CORPORATE GOVERNANCE AND FINANCIAL PERFORMANCE OF DEPOSIT TAKING SACCOs IN NAKURU COUNTY, KENYA

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International Academic Journal of Economics and Finance (IAJEF) | ISSN 2518-2366

Received: 19th October 2021

Published: 2nd November 2021

Full Length Research

Available Online at: https://iajournals.org/articles/iajef_v3_i7_264_285.pdf

Citation: Muthee, L. W., Theuri, J. M. (2021). Corporate governance and financial performance of deposit taking Sacco's in Nakuru County, Kenya. *International Academic Journal of Economics and Finance, 3(7), 264-285.*

ABSTRACT

Corporate governance is very important in the functioning of an organization and includes direction, control, authority, stewardship and accountability. Financial performance shows the health of an organization financially over a given period of time. The study established the effect of corporate governance on the financial performance of deposit taking SACCOs in Nakuru County. Specifically, this research established the effect of board size, board diversity, transparency and disclosure effect on the performance of DT-SACCOs in Nakuru County. Descriptive research design was applied while the target population was fourteen DT-SACCOs operating in Nakuru County. To collect qualitative data, questionnaires were used whereas quantitative data of each SACCO was collected from SASRA reports available in their website for a period of five years. Descriptive statistics and inferential statistics specifically the multiple regressions analyzed qualitative data. Results showed that 52.6% of the SACCOs had board members between 10 and 12, 63.2% of the respondents showed that more than 10 of their board members were shareholders, 52.6% of the respondents showed that less than 5 of their board members were non-shareholders while 71.1% indicated that board members between 6 and 10 were outside directors. 42.1% of the respondents denoted that female board members in their SACCO were less than 3 with 31.6% of board members being finance specialists. All the respondents indicated that their SACCOs disclose the financial information and that the information is published in the SACCOs website. Results further showed that 68.4% of the respondents denoted that their SACCOs disclose the information annually. Mean summaries of the board size, board diversity, transparency and disclosure statements showed that respondents agreed to a large extent that corporate governance variable studied affected financial performance of DT-SACCOs in Nakuru County. Results further showed that that the linear correlation between the board size, board diversity and financial performance was positive and insignificant. The linear correlation between the financial performance and transparency and disclosure was negative and insignificant. The study concluded that board diversity is a key factor of performance of deposit taking-SACCOs in Nakuru County as it affected the financial performance of DT-SACCOs significantly and recommends diversification of the board with different professionals to boost their financial performance.

Key Words: **Corporate governance, DT-SACCOs, financial performance, Nakuru County**

INTRODUCTION

The economic growth of a country is heavily impacted by financial performance and shows firm’s efficiency in utilizing its assets to produce revenues. Return on investments, accounting profitability and market value are some of the measures that mirror financial performance (Naser & Mokhtar, 2004). High performance in finance represents quality in organizational resource management and productive usage. This can be indicated by growth of the sales, stock prices growth or employment rate changes growth and profitability. Efficiency in the management of different economic resources directly affects financial performance of companies (Njanja & Pellisier, 2011). According to Kennerley & Neely (2002), firm's performance may be influenced by either the external and internal factors. Financial performance measures can either be financial or non-financial. Financial measures asset's return, equity returns and return on capital employed. Non- financial performance metrics include the credibility of the business, power and quality of consumers, productivity and creativity (Ittner & Larcker, 2003).

Most developing countries embrace good corporate governance now, owing to its ability to positively impact sustainable growth. Good governance enhances investor's confidence on their investments (Kolk & Pinkse, 2010). Companies nowadays are seeking to improve their corporate governance practices as this increases firm's value. According to Claessens et al. (2002), enhanced business structures do profit firms by increased finance access, low capital costs, performance improvement and better stakeholder's treatment. Warue et al. (2018) asserts that efficient corporate governance is relevant in increasing the confidence of the investor and market liquidity.

Corporate governance entails the means through which firms are directed and regulated. This entails leadership, responsibility, authority, command and control (Mwanja et al., 2014). Corporate governance incorporates regulations, rules and laws which enable a firm to efficiently perform and also attract capital. According to Tosuni (2013), it is a process by which firms are held responsible for those choices and actions that are within the firm. A remarkable corporate governance policy of a firm requires the firm's competitiveness within a society. It lays major emphasis on efficiency on the usage of the resources and also social responsibility (Wanyoike, 2013). Corporate governance is highly concerned with managing and reconciling the problems that exist between stakeholders and the organization (Becht et al., 2014).The responsibility of governance of the firms is with the board of directors.

