Corporate Governance Practices and Financial Performance of Deposit Taking Saccos in Western Kenya

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Abstract: The study sought to find out the relationship between corporate governance practices and financial performance of Deposit taking Saccos in Western Kenya. The objectives that guided the study were CEO duality, Board size, board independence, and disclosure levels. The study population was the deposit taking Saccos in Western Kenya. Western Kenya was taken to be the counties comprising of Migori, Homabay, Kisii, Nyamira, Kisumu, Siaya, Busia, Kakamega, Vihiga and Bungoma. The study employed cross-sectional survey design. The data was collected by use of questionnaires, and secondary data analysis. The data was analyzed using S.P.S.S (Statistical Package for Social Sciences) and thereafter presented by use of statistical means. The study found out that all the deposit taking Saccos in Western Kenya had a clear separation of authority with respect to the executive function. CEOs were therefore, involved in the day-to-day management of the firms’ operations while the boards were tasked with policy formulation and decision-making. The study also found out that shareholders elect and remove the members of the board with a mean of 4.253 and standard deviation of .874. The study shows that respondents were for the idea that Directors are required to declare their interests in entities doing business with the organization, the books of accounts are prepared in the organization, the organization employs external auditors and that the organization restricts insider trading. The organization carries out due diligence had a mean of 3.968 and standard deviation of .3212. The study shows that the code of best practice should include the boards to have at least fifty percent of non-executive directors, not one third as stated in the code. It also proposed to select the directors from a register kept by the institute of directors. In order to have a clear understanding of the risk, and manage the risks identified in a satisfactory manner, it was proposed to appoint risk management committees. Lastly, because of the importance of accountability to other stakeholders, this study recommended the inclusion of interests of other stakeholders in the code of best practice, which would result in share prices responding organizations. The study recommends that the board size and composition be considered since they affect the financial performance of the DT SACCOs in Western region. Proponents of board independence should note with caution the negative relationship between board independence and future operating performance. DT SACCOs in Western region should be allowed to experiment with modest departures from the current norm of a “supermajority independent” board with only one or two-inside directors. The board needs to comprise of well-educated people since they are actively involved in shaping DT SACCOs in Western region strategy. The study recommends that non-executive directors be trained on internal corporate governance mechanisms.

Keywords: financial performance, management committees

INTRODUCTION

Background of the study

The argument on separation of corporate control and ownership that causes executives rather than owners to determine the development of a firm led to the emergence of corporate governance issues [1]. According to Shleifer and Vishny [2], corporate governance is dealing with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investments. Corporate governance best addresses monitoring, management, and accountability issues. Good corporate governance principles will shield a company from being vulnerable to financial distress [3]. Corporate governance mechanisms try to assure investors that they will receive adequate returns on their investments. Absence of these mechanisms would mean that investors might hold back their investments forcing firms to borrow internally, which might be costly to them [4]. There are theories that attempt to explain corporate governance in organizations. This study anchored on three key theories, which are agency, stewardship, and stakeholder theories. Agency theory suggests that stewards should make financial decisions for maximization of shareholders value [21]. Beyer, Cohen, Lys and Walter [22], identified corporate information environment is the dynamic interaction because of information asymmetries and agency problems between investors firms and managers. According to Gomez [23], there has been significant transformation in
Corporate governance structures, leading to increased scholarly interest in the role of board of directors in driving corporate performance. This view supported by Organization for Economic Co-operation and Development Report [24]; scandals have focused the minds of governments, regulators, companies, investors, and the public on the weaknesses in corporate governance systems and the need to address the issue. There have been several reported cases of collapsed cooperatives in Kenya, which have gone down with millions of shillings worth of members’ savings because of poor management [5]. Investors have therefore regarded corporate governance as an important criterion in their investment decisions. The unexpected financial distress of large public companies in recent years, for example Enron and WorldCom in 2002, has made the investors more concerned about the corporate governance and firm performance. In the context of a SACCO, corporate governance will include the relationship among the main players involved such as the shareholders, management, and the board of directors among others. According to Muturi [25], a well functioning corporate governance system helps SACCOs to attract investments and strengthen the foundation for their performance. The Sacco sub sector comprises both Deposit Taking and non-Deposit Taking Saccos. SASRA licenses Saccos that have been duly registered under the Cooperative Societies Act CAP 490. The total Sacco sub sector assets stand at Kshs. 293 billion, with total deposits for the sector stand at Kshs.213 billion and loans to members are at Kshs. 221 billion as at December 2013. The total number of Deposit Taking Saccos was 215 of which 124 licensed, while the remaining 91 Saccos were at different levels of compliance with the provisions of the law [6]. The area under study comprises of Migori, Homabay, Kisii, Kisumu, Kakamega, Siaya, Vihiga, Bungoma and Busia counties. According to the Sacco Societies Regulatory Authority Report [7] there are 35 deposits taking Saccos out of which only 14 are fully registered.

