performance refers to the attainment of ultimate goals of the organization as set out in the key organizational plans (Ghosh & Ansari, 2018). Customer satisfaction is a key indicator of performance because satisfied customers are likely to provide recurring business. This is because, not only will satisfied customers be loyal and possibly willing to accept higher prices for the goods or services of an organization, but they will also recommend the firm's products to others (Abor & Wen, 2020). In the current study organizational performance is determined by the various aspects like customer numbers, market shares, amount of customer deposits and profits recorded by the SACCOs.

According to Ahmed. (2019), majority of the business entities and in particular financial institutions in Africa have been found to lack the ability to manage wealth by effectively developing and encouraging indigenous and foreign investors to stake their capital for reasonable returns. Compliance to regulations is vital as it will help to prevent the occurrence of such incidents through controlling and reducing banking activities affects the country's economy. This is one of the critical attributes of governance infrastructure. regulatory frameworks and instruments are responsible for monitoring operations, preventing failures and directing the developments by SACCOs. Thus, the dimensions of regulatory quality and rule of law of country governance can reflect the legal environment.

RESEARCH METHODOLOGY

The study adopted a descriptive research design approach. The study population was the Deposit Taking SACCOs registered by SASRA in Kenya (SASRA, 2021). Deposit taking SACCOs in the Central Region of Kenya were chosen because the region was home to 61% of the SACCOs in Kenya. As such, the population of the research focused on all 52-deposit taking SACCOs in the Central Region of Kenya. The study's units of observation constituted the includes executive committee members, ordinary directors/members of board, supervisory committee members and management staff (i.e. CEOs, Managing directors, and middle level managers), top and middle level managers in the key departments concerned with corporate governance and performance. This composition translated to a total number of potential respondents of 544.

A sample of 10% was selected from within each group in proportions that each group bears to the study population. This generated a sample of 54 respondents which the study sought information from. Purposive sampling technique was used to select at least one (1) SACCOs in each county where the respondents were selected proportionally across the strata as outlined in the sampling frame. A semi-structured questionnaire was used as the tool for collecting data. The drop and pick method was used allowing one week for the exercise. The researcher distributed the questionnaire to top and middle management staff of the selected deposit taking SACCOs and collect the completed forms after the agreed period.

The qualitative and quantitative analysis of data was done to answer the research questions of this study. The researcher used Statistical Package for Social Sciences (SPSS Version 25) analysis software as well as Microsoft Excel (Spreadsheet) to aid in calculation of descriptive statistics. Qualitative data was analyzed through an evaluation of the common notions and was presented in the form of a discussion. The performance of the SACCOs was measured in terms of customer numbers, market shares, amount of customer deposits and profits. The multiple regression model equation is as follows:

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

Where;

Y= Organizational Performance

X_1= board selection

X_2= regulatory compliance,

X_3 = board leadership,

X_4 = information disclosure,

βo = Constant term/intercept,

$\beta_1, \beta_2, \beta_3, \beta_4$ are regression Co-efficient of variables X_1, X_2, X_3, X_4 respectively,

ε =Error term

A Karl Pearson Moment Correlation analysis was conducted on the data to determine the relationship of the variables in showing the influence of corporate governance practices on the performance of the deposit taking SACCOs in the Central Region of Kenya. The results were presented in graphs and tables. Both quantitative and qualitative data were compiled to generate the final report.

RESEARCH FINDINGS AND DISCUSSIONS

Out of the 54 questionnaires issued, a total of 48 questionnaires were returned fully filled implying a response rate of 88.9%. From the study, 54.2% of the respondents were male while 45.8% of them were female. 29.2% of the respondents were aged between 41 and 45 years and 25.0% of the respondents indicated that they were aged between 36 and 40 years. In addition, 16.7% of the respondents were between 46 and 50 years, 12.5% of them were 31 to 35 years old and another 12.5% of the population comprised of respondents aged above 50 years. 37.5% of the respondents were drawn from the management staff designations, 33.3% of them were ordinary directors and members of the boards, 1.7% of the responses came from supervisory committee members while 12.5% of them were views from executive committee members of the deposit taking SACCOs within the Central Region of Kenya. 45.8% of the respondents indicated that they had been working in the SACCOs for a period of between 7 and 10 years.

Board Selection and Performance of Deposit Taking SACCOs

The study found that the board of their organizations consisted of few members the board members are attached to a specific board subcommittees in the SACCOs, the independent directors approve a range of financial decisions, the composition of board is considered appropriate for decision making, the independent directors in the organizations impact a range of board decisions, the independent directors are effective at negotiations, non-executive directors ensure that insiders stimulate actions consistent with shareholder value maximization, the board of these organizations have all the necessary subcommittees and that the composition of the boards in the SACCOs is considered to be of right size.

Regulatory Compliance and Performance of Deposit Taking SACCOs

The study found that the SACCOs comply with the laws and regulatory bodies (e.g., SASRA/KUSCO) in their activities, the SACCOs adhere to all the provided regulations responsible for monitoring the firms' operations, the SACCOs adhere to rules and regulations set by SASRA/KUSCO/Ministry, the SACCOs comply to SACCO prudential regulations to enhance transparency and accountability in operations, there is a standard of measurement set.