According to Anyanga (2014), corporate governance core dimensions include; board size, diversity, transparency and disclosure and independence. Board size affects management's ability to control corporate governance (Cheng, 2008). An optimum size of board members has not been unanimously agreed upon. However, a large number maybe a challenge in terms of efficient use of the members and ensuring that there is active involvement of each individual. The report of the Corporate Library's study notes the average size of the board consists of 9 members. Moreover, a range from (3-31 members) is what most boards range from. Other analysts suggest that the seven members is the ideal size. A board consisting of fewer members is perceived to be more effective in carrying out governance and oversight as compared to boards consisting of more members.

Board diversity takes into consideration a wider range of characteristics such as age, education level, ethnicity, gender or race (Carter et al., 2003). Diversity can also be looked at the perspective of board members skills and experience. Members of the board have a need of being diverse so as to ensure there exists a balance on the board as this leads to efficiency in monitoring and hence translate to good financial performance of the company.

Corporate transparency and disclosure indicates to what degree corporation's behavior may be observable by outsiders (Akhtaruddin et al., 2009). It is as a result of legislation, local standards and records, confidentiality and business policies that concern the decision making of the corporations and also operations transparency to all the stakeholders. According to Chiang et al., (2005) corporate transparency of a firm is related to performance, and high levels of disclosure and transparency are found in firms with efficient corporate governance. From outsider's perception, transparency can simply be described as perceived quality of the firms' information that is intentionally shared. Corporate transparency can be looked at in three dimensions of information disclosure, accuracy and clarity.

Financial performance indicates the efficiency of an organization to utilize its resources for the generation of revenue for day to day operation of a business (Kiaritha, 2015). It is an indicator of the financial strength of the organization. According to Mowen and Hansen (2005), financial performance is important because it is lays its bases on the outcome that firms' management attains. According to Kennerley and Neely (2002), internal factors and external factors may influence the performance of a firm. High financial performance is an indicator that there is efficiency in the management and the use of the resources of the company. This can be shown in terms of the increase in sales growth, productivity, stock prices or employment rates.

In deposit taking SACCOs the indicators of financial soundness SACCOs are capital adequacy ratios, liquidity, asset quality and profitability and earnings ratios. The major components of SACCOs are the loans and deposits from the members. Hence liquidity measure preferably the total loans (TL) to the total deposits (TD) ratio is appropriate. The level of liquidity indicates firms' ability to finance asset development and meet its commitments as and when they come due. Just like any other financial institution deposit taking SACCOs needs to have a similar level of the liquid resources short-term FOSA deposits and any other liabilities in so as to ensure that they remain liquid. The minimum regulatory ratio set is at 15%. Therefore in order to ensure, sound liquidity management, deposit-taking SACCOs can only procure loans up to 25% of the total assets (SASRA Report, 2017). The ratio of TL to TD tests deposit-taking SACCOs capacity to finance their lending activities using internally generated deposits. A ratio of between 70% and 80% is highly desirable as this leaves the institutions with enough liquidity to enable them invest in instruments that are liquid (SASRA Report, 2017).

Statement of the Problem

Shafi (2004) opined that corporate governance operates inside the firm and is largely dependent on the stakeholders in a firm, board of directors and firm's officials for its efficacious implementation. In the current years, corporate governance has taken on importance in the world economy. This is because institutional investors insist on high standards of corporate governance when they are seeking to invest their funds in global economy. Public attention from corporate scandals has forced the stakeholders to consider corporate governance issues carefully (Morck, 2004). Corporate governance has its concerns on the efficiency and profitability of the firm. The SACCO sub-section of Kenya is the biggest in Africa. It is an important player in providing financial services to Kenyans. SACCOs pool financial resources needed to invest and create wealth (Ratemo, 2015). They stimulate economic growth by domestic savings mobilization. The necessity of the subsector to the economy is demonstrated by the inclusion as the drivers of economic growth in Kenya Vision 2030 economic plan (Republic of Kenya, 2007).

The criteria for tracking trends in DT-SACCOs overall aggregate performance and growth overall aggregate performance of remain its assets, deposits, loans, reserves and share capital of the members and membership (SASRA report, 2017). SACCOs have shown a rising trend since the year 2014 as indicated by a rise in deposits held and total assets increase. Despite government programs aiming at improving the business setting of SACCOs, efficient operation of a number of them in comparison to other financial institutions has not been possible. Their performance has not been up to the expectation of their members leading to discontentment (Amenya & Ombui, 2016). Further, Otieno et al., (2015) suggested that most of the challenges faced by SACCOs arise from financial mismanagement and poor governance since some SACCOs have not been practicing good corporate governance.