Corporate Governance

Bhasa [8] defines corporate governance as a set of principles concerning the governing of companies and how these principles are disclosed externally. Bell [26] notes that corporate governance practices vary significantly among companies. This is a reflection of many factors, such as differences in the stage of development of companies, including the relative importance placed on various values, differences in the investor base for different types of companies, differences in expectations of board members and advisors to companies and their boards, which can vary by size, age of company, stage of development, geography, industry and other factors, and the reality that corporate governance practices that are appropriate for large, long-established public companies can be meaningfully different from those for newer, smaller companies. Corporate governance practices refer to the principles of governance as highlighted by Sarbanes-Oxley Act, OECD and the Center for corporate governance. The corporate governance principles include respect for the rights of shareholders, equitable treatment of all stakeholders, responsibilities of the board, transparency and disclosure [9]. Good corporate governance dictates that the boards of directors govern in such a way that it maximizes shareholders value and in the best interest of the society. The role of board of directors in corporate governance is an important pillar in ensuring that the shareholder interests are taken care of at all times. Board of directors can evaluate the top management to ensure that the daily decisions made are to the benefit of the members. CEO duality is a situation whereby the chair of the board and the CEO of the organization are the same. CEO duality becomes a challenge especially when the board tasked with the mandate of evaluating and determining suitability of the holder [10]. This can lead to conflict between managing the shareholder expectations and maintaining the executive roles of the CEO. Risk of conflict of interest and rivalry can be witnessed in boards with CEO duality especially when decisions are opposed with the other board members. Kabaiya [11] is of the view that firms like Housing Finance Kenya Limited and Enron exhibited dented images of dual CEOs due to abuse of power. It is worth noting that separation of CEO and board chair boost supervision and monitoring mechanisms undertaken by the board. Relationship between firm performance and CEO duality has had mixed evidences from past researchers. According to Fama and Jensen [12], concentration of management and control of decisions in the hands of one will reduce the effectiveness of the board in monitoring the top most management. Sanda et al. [9], found a positive relationship between firm performance and separating the functions of CEO and the chair to the board. Abor [13] reported that CEO duality is not associated with lower performance in firms. Where a board is large, the CEO will have the challenge of controlling the board members coming in with competing interests. Issue of who possess executive authority between the chair to the board and the CEO. Rezzae [14] found out that inorder to perform better and eliminate agency conflict between shareholders and top most management; companies are advised to establish board committees. The nature and type of board committees will be determined by direction the board and the organization want to take about firm’s objectives. Lord Cadbury in his report to the committee on financial aspects of corporate governance [15], identified board meetings, non-executive directors independence, executive directors contracts and independence of audit committees as some of the principles that affect financial performance within an organization. The
report highlighted the importance of board committees and proposed that firms set up sub-committees of the board to focus on specific aspects of governance considered challenging. Audit, finance supervisory and nomination committees are the most common committees in boards of organizations.

The main idea of this study was to examine whether or not the factors (independent variables) taken into consideration at this study could determine the effect of financial performance of deposit taking SACCOs through corporate governance, those independent variables are CEO duality, Board size – number of board members within a financial year, Board independence and corporate reporting.

Financial Performance
Claessens [4] pointed out that performance is the outcome of all of the organization’s operations and strategies. It is what people do with respect to organizational roles. Terrence [28] defines financial performance as a subjective measure of how well a firm can use its assets from its primary mode of business and generate revenues by ensuring that resources available are used in the most effective and efficient way. Brealy and Myers [29] observed that financial performance helps to highlight the facts concerning managerial performance, corporate efficiency, financial strength and weaknesses and credit worthiness of an organization. Financial performance measures how well a firm is generating value for the owners. It can be measured through various financial measures such as Profit after Tax, Return on Assets, and Return on Equity, EPS and any market value ratio that is generally accepted [30]. Pandey [31] provided financial measures in terms of ROA. This study uses ROA as a key performance indicator for Saccos in Western Kenya. This measure is an indicator how profitable an enterprise is relative to its total assets. It is calculated by dividing net income by the average total assets. The higher the percentage, the more the enterprise has generated from investment. ROA is a better metric of financial performance than profitability measures like return on sales. It takes into account the assets used to support business activities. It determines whether the company is able to generate an adequate return on these assets rather than simply showing robust return on sales. ROE on the other hand focuses on return to the shareholders of the company. It can obscure many potential problems as companies can resort to financial strategies to artificially maintain a healthy ROE for a while and hide deteriorating performance of business fundamentals [16].

Economic Value Added is also an attribute of financial performance whereby shareholders value is evaluated after the total cost of capital is taken into account [32]. Market Value Added is the difference between the current total market value of a company and the capital contributed by investors (including shareholders and bondholders). In measuring financial performance, ratios are used. With ratios, financial statements are interpreted and applied to satisfy the needs of the needs of the reader [16]. According to Johnson and Mark [33], there are two fundamental rationales why Saccos should gauge their financial performance measurement; to produce financial statements at the right time and to ensure financial statements analyzed produce information about the performance of the organization. This study measures financial performance by having computation of Return on assets over a period of five years.