Board Leadership and Performance of Deposit Taking SACCOs

The study also established that the CEO's role in the SACCOs are separated from the chairman's role, the board adopts appropriate decision-making processes in its activities; the role of CEO has set-up and implemented various corporate strategies; the main role of the chairman involves monitoring and evaluating the performance of the executive directors, including the CEO; decisions concerning the Society are made by the board; the post of the chairman is part-time and the main responsibility is to ensure that the board works effectively.

Information Disclosure and Performance of Deposit Taking SACCOs

The study revealed that information disclosure affects the performance of SACCOs to a great extent. It was evident that procedures put in place to ensure ethical behaviour in the SACCOs, morals are followed in organization's arrangements and procedures, adequate accounting systems and records support financial performance and governance reports and that truthful financial statements provide information about the financial position of the SACCOs. Corporate governance practices have led to increment in profits, growth in customer numbers, increase in deposits by members as well as growth in market share to great extents.

Performance of Deposit Taking SACCOs

The study found that the SACCOs have experienced an increase in total revenue over the recent 5 years, competitive advantage over rivals, achieved targeted performance in the previous five years, are highly profitable as compared to their competitors, experienced an increase in return on asset and and the SACCOs had positive return on investments. In overall, there is significant relationship among independent variable (performance of DT SACCOs) and independent variables (board selection, regulatory compliance, board leadership, and information disclosure). As such, board selection, regulatory compliance, board leadership, and information disclosure are essential for positive performance of DT SACCOs in Kenya.

Inferential Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.872	0.76	0.751	0.573

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	0.804	4	3.216	3.436	.015(a)
Residual	0.026	43	0.104		
Total	0.830	47			

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	4.778	0.453		10.5475	0.0429
Board selection	0.862	0.114	0.024	7.5614	0.0150
Regulatory Compliance	0.879	0.108	0.029	8.1389	0.0133
Board Leadership	0.646	0.173	0.086	3.7341	0.0463
Information Disclosure	0.712	0.137	0.064	5.1971	0.0264

Variables	Correlations	Performance	Board selection	Regulatory Compliance	Board Leadership	Information Disclosure
Performance of DT SACCOs	Pearson	1	.321	.526	.122	.166

	Correlation					
	Sig. (2-tailed)	.	.020	.032	.039	.024
Board selection	Pearson Correlation	.321	1	.426	.166	.174
	Sig. (2-tailed)	.020	.	.002	.024	.030
Regulatory Compliance	Pearson Correlation	.526	.426	1	.042	.103
	Sig. (2-tailed)	.032	.002	.	.047	.043
Board Leadership	Pearson Correlation	.122	.166	.042	1	.097
	Sig. (2-tailed)	.039	.024	.047	.	.046
Information Disclosure	Pearson Correlation	.166	.235	.103	.097	1
	Sig. (2-tailed)	.024	.047	.043	.046	

The values of the Adjusted *R-Squared* show that after a the model is adjusted for inefficiencies the independent variables can explain 75.1% of performance of deposit taking SACCOs in the Central Region of Kenya. From the ANOVA Test, the F value which is calculated at 5% significance level was 3.436 with the significance value of 0.015 which is less than the critical value at 5% level derived from a 2-tailed test. The F calculated in this model is greater than the F critical (at 4, 43, F critical= 2.41). This is an indication of the overall significance of the model. It is therefore derived that there is a significant relationship between corporate governance and performance of deposit taking SACCOs in the Central Region of Kenya.

From the regression analysis, holding constant the predictor variables, the performance of deposit taking SACCOs in the Central Region of Kenya would have a coefficient of 4.778 meaning that if all the factors were Zero (0) the performance of SACCOs (Y) will be equal to 4.778 units. From the results, the regression coefficient for board selection is 0.862. This is supported by a significant value of 0.015 which is less than 0.05. A one-unit change in board features would result in a 0.862-fold change in deposit-taking SACCO performance in the Central Region of Kenya.

SACCO performance was found to have a favorable and significant link with regulatory compliance. The importance of the link is demonstrated by a regression coefficient of 0.879 and a p-value of 0.0133. According to the coefficient, a one-unit increase in regulatory compliance would result in a 0.879-fold rise in deposit-taking SACCO performance in the Central Region of Kenya. The performance of deposit-taking SACCOs in the Central Region of Kenya appears to be influenced by board leadership. The regression coefficient of 0.646 with a significance value of 0.0463 demonstrates this. As a result, a unit change in board leadership would result in a 0.646 change in deposit-taking SACCO performance in the Central Region of Kenya.

The regression coefficient for this was obtained to be 0.7120 with a significant value of 0.0264 less than 0.05 indicating a significant effect of information disclosure on performance. Thus, a unit growth in information disclosure would result to 0.7120 times increase in performance of deposit taking SACCOs in the Central Region of Kenya. Accordingly, good corporate governance practices in SACCOs ensures better interest rates, increased customer numbers, deposit mobilization, creation of internal incentives, income or returns, assets and profitability.