Corporate governance relationship with financial performance has been studied extensively. Most of these studies have shown mixed results with no direct link. Becht et al. (2002) indicated that practices of corporate governance influence positively on organizational profitability whereas MacAvoy and Millstein (2003) established that board diversity have no affect financial performance. Mutuku (2016) did the same research on performance of SACCOs and corporate governance but based in Machakos County. He established a significant relationship. Over the past 5 years, the ratio of total loans compared to the total deposits has been increasing, this indicates that, financial soundness of deposit taking SACCOs in Nakuru County is declining in terms of liquidity. These ratios are way above the desirable level of 70% and 80%. Hence, this study intended to establish if corporate governance affects performance of DT-SACCOs in Nakuru County.

Objectives of the Study

i. To determine the effect of board size on the financial performance of deposit taking SACCOs in Nakuru County.
ii. To establish the effect of board diversity on the financial performance of deposits taking SACCOs in Nakuru County.
iii. To determine the effect of transparency and disclosure on financial performance of deposit taking SACCOS in Nakuru County.

Research Questions

i. How does board size affect the performance of SACCOs in Nakuru County?
ii. How does board diversity affect the performance of deposit taking SACCOs in Nakuru County?
iii. How does transparency and disclosure affect the performance of deposit taking SACCOs in Nakuru County?

LITERATURE REVIEW

Effect of Board Size on Financial Performance

Tachiwou (2016) researched corporate governance effect on the performance of the corporations registered from WAEU. The effect on performance in 39 firms was established where board diversity, board size, board members and ownership concentration was examined. The study applied the ordinary regression of least squares and the results established a link that is positive between board size and business performance

Bennedsen et al., (2004), in the research of closely held Danish corporations of small and medium-sized firms established no board size impact on performance if the board consisted of members below six. However, they established a significant negative relationship in the event boards had increased members to 7 or above. In the study comparing the board size effect on performance of Australian and Japanese firms, Bonn et al., (2004) established that the board size and performance had a negative correlation for the Japanese firms but established no effect on Australian firms.

Iqbal (2016) researched corporate governance impacts on financial performance for pharmaceutical firms in Pakistan. In his findings, he found that board size positively influences the success of pharmaceutical firms. Melkamu and Dinesh (2016) studied corporate governance practices impact on MFIs' performance in Ethiopia. Secondary data was extracted from 34 MFIs for a time frame of 9 years. Information collected was examined using linear regression. In their findings, board size had an effect on MFIs' performance. A study on SACCOs in Athi River and Machakos sub counties by Mutuku (2016) established a positive impact. The research gathered data using self-administered questionnaires. A 5 year period data on performance was collected from published data available in the SASRA report.

Effect of Board Diversity on Financial Performance

Wang and Oliver (2009) conducted a research to establish relation between board diversity and performance variance corporate governance reforms that were recent, basing the study on organizational and agency literature. This paper used as their dataset 384 of Australian's top 500 companies. The results indicated a negative effect on the future risk from the executive directors. However, independent and affiliated directors, insignificantly affected the variance level in performance. Block holders positively impact firm risk. To add onto this, businesses that have poor dividend payouts or low shareholdings management appear to be more risky. Prabowo (2010) conducted a study on board diversity effect on performance of firms in Indonesia. The report presented a cross-sectional review between 190 non-financial companies listed on the Jakarta SE (2002-2004).The study derived its conceptual framework from agency theory, with an assumption that mechanisms of governance affect the behavior of contracting parties. Most Indonesian businesses have concentrated ownership in the hands of few rich families thus giving them enough voting rights that in return influence decision making and control. The findings indicated that the large family shareholdings is most probably the agency problem source instead of serving as a governance mechanism that alienates agencies' conflicts.

Kitui (2013) conducted a study on board diversity impact in Nairobi Securities Exchange on the financial performance. A quantitative method was used and a population of 55 companies was used obtained using stratified sampling technique. Annual audited financial statements were the source of data. Generalized Least Squares were used in analyses. Results showed that Board Composition variables i.e. Gender, age, ethnicity and independence used in the model had a significant correlation with financial performance as shown by their positive mean values and standard deviations.

Ndung'u (2016) conducted a study on the influence of corporate governance practices on financial performance of 38 SACCOs within Nairobi. Board diversity positively and significantly affected firm performance under accounting based performance measure of ROI, implying that a firm benefits from a pool of human resources and expertise. Therefore, it is supportive that outside independent directors of Sacco's are able to ensure the checks and balances of accountability and management activities.