Corporate Governance and Financial performance
Corporate governance gives a perspective of the interaction among those persons and groups, which provide resources to the company, and contributes to the firm’s performance. Researchers such as Donaldson [34] have argued that governance structure of any firm affects its ability to respond to external factors that have some bearing on financial performance. Therefore, well-governed firms perform better compared to poorly governed firms. Good governance will generate investor goodwill and confidence. Claessens et al.[35] also advocates that better corporate governance framework benefits firms through greater access to financing, lower cost of capital and better firm performance. On the other hand, weak corporate governance leads to corruption, poor firm performance, and risky financing patterns that would lead to economic crises. Good corporate governance would entail better supervision of managers and reduced agency costs are reduced this would ultimately lead to better firm performance in terms of stock returns, profitability, riskiness and dividend payments. The composition of the board has a direct effect on the financial performance of a firm. Sanda et al. [36] found that firms with a higher number of external directors are expected to pursue that have low financial advantage with a higher market value for equity. In addition, Fama and Jensen [37] observed that boards increase the frequency of their meetings especially after a period of low performance. Corporate governance influences on how a firm relates with its stakeholders and the respect it has among its peers. This will affect the financial performance of the firm. Erhardt et al [5] on his study of board composition and financial performance argued that board diversity has an effect on financial performance since firm’s draws its board from a relatively large pool of expertise. This expertise will thus enable the board to make sound decisions, reduced conflicts, and better organizational policies that will ultimately lead to increased financial performance.

Deposit taking Sacco societies in Western Kenya
According to Griffiths and Howell [38], Saccos are traditionally not for profit member owned financial co-operatives that provide basic savings in the form of shares on which dividend is paid and loan facilities given to members. Deposits made by members are in effect shares that earn dividends, so that when members pay in savings they are buying shares in that credit union [39]. According to Njeri [17], in a Sacco, the membership is the top most organs that exercise its authority in Annual General Meetings. Western Kenya under the context of this study comprises of Migori, Homabay, Kisii, Kisumu, Kakamega, Siaya, Vihiga, Bungoma and Busia counties. According to the Sacco Societies Regulatory Authority Report [40] there are 35 deposits taking Saccos out of which only 20 are fully registered. The establishment of SACCO Societies Act 2008 places the licensing, supervision and regulation of deposit taking under the armpit of the SACCO Societies Regulatory Authority (SASRA). Sacco’s comprise over 50% of all cooperatives in Kenya and as financial institutions they play a critical role of financial intermediation in Kenya’s financial landscape focusing mostly on personal development, small and micro enterprise sector of the economy [17].

Research problem

Bauer and Guenster [41] argued that the major reason for the collapse of most institutions could be attributed to weak corporate governance practices, poor risk management strategies, lack of internal controls, and weakness in regulatory and supervisory systems and conflict of interest. The Sacco industry has grown exponentially in the recent past. On the other hand, the management of Saccos has always been shrouded in secrecy. Many of the shareholders are in the dark as regards the performance of Saccos in which they are members and they have nothing to show for the membership. According to SASRA Report [16], membership grouping of deposit, taking Sacco is changing due to competitive pressure and the need to open new growth opportunities beyond traditional membership sources. This is because the Sacco industry has grown such that DTS are moving out of their traditional membership base to accommodate new members from the community. This growth has been driven by desire to acquire funds for business and domestic commitments. It is now common to see farmer based Saccos serving the entire community aside of the domestic membership. Deposit taking Saccos account for 75% of the Sacco subsector’s assets, deposits and membership [16]. The area under study has only 20 out of 35 DT Saccos fully registered with the rest awaiting registration. SASRA has proposed a series of new measures to make DT Saccos stronger entities with sound financial policies. Only 20 out of a 135 fully registered Saccos are in Western Kenya. Most studies have focused on DT Saccos in Nairobi [18], Mombasa [19] and Muranga’ [42]. Few studies have researched on DT Saccos in the region of Western Kenya. According to SASRA Report [16] capital adequacy, equity investment and investment property are new policy measures implemented by the DT Saccos. This policy shift will be a herculean task to DT Saccos especially the Saccos in area understudy. This calls for corporate governance measures instituted within the organizations to affect financial performance. DT Saccos in Western Kenya are composed of government based, teacher based, farmer based, private institution based, and community based. The limited growth or lack therein of DT Saccos in Western Kenya is an area of concern. Most studies done on corporate governance point to the conclusion that those corporations, which embrace good corporate practices, perform better than those that do not. Jebet [12], Mwangi [43], Muriithi [20], and Manyuru [44] researched on corporate governance and organizational performance the case of companies quoted at the NSE. Studies done on the corporate governance and financial performance on Non-governmental organizations include Gakuo [45] and Wang’ombe [46]. Kabaiya [42], Wasike [47], Muriithi [48], Ademba [49] and Ojiambo [50] dealt with corporate governance practices on DT Saccos. Maluki [51] researched on performance and Ngaira [18] impact of regulations. None of these studies has focused on the influence of specific corporate governance practices such as CEO duality, board independence, and corporate reporting on financial performance of deposit taking SACCOs in Western Kenya. Going by the conclusion by Ojiambo [50] that the presence of rules structures did not always result in good performance, there was a suggestion of further investigation on what could be the underlying issues. It is in view of this that this study seeks to determine what are the challenges affecting SACCO performance in Western Kenya. This study sought to find out the influence of corporate governance practices such as CEO duality, board independence, board size, and disclosure on the financial performance of deposit taking Saccos in Western Kenya. Do corporate governance practices affect the financial performance of Deposit taking SACCOs in Western Kenya?