The correlation results show that there is significant relationship among independent variable (performance of DT SACCOs) and independent variables (board selection, regulatory compliance, board leadership, and information disclosure). It was clear that there was a positive correlation between performance of DT SACCOs in the Central Region of Kenya and regulatory compliance with a correlation figure of 0.526 ($p<0.05$); there was a positive correlation between performance of DT SACCOs in the Central Region of Kenya and board leadership with a correlation value of 0.122 ($p<0.05$). In addition, there was a positive correlation between performance of DT SACCOs in the Central Region of Kenya and information disclosure with a correlation value of 0.166 ($p<0.05$). These results show that there were positive correlations between performance of DT SACCOs in the Central Region of Kenya and board selection, regulatory compliance, board leadership, as well as information disclosure. This implies that for every unit change in the variables, there is a positive change on performance of DT SACCOs in the Central Region of Kenya.

CONCLUSIONS

The research deduces board selection are essential in determining management, supervision, bureaucracy and control of organizations hence resulting to better performance. The study deduces that the composition of the board in some of the SACCOs is not a balance of executive and non-executive directors and that the independent directors do not effectively monitor and control the activities of the SACCOs. However, board selection have been crucial in various aspects of operations on the SACCOs. Boards characteristics, board decisions, and financial decisions play very important roles in monitoring firms and that skilled and qualified boards act as strategic resources to connect other important resources outside the organizations.

The level of adhering to legal systems including state laws, and statutory regulations is vital in safeguarding, preventing, controlling and reducing activities that affects the individual organizations as well as the country's economy. In the same perspective, capital adequacy regulation, deposit taking regulation and financial audit regulation affect the performance of Deposit Taking SACCOs in the Central Region of Kenya. Regulatory frameworks are responsible for monitoring operations, preventing failures, directing SACCOs developments, and absorbing economic predicaments for efficient and effective performance. There is a great level of compliance and adherence to regulatory frameworks and guidelines provided which have seen the SACCOs absorb various economic shocks, enhance transparency and accountability and hence performance.

The study further concludes that board leadership is essential in continuous control and innovation that forms a dynamic and informative tactics to exploit opportunities, guide and utilize firms potential around the activities in the prevailing corporate culture hence enhancing the overall performance. Board leadership preserves and strengthens stakeholder confidence, provides the foundation for high performance in SACCOs, and responds effectively to the dynamically changing environment.

The study also deduces that information disclosure is a vital aspect of corporate governance influencing the performance of SACCOs and that information disclosure instill elements of corporate behaviour that generates improved capacity building, better communication, and trust which accelerate positive performance. Information disclosure takes into account the transparency, reliance and reverence in accounting, auditing and reporting which influence the end results in organizational performance. As such, information disclosure in terms of annual reporting, accounting systems, ethical behaviour and financial statements are essential in determining the financial positions of the SACCOs. There has been observed increment in profits, growth in customer numbers, increase in deposits by members as well as growth in market share.

RECOMMENDATIONS

Since board selection like board size, board composition, board meetings and board independence affect the performance of deposit taking SACCOs, the study recommends that SACCOs to adopt boards with the optimal sizes, with independent directors, and balance of executive and non-executive directors as well as necessary subcommittees for effective decision making. The board committees should balance the costs and benefits of meetings frequency given that the study established that if the board increases the frequency of its meetings, the recovery from poor performance is faster.

In addition, the study recommends that the deposit taking SACCOs should adopt practices that enhance their compliance with the law and regulatory bodies. This will entail adhering to legal systems, capital adequacy regulation, deposit taking regulation and financial audit regulation. The SACCOs should adhere to all the provided regulations, and comply with the laws and regulatory bodies like SASRA, KUSCO, Ministry as this will put them in a better position to absorb the various economic predicaments, and enhance transparency and accountability in operations.

The study further recommends that deposit SACCOs should adopt board leadership approaches which embrace appropriate appointment of board members, independence of non-executive directors and separation of Separation of CEO in order to enhance their performance. The SACCOs should strategize and forge other mechanisms to respond to the challenges associated with leadership and control. The role of CEO should be focused on setting and implementing corporate strategy while the main role of the chairman should involve monitoring and evaluating the performance of the executive directors in the SACCOs. The board should exercise enterprise skills, judgment, and standard of measures to assess the accountable performance of the SACCO to achieve prosperity and to act in the best interest of their stakeholders.

The study recommends that information disclosure should be enhanced to increase the performance of deposit taking SACCOs. Accordingly, there is need to focus on cultivating integrity, transparency, and accountability in reporting and information disclosure. In this regard ethical practices, publishing financial statements and annual general meetings should be factual and balanced to ensure that all investors have clear information. Appropriate ethical procedures in information disclosure ought to be implemented to independently review and protect the integrity of the organizations' corporate image. Disclosure and transparency would improve the image of deposit taking SACCOs and reduce risk to the stakeholders hence improves the soundness of these organizations.

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