Effect of Transparency and Disclosure on Financial Performance

Jiamsagul (2007) conducted a research on the impacts of transparency and disclosure on performance. A sample population consisting 100 companies that listed at the Thailand stock exchange between 2004 and 2007 were used. In his study, he categorized transparency in to three levels: - total transparency, three categories, and finally twelve categories of transparency and disclosure. Performance indicators used were ROA and Tobin Q. He concluded in his findings that, absolute transparency and disclosure is not related to any of the performance measures in the first level since there was a 10% significant level. In the second level there was a 5% significant level hence, he concluded that transparency and disclosure impact the value of the firms.

Nyokabi (2009) conducted a study on transparency and disclosure in the banking sector in Kenya for a period of 4 years (2004-2008). She carried out a census with only 22 respondents. She concluded that banks give information on risk in their annual audit accounts regardless of size or ownership structure. The benefits on transparency include strengthened management reputation and credibility of the board and increased confidence of the investors thus attracting more investments and hence increasing financial performance.

Wanjau et al. (2018) conducted a research on corporate transparency disclosure influence on performance of companies in East Africa. The study used correlation and descriptive design. To enable select the 112 companies for a period of 11 years (2006-2015) purposive sampling was used. Secondary data was obtained using the record check index. Social transparencies and risk was positive and significant affecting financial performance.

Effect of Corporate Governance on Financial Performance

Wanyama and Olweny (2013) used descriptive research design targeting insurance companies listed at the NSE as at December 2012. Sample size was obtained through stratified random sampling method while questionnaires and documentary data from company yearly accounts were the sources of data. Findings denoted that the correlation was strong.

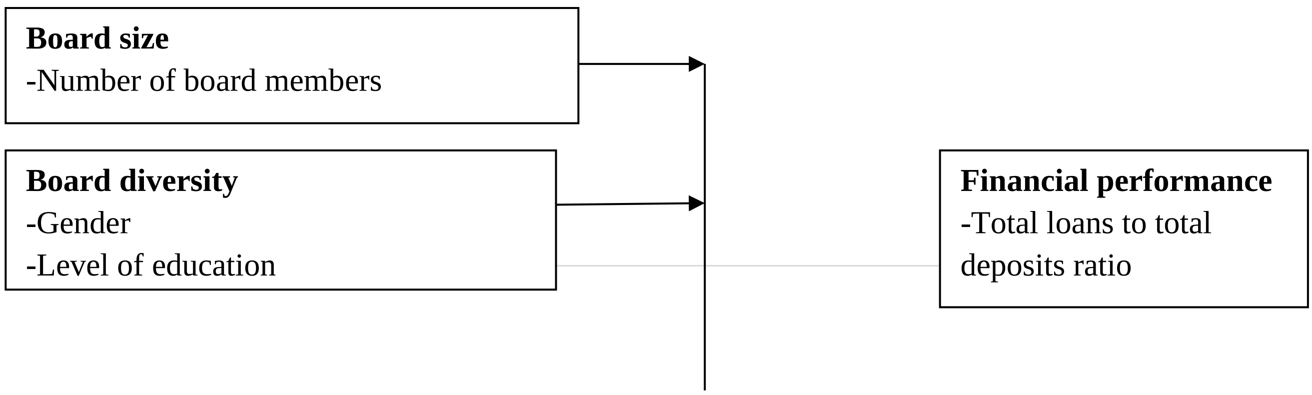
Kigotho (2014) analyzed the correlation between corporate governance and performance of the firms quoted at the NSE. 48 firms were sampled using a check list to get data. Multiple linear regression model using SPSS was conducted. Descriptive statistics, correlation coefficients and the coefficient of determination was conducted where a positive correlation was found.

Urhoghide and Korolo (2017) in their study on performance of listed oil and gas firms in Nigeria used secondary data for the period 2008 to 2015 for 12 firms that were sampled for the study. GLS regression was conducted and the results denoted positive and insignificant relationship was found between board diligence and corporate governance reforms while the correlation that was found between board political affiliation and financial performance of the firms was negative and significant.

Olayiwola (2018) investigated the impact of corporate governance on the performance of firms. The research used exploratory research design. Ten (10) firms were purposively sampled and data was sourced from the annual reports from 2010 to 2016. Analysis was done using panel data regression. Results showed that audit committee size insignificantly correlated with NPM.