Research Objectives

To find out if corporate governance practices affect the financial performance of Deposit taking SACCOs in Western Kenya.

Specific objectives

- Does CEO duality affect financial performance of Deposit taking SACCOs in Kenya?
- Does Board size affect the financial performance of Deposit taking SACCOs in Kenya?
• Does Board Independence affect the financial performance of Deposit taking SACCOs in Kenya?
• Does disclosure affect the financial performance of Deposit taking SACCOs in Kenya?

Value of the Study
The study will contribute immensely to the body of knowledge on corporate governance and financial performance. It will have the ultimate effect of aiding generation of information that may be of value, to future researchers and as a document for reference by the study, accessed by other scholars in future.

The policymakers would obtain knowledge of the cooperative movement dynamics and the most appropriate responses in terms of legislations. They will therefore obtain guidance from this study in designing appropriate practices that would regulate the shareholders participation in affecting financial performance of SACCOs. The study will positively affect the industry by way of relating to the governance practices applied and its effect on the financial performance. The management of SACCOs under study would identify how the various aspects of corporate governance affect the daily operations of SACCO as well as determine the extent to which they affect operations of other SACCOs in the country.

LITERATURE REVIEW
This chapter presents the theories on corporate governance affecting the topic, corporate governance components and empirical review of relevant literature covering the major issues on the study.

Theories of corporate governance
This study will focus on agency, stakeholder, and stewardship theories as the main pillars of corporate governance. Agency and stewardship theories focus on the relationship between the management and the owners who in the context of cooperatives are the members.

Agency theory
Agency theory has been a major theory of corporate governance [51]. Shareholders are the owners of the firm and their interest and that of the agent will in some cases be different resulting into a conflict. Berle and Means [53] made corporate governance be viewed as the separation of ownership and management, which results in principal-agent problems by regarding corporate governance as a mechanism where boards of directors are essential monitoring device to minimize the problems brought about by the principal-agent relationship. Agency theory is based on two factors namely; clear and consistent interests of managers and shareholders and the selfish interests of humans [54]. Jensen and Meckling [14] were of the view that since the interests of principal and the agents will never be the same in the absence of efficient monitoring incentives, forcing the agents to act in the interests not aligned to those of the principal. This makes corporate governance not a condition but a necessity to check on the excess of the agent in the course of performing their tasks. Gedajilovic and Shapiro [55] identified these excesses as padding and making choices that increase corporate size rather than profits. Padding refers to engaging in operational costs to increase personal income through on job consumption. Fama and Jensen [37] identified the agency role of the board of directors as governance function performed through ratification of the decisions made by the managers and monitoring the implementation of those decisions. Agency theory postulates that the primary responsibility of the board is maximization of shareholder value. According to Shleifer and Vishny [56], agency conflict would lead to the question of how to induce the agent to act in the best interest of the principal. This can be achieved through agency costs. The relationship between financial performance and agency theory was addressed by Ricardo [57] who argued that corporate governance will influence performance whenever there is a conflict between management and the shareholders. Management discretion may lead to reduced profitability of the firm but if the principal has desire to maximize profit and the agent lacks the interest nor incentive to do so, corporate governance would depend on the ability of the owners to effectively check and direct the agents.

Stewardship theory
According to this theory, managers are considered good stewards who will act in the best interest of the owners [34]. Clarkson [1] who argues that stewardship theory is founded on the human relations standpoint supports this. The basics of stewardship theory are based on social psychology, which focuses on the behavior of executives. This theory assumes a strong relationship between managers and performance of the firm making the stewards strive to protect and maximize the wealth of the shareholder. Stewardship theory places the task of stewardship on the managers as stewards of the organization’s resources. Stewardship theory lays emphasis on training and induction to ensure effectiveness in all their endeavors. However, in the context of cooperative movement, the second principle of cooperatives, which calls for democratic participation, leadership is appointed based on influence over other members rather than professionalism. This negates the principle of stewardship theory in cooperative movement. Conforth [58] who views also observes a contradiction that the

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board should be elected based on expertise so that one is elected to a position to add value to the organization.