Conceptual Framework

Independent variable **Dependent variable**



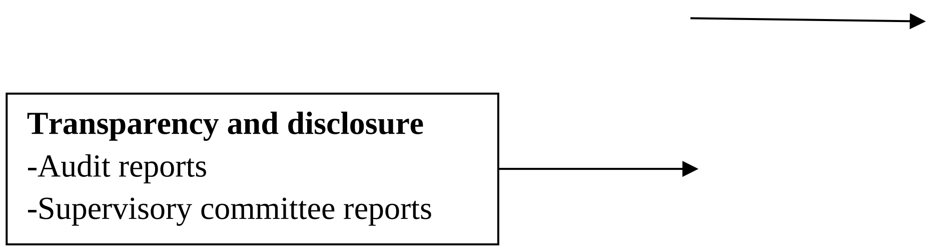


Figure 1: Conceptual Framework
Source: Researcher (2019)

RESEARCH METHODOLOGY

Research Designs

This research adopted descriptive research design. Descriptive research refers to a process involving data collection where hypotheses testing take place and questions about the current status of a subject are answered (Mugenda & Mugenda, 2012). The design aided the researcher to generalize results to a larger population. Descriptive design method gives quantitative data from section of the population chosen.

Target Population

Target population is a set of persons or cases with certain observed traits of a specific nature different from any other population. According to SASRA report (2017) there are 14 licensed DT-SACCOs in Nakuru County and those that had been operating since 2013 to 2017 were targeted. The target respondents were the branch managers, credit managers and one board member of the SACCOs.

Sample and Sampling Design

Census survey was used as the number of licensed deposit taking SACCOs in Nakuru County is small. A census strategy strengthens the validity of data collected data by adding rich details in certain cases (Buckingam, 2004). All the fourteen deposit taking SACCOs were included and the sample size was 42 respondents

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Data Collection Instrument

Structured questionnaires were used in primary data collection. A data collection schedule was utilized in the collection and compilation of secondary data available in the yearly SASRA reports for the period of five years (2013-2017).

Data Collection Procedure

Data was obtained by administering the questionnaires to the participants using drop and later pick method. The questionnaire contained closed and open ended questions. A study permit was obtained from National Commission for Science, Technology and Innovation (NACOSTI) for collection of primary data while secondary data was obtained from the SASRA financial reports from 2013 to 2017 provided in their website.

Data Analysis and Presentation

Qualitative and quantitative data was obtained. Qualitative data was analyzed by arranging the contents and was presenting it using narratives and themes. Descriptive statistics and inferential statistics specifically the multiple regression analysis and correlation analysis were used in analysis of quantitative data. Data was presented using tables and charts. Social sciences statistical package (SPSS) was used in data analysis. The regression model was as shown below;

$Y= \beta 0+\beta_1X_1+ \beta_2X_2+ \beta_3X_3+ \varepsilon$

Whereby;

Y= Financial Performance

X_1= Board size

X_2= Board composition

X_3= Transparency and disclosure

β_0= Constant

β_1- β_3= Regression coefficients

ε = error term

RESULTS

Effect of Board Size on Financial Performance

Number of board members

The research established board members’ number in the SACCO as shown in Figure 2. According to the results, 13.2% of the SACCOs had board members between 7 and 9, 52.6% had board members between 10 and 12 while 34.2% of the SACCOs had board members above 13.

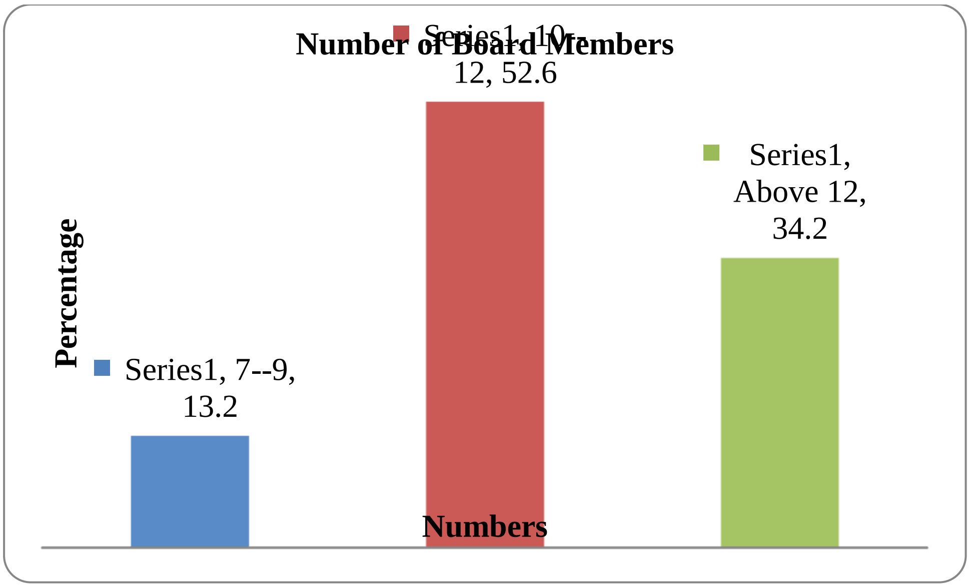

Figure 2: Number of Board Members in the SACCO

Number of shareholders, non-shareholders and outside directors

The research determined the number of board members who were either shareholders, non-shareholders or outside directors in the SACCO and the results are shown in Table 1. 5.3% of the respondents denoted that less than 5 of their board members were shareholders, 15.8% revealed that board members between 6 and 10 were shareholders while 63.2% of the respondents showed that more than 10 of their board members were shareholders. Results further showed that 52.6% of the respondents denoted that less than 5 of their board members were non-shareholders, 28.9% indicated that board members between 6 and 10 were non-shareholders while 18.5% of the respondents denoted that more than 10 of their board members were non-shareholders. Additionally, results denoted that 18.5% of the respondents revealed that less than 5 of their board members were outside directors, 71.1% indicated that board members between 6 and 10 were outside directors while 10.4% of the respondents denoted that more than 10 of their board members were outside directors.

Table 1: Shareholders, Non-shareholders and Outside Directors

	Shareholders		**Non-shareholders**		**Outside Directors**	
Years	**Frequency**	**Percent**	**Frequency**	**Percent**	**Frequency**	**Percent**
Less than 5	2	5.3	20	52.6	7	18.5
6-10	14	15.8	11	28.9	4	71.1
Above 10	22	63.2	7	18.5	27	10.4
Total	38	100	38	100	38	100

Source; Researcher (2021)

Descriptive Statistics for Board Size

The effect of board size on the financial performance of DT- SACCOs in Nakuru County was determined (Table 2). Minimum, maximum, means and standard variation are used in presenting data. Results showed that the respondents agreed to a large extent that board size affected the financial performance of DT-SACCOs in Nakuru County since the statements had a composite mean of 3.81.

Means of the board size statements shown in Table 2 indicated that board size increases efficiency of the SACCO had a mean of 4.42 and SD of 0.79. Board size increases diversity of opinion affecting financial performance had a mean of 3.84 and SD of 1.08. Board size enhances problem solving which affects financial performance had a mean of 3.79 and SD of 1.17 while board size increases competitiveness of board affecting financial performance of the SACCO had the lowest mean of 3.18 and SD of 1.67.

Table 2: Descriptive Statistics for Board Size

Board Size Statements	**N**	**Min**	**Max**	**Mean**	**Std. Deviation**
Board size increases efficiency of the SACCO	38	3.00	5.00	4.42	0.79
Board size increases diversity of opinion affecting financial performance	38	2.00	5.00	3.84	1.08
Board size increases competitiveness of board affecting financial performance of the SACCO	38	1.00	5.00	3.18	1.67
Board size enhances problem solving which affects financial performance	38	1.00	5.00	3.79	1.17
Composite mean				**3.81**	**1.18**

Source; Researcher (2021)

Effect of Board Diversity on Financial Performance

Female Board Members

The study established the number of female board members in the SACCO as shown in Table 3. 42.1% of the respondents indicated that female board members in their SACCO were less than 3, 50% of the respondents indicated that they had 3-5 female board members while 7.9% of the respondents denoted that their SACCO had more than 5 female board members.

Table 3: Female Board Members

Numbers	Frequency	Percent
Less than 3	16	42.1
3-5	19	50.0
More than 5	3	7.9
Total	38	100

Source; Researcher (2021)

Diversity of the Board Members in terms of Occupation

The study determined the diversity of board members in the SACCO in terms of occupation (Table 4). 31.6% of the respondents had their board members as finance specialists, 26.3% of the respondents had their board members as economists, 18.4% had their board members as legal officers, 13.2% of the respondents indicated that their board members were accountants while 10.5% of the respondents indicated that their board members were in the informal sector.

Table 4: Diversity of the Board Members in terms of Occupation

Numbers	Frequency	Percent
Legal officers	7	18.4
Finance specialists	12	31.6
Economists	10	26.3
Accountants	5	13.2
Informal sector	4	10.5
Total	38	100

Source; Researcher (2021)

Descriptive Statistics for Board Diversity

The study established the effect of board diversity on the financial performance of DT-SACCOs in Nakuru County (Table 5). Minimum, maximum, means and standard variation are the measures presenting the results. Results showed that the overall composite mean was 3.66 (4-large extent) which means that the level of agreement on the statements concerning board diversity effect on the financial performance of DT-SACCOs in Nakuru County was to a large extent.