**Stakeholder theory**

This theory focuses on the issues concerning the stakeholders in an institution. It is based on the argument that there are other stakeholders than the members who are interested in the actions and decisions of the organization [11]. It stipulates that any corporate identity seek to find a balance between the interests of its various stakeholders to ensure each is satisfied. However, this theory is narrow since the shareholder is the only stakeholder recognized by law. According to Kabaiya [42], cooperatives are institutions that serve various members interests and seeks to satisfy all interests from the stakeholders. Through corporate governance, issues that affect the external stakeholders such as suppliers, contractors, financiers, and customers are addressed using internal controls that ensure that their issues are constantly addressed. Rodriguez *et al.* [59] has distinguished the stakeholders into substantial, contractual, and contextual stakeholders. Substantial stakeholders are the stakeholders that are vital for the business’s survival; they include shareholders and investors, strategic partners, employees. Contractual stakeholders are those with a formal contract with the business, they include customers, sub-contractors, suppliers and financial institutions, suppliers. Contextual stakeholders are representatives of the environment in which the business operates and take part in an essential role in obtaining business reliability; they include public administration, local communities, countries and societies, knowledge and opinion makers.

In the context of cooperatives, there are constraints as to the level of involvement of the different stakeholders in the boards of the cooperatives.

**Corporate Governance Practices**

This study has identified four variables that represent corporate governance issues that may affect the financial performance of Deposit taking Saccos in Western Kenya. They include CEO Duality, board size, board independence, and disclosure.

**CEO Duality**

CEO duality is a situation whereby the chair of the board and the CEO of the organization are the same. CEO duality becomes a challenge especially when the board is tasked with the mandate of evaluating and determining suitability of the holder [60]. This can lead to conflict between managing the shareholder expectations and maintaining the executive roles of the CEO. CEO duality may protect the ownership structure but may lead to abuse of power especially if the CEO wields many powers over non-executive directors on the board [61]. Risk of conflict of interest and rivalry witnessed in boards with CEO duality especially when decisions opposed with the other board members.

Kabaiya [42] is of the view that firms like Housing Finance Kenya Limited and Enron exhibited dented images of dual CEOs due to abuse of power. It is worth noting that separation of CEO and board chair boost supervision and monitoring mechanisms undertaken by the board. Relationship between firm performance and CEO duality has had mixed evidences from past researchers. According to Fama and Jensen [37], concentration of management and control of decisions in the hands of one will reduce the effectiveness of the board in monitoring the top most management. Sanda *et al.* [62] found a positive relationship between firm performance and separating the functions of CEO and the chair to the board. Abor [63] however, reported that CEO duality is not associated with lower performance in firms.

**Board Size**

Effect of board size on financial performance is based on the agency theory. A firm’s board of director’s safeguards invested capital and is therefore an important element of corporate governance [65]. The size of the board can impact its monitoring and control activity, larger boards have been argued to offer the firm a greater range of expertise and resources [54]. However, other studies have found that an increase in board size has a negative effect on firm performance [66] it appears that there are no conclusive results as to what is an optimal board size for effectively monitoring the behavior of managers.

**Board Independence**

According to Maina [67] an organization where the chair of the board is a different person from the CEO, the CEO oversees the operational issues while the board oversees the supervisory functions, which include strategic decisions, and the management function of the board. For effective corporate governance, there should be separation of the top two positions of the board, the Chief executive officer, and the chair of the board. Addullah [68] states that the reason for separation is that both the monitoring and the implementation roles vested in a single person the monitoring role will be severely impaired. Furthermore, companies that have combined leadership structure may have an individual who has too much power and is able to make decisions that do not maximize shareholders wealth [69].

**Disclosure**

Disclosure is the process through which an organization communicates with the external environment. It is through disclosure that the outsiders get an insight into the operations of the organization. It is grounded on the Stakeholder theory since it helps the stakeholders to understand all that pertains to the
operations of the organization. Transparency will be achieved when issues affecting the firm are disclosed to the stakeholders. In the context of SACCOS in Kenya, disclosure is a subject of regulations. Under the SACCO Act 2008, SACCOS are expected to disclose members who own more than 20% of the share capital and deposits in the SACCO society. Disclosure also includes any lending exceeding limits of the core capital and lending to insiders ought to be disclosed. Disclosure creates confidence in the management thereby reducing unnecessary conflicts between the agent and the principal. This is because the principal receives all the information on the daily operations of the firm. Duty of supervision warrants a director to ensure full disclosure to the shareholders on matters relating to firm performance. Kisero [70] pointed out that directors should always strive to uphold high standards of integrity.