Mean summaries in Table 5 on the board diversity statements indicated that board diversity increases efficiency of the SACCO had a mean of 4.16 and SD of 0.64. An expatriate branch manager is knowledgeable enough and can improve the financial performance of the SACCO had a mean of 3.74 and SD of 1.06. Board diversity affect risk management and financial performance had a mean of 3.58 and SD of 1.11 while presence of outside directors helps in challenging and disciplining the branch manager and management which affects financial decision and profitability had a mean of 3.16 and SD of 1.08 which was the lowest.

Table 5: Descriptive Statistics for Board Diversity

Board diversity Statements	**N**	**Min**	**Max**	**Mean**	**Std. Deviation**
Board diversity increases efficiency of the SACCO	38	3.00	5.00	4.16	0.64
Presence of outside directors helps in challenging and disciplining the branch manager and management which affects financial decision and profitability	38	2.00	5.00	3.16	1.08
An expatriate branch manager is knowledgeable enough and can improve the financial performance of the SACCO	38	2.00	5.00	3.74	1.06
Board diversity affect risk management and financial performance	38	2.00	5.00	3.58	1.11
Composite mean				**3.66**	**0.97**

Source; Researcher (2021)

Effect of Transparency and Disclosure on Financial Performance

Disclosure of the Financial Information and Publication in the Website

The study asked the respondents whether their SACCO discloses its financial information and if the information is published in the SACCOs website. All the respondents indicated that their SACCOs disclose the financial information and that the information is published in the SACCOs website. Further, the respondents were to indicate how often the SACCO discloses the financial information (Table 6). 68.4% of the respondents denoted that their SACCOs disclose the information annually. A further, 26.3% denoted that their SACCOs disclosed the information quarterly while 5.3% of the respondents denoted that their SACCOs disclosed the financial information twice annually.

Table 6: How Often the SACCO discloses Financial Information

	Frequency	Percent
Quarterly	2	5.3
Twice annually	10	26.3
Annually	26	68.4
Total	38	100

Source; Researcher (2021)

Descriptive Statistics for Transparency and Disclosure

The study determined the effect of transparency and disclosure on financial performance of deposit taking SACCOS in Nakuru County (Table 7). Minimum, maximum, means and standard variation are the measures presenting the results. Results showed that the overall composite mean was 3.80 (4-large extent) which means that the level of agreement on the statements concerning the effect of transparency and disclosure on the financial performance of DT-SACCOs in Nakuru County was to a large extent.

Mean summaries of the transparency and disclosure statements as shown in Table 7 indicated that members of the board disclose when they have a material interest directly or indirectly in any transactions or matters affecting the SACCO had a mean of 4.11 and SD of 0.65. Information about board members including their qualification is available had a mean of 4.08 and SD of 0.94. Financial statements, annual reports and other important information are posted in SACCO's website had a mean of 4.00 and SD of 1.04 while there is disclosure of the articles of association, board charters, committee structures and charters had a mean of 3.66 and SD of 1.02. Information about ownership structure is available to all shareholders and other stakeholders had a mean of 3.50 and SD of 1.06 while the DT-Saccos’ financial statements are audited by professionally had a mean of 3.45 and SD of 0.83 which was the lowest.

Table 7: Descriptive Statistics for Transparency and Disclosure

Transparency and Disclosure Statements	N	Min	Max	Mean	Std. Deviation
Members of the board disclose when they have a material interest directly or indirectly in any transactions or matter affecting the SACCO	38	3.00	5.00	4.11	0.65

The DT-Saccos' financial statements are audited by professionally	38	2.00	5.00	3.45	0.83
Information about ownership structure is available to all shareholders and other stakeholders	38	2.00	5.00	3.50	1.06
There is disclosure of the articles of association, board charters, committee structures and charters	38	2.00	5.00	3.66	1.02
Financial statements, annual reports and other important information are posted in SACCO's website	38	2.00	5.00	4.00	1.04
Information about board members including their qualification is available	38	2.00	5.00	4.08	0.94
Composite mean				**3.80**	**0.92**

Source; Researcher (2021)

Total Loans and Deposits

Total Loans, Total Deposits and Total Loans to Total Deposits Ratio 0

The study established the total loans, total deposits and the total loans to total deposits ratio of DT-SACCOs in Nakuru County (Table 9). Total loans compared to total deposits were higher from 2014 to 2017 with the amounts being 3.95 billion and 3.40 billion for the total loans and total deposits respectively in 2017. 0