Financial Performance

Firm performance is the measure of standard or prescribed indicators of effectiveness, efficiency and environmental responsibility such as cycle time, productivity, waste reduction, and regulatory compliance [47]. Claessens [35] pointed out that performance is the outcome of all of the organization’s operations and strategies. It is what people do with respect to organizational roles. In measuring financial performance, ratios are used [71]. A financial ratio shows the relationship between two accounting items expressed mathematically. Past research studies have employed several measures of organizational performance. Erhardt et al., [5] that in the event of boards of directors’ diversity with regard to gender in the middle and upper management there was profound effect on organizational financial performance taking into account that the firms were drawing from a relatively larger talent pool and from both genders regardless of whether it was male or female. Empirical research has shown presence of audit committees has associated the companies with reduced financial reporting problems, [72]. In their study, Bhagat and Bolton [73] looked at the effects of corporate governance on the performance of U.S. companies with Return on Equity being a performance measure. They found out that firms with good corporate had enhanced return on equity, increased shareholders value, and better prospects for the firms owing to increased confidence drawn from the enhanced shareholders value. Mugo [74] found out that enhanced corporate governance instilled confidence and enhanced market positions owing to the increased dividends on the members resulting from the enhanced R.O.A and boost the firm’s profiles and confidence from the membership and forced the peers to take care for the same. Ndaru [75] measured and compared performance indicators with growth of firms’ asset bases, financial profitability, increases in revenue, improvement of product quality, employee turnover and retention rates and organizational processes. The study found a positive relationship between the corporate governance standards and ratings and the organizational value owing to the performance posted by the sampled firms.

Empirical Review

Research on good corporate governance practices, especially the research that relates good corporate governance practice and firm performance has been widely done both locally and internationally. There has been corporate governance studies on accounting measures to determine the effect of corporate governance on firm performance. Bharat and Bolton [73] found out that return on equity increased for firms with good corporate governance. Mugo [76] also observed enhanced return on equity on studies carried out on the role of corporate governance on shareholder value on tea factories associated with KDTA. Corporate governance also has an effect on stock returns and increased firm value. Studies on corporate governance and performance in SACCOS made on board composition and financial performance has been a contradiction to the earlier findings. Mugenyi [77] conducted a study on corporate governance and strategy of SACCOS in Uganda. He found out that board committees are dysfunctional and under a lot political influence. The study also found out that most board members lack the expertise to governance the SACCO. Otieno et al., [78] conducted a study on effect of corporate governance on financial performance of SACCOS within Nakuru County. The study found out that there was significant relationship between financial reporting and financial performance of SACCOS within Nakuru County. The study also found out that there was a significant relationship between management style and performance of SACCOS. Kabaiya [42] conducted a a study on relationship between corporate governance and financial performance of SACCOS in Murang’a County. The study found out that supervisory committees were independent and working in a conducive environment, allowable levels of disclosure as per the regulator SASRA and board independence to ensure that interests of shareholders are safeguarded leading to growth of the SACCO. Most research on the impact of regulation to corporate governance mentioned the effect of the creation of SASRA to governance in cooperatives. Mureithi [79] in his paper on corporate governance practices and performance of cooperative movement observed that upon the advent of SASRA, corporate governance standards have gone compared to the past years. This is because of the licensing demands of high standards of corporate governance practices. Mutwiri [80], in his working paper on regulation in the cooperative movement as a measure of instilling good
corporate governance, observed that incisiveness and regulatory framework policing the cooperative sector has led to a turnaround in terms of growth in terms of better financial returns and bring a new face to the sector. Mburu [81] conducted a study on the determinants of performance of the Saccos in Kenya. The study identified lack of business, planning, conflict of interest, and absence of stringent measures as among the causes of business failure in Saccos. Mwalonza [82] studied the effect of corporate governance on performance of teachers Saccos in Kenya. He identified size of the board and composition of the board as affecting financial performance of Saccos. Njagi et al. [83] studied the impact of front office activities (FOSA) on Sacco performance in Meru and Maara Districts. FOSA led to relative growth in financial performance. Wanyoike [84] researched the impact of SASRA regulations on DT Saccos in Nairobi. The study identified quality of board of directors as an important aspect in improving the financial performance as per SASRA regulations. Furthermore, Sacco staff competence had a strong influence on financial performance of Sacco. The research identified corporate governance as the most significant aspect of SASRA regulations, Kinuthia [85] researched on management of loan defaulters’ problems and performance in Saccos. Gisemba [86] studied the relationship between credit risk management and financial performance of Saccos in Kenya.

Summary
The literature on the effect of corporate governance practices on financial performance of SACCOS is non-exhaustive. There is need for more research to be carried out to gather more information for future scholars to use as literature review. The study seeks to find out how CEO duality, board independence, and corporate reporting influence financial performance of deposit taking SACCOS. The study seeks to find out merging of CEO and chair to the board roles influence performance, how board independence affects the financial performance and the extent to which corporate reporting affects performance. Local studies have dwelt on the effect of corporate governance practices on listed firms, some practices that are required by the stock market regulator. The studies have shown a positive relationship between corporate governance standards and financial performance. This study aims to look at corporate governance and its impact on financial performance on deposit taking SACCOS in Kenya.