Table 9: Total Loans, Total Deposits and Total Loans to Total Deposits Ratio

Year	**Total loans (billions)**	**Total deposits (billions)**	**Total loans to total deposits ratio**
2013	1.152	1.92	60%
2014	2.201	2.20	100%
2015	2.68	2.65	101%
2016	3.311	3.01	110%
2017	3.95	3.40	116%

Source; Researcher (2021)

Total Loans and Total Deposits

The study established the amounts of total loans and deposits in the SACCOs and the results are shown in Table 10. 21.1% indicated that their SACCOs had total loans of between 1 and 2 billion while 28.8% of the respondents indicated that their SACCOs had total deposits of the same amount. Further, 31.6% and 47.4% indicated that their SACCOs had total loans of 2 -3 billion and above 3 billion respectively. Additionally, 55.3% and 15.8% of the respondents indicated that their SACCOs had total deposits of 2 -3 billion and above 3 billion respectively.

Table 10: Total loans and Total deposits

	Total Loans		Total Deposits	
	Frequency	**Percent**	**Frequency**	**Percent**
1-2billion	8	21.1	11	28.9
2-3 billion	12	31.6	21	55.3
Above 3 billion	18	47.4	6	15.8
Total	38	100	38	100

Source; Researcher (2021)

Inferential statistics

Linear regression analysis

SPSS software was used to conduct linear regression and the regression model summary that was applied in this study is as shown in Table 11. The adjusted R-Square of 0.598 showed that board size, board diversity and transparency and disclosure explained 59.8% of financial performance of DT-SACCOs while 40.2% of financial performance is as a result of other factors which are not studied herein.

Table 11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.793(a)	.628	.598	.78789

a. Predictors: (Constant), board size, board diversity and transparency and disclosure

Source; Researcher (2021)

Analysis of variance (ANOVA) results show that ANOVA had a significance of 0.306 which shows an insignificant regression model at the 5% significance level (Table 12). This denotes a lack of relationship between the dependent variable and the independent variables which could be explained by the sample size (38) in comparison to the variability of the data.

Table 12: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.154	3	0.385	1.254	0.306(a)
	Residual	10.431	34	0.307		
	Total	11.586	37			

a. Predictors: (Constant), board size, board diversity and transparency and disclosure
b. Dependent Variable: Financial performance

Source; Researcher (2021)

The linear equation used in this study was
$Y= \beta_0+\beta_1X_1+ \beta_2X_2+ \beta_3X_3+ \varepsilon$
Whereby;

Y= Performance
X_1= Board size
X_2= Board diversity
X_3= Transparency and disclosure
β_0= Constant
β_1- β_3= Regression coefficients
ε = error term

Table 13: Table of Coefficients

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	-1.455	0.787		-1.851	0.072
Board size	0.261	0.261	0.136	1.000	0.324
Board diversity	1.108	0.214	0.737	5.188	0.000
Transparency and disclosure	-0.088	0.164	-0.068	-0.533	0.599

a. Dependent Variable: Financial performance

Source; Researcher (2021)

Based on the regression model of the study;
Financial performance of DT-SACCOs = -1.455 + 0.261(0.261) + 1.108 (0.214) - 0.084 (0.164)
Where; Financial performance = Constant + board size + board diversity + Transparency and disclosure

The results in Table 13 implied a statistically insignificant effect of board size on financial performance of DT-SACCOs at the 5% significance level (β=0.261, p=0.324). A statistically significant effect of board diversity on financial performance of DT-SACCOs at the 5% significance level (β= 0.214, p=0.000) was found while a statistically insignificant effect of transparency and disclosure on financial performance of DT-SACCOs at the 5% significance level (β=0.164, p=0.599) was found. This implies a lack of relationship between board size, transparency and disclosure and financial performance denoting that transparency and disclosure does not affect financial performance of the DT-SACCOs.

CONCLUSIONS AND RECOMMENDATIONS

Board diversity is a key factor of financial performance of DT-SACCOs in Nakuru County as it affected the financial performance of DT-SACCOs significantly. For SACCOs to increase their efficiency there is need for the board to be composed of different professionals. Since board size was found to increase efficiency, management of the DT-SACCOs needs to minimize members forming the board members so that financial performance positively affected. Board diversity was found to increase the efficiency of the DT-SACCO and therefore they should ensure they diversify the board members to have varying professionals affecting financial performance positively. When transparency and disclosure decreased, financial performance was found to decrease and thus need for the members of the board to be open on the transactions or matters that affect the DT-SACCOs.

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