Conceptual Framework
This framework illustrates the relationship between the independent variables and the dependent variable. It shows the relationship between CEO duality, board size, board independence, and disclosure on corporate governance and financial performance of DTS in Western Kenya.

Corporate Governance

**Independent Variables**

- CEO DUALITY
- BOARD SIZE
- BOARD INDEPENDENCE
- DISCLOSURE

**Dependent Variable**

- FINANCIAL PERFORMANCE
- ROA / ROE

Fig-1: Conceptual framework
Source: Author

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RESEARCH METHODOLOGY

This chapter describes the research design, target population, data collection instruments and procedures, reliability, and validity of instruments data processing and presentation methods that to be used.

Research Design

The research design adopted for this study was a cross-sectional survey where information sought directly from DT Saccos. It involved collecting information from a cross section of DT Saccos as at 31 December 2014. According to Mugenda and Mugenda [88], this type of research design gives a form of a “snap shot” approach where the cross-sectional data provides information on change processes over a period. It was a form of social survey, which investigated corporate governance issues in a DT Saccos, and the information gathered expected to describe, explore, and quantify the main issues concerned with governance challenges facing the societies and their impact on performance of the said co-operatives. In the cross-section, survey focus fixed on the links among the key variables with the independent variable. The main justification for using the cross section study approach was the limitations that the researcher faced which were mainly time and resources. It was also expected that the samples chosen would be representative enough of the population and hence references could be made from the data.

Population

Mugenda and Mugenda [87] defined target population as that population to which a researcher wants to generalize the results of the findings. The target population of this study consisted of all the 20 fully licensed deposit taking Saccos in Western Kenya registered by SASRA as at December 2014.

Sample Design

Copper and Schindler [89] defined the sampling process as the process of selecting elements in a population for purposes of drawing conclusion on specific characteristics. In the course of the study, a sample size of all 20 DT Saccos chosen. This is because of the limited number of DT Saccos in the area under study.

Data Collection

The data collected is from both primary and secondary sources. The primary data sourced through self-administered structured questionnaire. This type of data is easy to access from cooperating respondents. The questionnaire administered to the CEOs or Deputy CEOs to fill. The CEOs and Deputy CEOs are preferred because they have access to all information on the SACCO and they have information on the board members and their activities since they attend board meetings. Secondary data used will be audited reports for 5-year period (2010-2014).

Data Analysis

The main parameters used will include CEO duality, board size, board independence, and corporate reporting. A multivariate regression model applied to determine the effect of corporate governance practices on the financial performance of deposit taking SACCOS. The model below determines the effect of corporate governance practices on the financial performance of deposit taking SACCOS.

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon \]

Where:

- \( Y \) = Financial performance as measured by ROA
- \( \beta_0 \) = constant
- \( \beta_1, \beta_2, \beta_3, \beta_4 \) = régression coefficients
- \( X_1 \) = Board size
- \( X_2 \) = dummy variable for CEO duality, equals one if CEO is also the chair of the board, and is zero if otherwise.
- \( X_3 \) = Percentage of independent board members
- \( X_4 \) = Level of disclosure
- \( \epsilon \) = Error term

For interpretation purposes the study employed descriptive statistics such as mean scores, standard deviation, and variance. The means of the Sacco indicators were regressed against the independent variables. Since the purpose of the research was, establish the dependent variable (SACCO financial performance) from a set of independent variables (corporate governance issues); multicolinearity tested using SPSS software. A change in Y (dependent variable) depends on changes in X (independent variables). The study used Statistical package for Social Sciences-SPSS version 22, which aided in data analysis.

DATA ANALYSIS AND DISCUSSION

This chapter provides analysis of the research findings as per the study questionnaire and objectives.

Data Analysis According to Research Questions

Response Rate

From the data collected, out of the 20 questionnaires administered for each of the SACCOS 16 were filled and returned. This represented an 80% response rate, which is considered satisfactory to make conclusions for the study. According to Mugenda and Mugenda [87], Bailey [90] a 50% response rate is adequate, 60% good and above 70% rated very good. This implies that based on this assertion; the response rate in this case of 80% is very good.
Table-4.1: Response Rate

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Returned questionnaires</td>
<td>16</td>
<td>80%</td>
</tr>
<tr>
<td>Unreturned questionnaires</td>
<td>4</td>
<td>20%</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Research Findings

The study thus has a participation rate of 80%

CEO Duality

Table-4.2: Findings on CEO Duality

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th></th>
<th>No</th>
<th></th>
<th>No response</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>%</td>
<td>F</td>
<td>%</td>
<td>F</td>
</tr>
<tr>
<td>Any existence of Separation duties</td>
<td>16</td>
<td>96.0</td>
<td>0</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Between the post of Chair and the Chief Executive Office</td>
<td>16</td>
<td>96.0</td>
<td>0</td>
<td>0</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: Research Findings

The study below indicates whether there is a separation of the post of Chair to the Board and the Chief Executive Officer in respondents’ society.

CEO duality is not associated with lower performance in firms. This may be the underlying reason for the success of cooperative movement in Kenya today. This is because most board members are less knowledgeable on management matters and owe their positions to the influence they have over the management. This separation leaves executive function to the knowledgeable management appointed by the board.

Board Size

Table-4.3: Board Size

<table>
<thead>
<tr>
<th>Board Size</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board size proposition</td>
<td>2.0000</td>
<td>.97575</td>
</tr>
</tbody>
</table>

Source: Research Findings

The result indicated a universal mean 2.00 and a SD OF .975 for board size, which is positively affected by greater advising needs, and negatively impacted by CEO influence, we find no evidence that the proportion of outsiders is negatively related to monitoring costs or positively related to monitoring benefits. Moreover, one size fits all’ approach, allowing firms to choose the board structure most appropriate for their own needs without weakening underlying economic determinants.

Board Independence

Table-4.4: Board Independence

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholders elect and remove the members of the board</td>
<td>4.253</td>
<td>.874</td>
</tr>
<tr>
<td>Shareholders participate in voting process during elections of the board.</td>
<td>4.045</td>
<td>.541</td>
</tr>
<tr>
<td>Appointment of CEO and senior staff is done by the board</td>
<td>3.985</td>
<td>.461</td>
</tr>
<tr>
<td>Decisions made by the management vetted by board</td>
<td>3.487</td>
<td>.823</td>
</tr>
</tbody>
</table>

Source: Research Findings

Available Online: [http://saspjournals.com/sjebm](http://saspjournals.com/sjebm)
The study above shows that Shareholders elect and remove the members of the board with a mean of 4.253 and standard deviation of .874. Shareholders participate in voting process during elections of the board had a mean of 4.045 and standard deviation of .541. Appointment of CEO and senior staff is done by the board had a mean of 3.985 and standard deviation of .461. While finally, decisions made by the management vetted by board had a mean of 3.487 and standard deviation of .823. These findings are in line with Maina [67] an organization where the chair of the board is a different person from the CEO, the CEO oversees the operational issues while the board oversees the supervisory functions, which include strategic decisions, and the management function of the board. For effective corporate governance, there should be separation of the top two positions of the board, the Chief executive officer, and the chair of the board.

**Disclosure**

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors are required to declare their interests in entities doing business with the organization.</td>
<td>4.225</td>
<td>.4644</td>
</tr>
<tr>
<td>The books of accounts are prepared in the organization.</td>
<td>4.201</td>
<td>.5411</td>
</tr>
<tr>
<td>The organization employs external auditors to audit its books.</td>
<td>4.347</td>
<td>.6854</td>
</tr>
<tr>
<td>The organization restricts insider trading.</td>
<td>3.984</td>
<td>.3204</td>
</tr>
<tr>
<td>The organization carries out due diligence</td>
<td>3.968</td>
<td>.3964</td>
</tr>
<tr>
<td>The books are easily accessible to the intended users within the organization.</td>
<td>3.862</td>
<td>.3212</td>
</tr>
<tr>
<td>Disclosure levels meet regulatory requirements.</td>
<td>3.545</td>
<td>.3684</td>
</tr>
</tbody>
</table>

Source: Research Findings

The study shows that respondents were for the idea that Directors are required to declare their interests in entities doing business with the organization had a mean of 4.225 and standard deviation of .4644. The books of accounts are prepared in the organization had a mean of 4.201 and standard deviation of .5411. The organization employs external auditors to audit its books had a mean of 4.347 and standard deviation of .6854. The organization restricts insider trading had a mean of 3.984 and standard deviation of .3204. The organization carries out due diligence had a mean of 3.968 and standard deviation of .3964. The books are easily accessible to the intended users within the organization had a mean of 3.862 and standard deviation of .3212. Finally, disclosure levels meet regulatory requirements had a mean of 3.545 and standard deviation of .3684. Disclosure creates confidence in the management thereby reducing unnecessary conflicts between the agent and the principal. This is because the principal receives all the information on the daily operations of the firm. Duty of supervision warrants a director to ensure full disclosure to the shareholders on matters relating to firm performance. Kiser [91] pointed out that directors should always strive to uphold high standards of integrity.

**Financial Performance**

The study sought the published books of account of all the Saccos to evaluate their financial performance. The study used Return on Assets as primary measure of performance and return on equity as the alternative measure of performance. Cereola [92], alluded that firm performance can be measured using Return on Assets which shows the amount of earnings generated from invested capital assets. Factors include CEO duality, Board size, Percentage of independent board members and Level of disclosure. The regression model was: \( Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon \). Whereby Y Financial performance as measured, \( X_1 \) is CEO duality, \( X_2 \) is Board size, \( X_3 \) is Percentage of independent board members and \( X_4 \) Level of disclosure. \( \beta_0 \) is the model’s constant, and \( \beta_1 - \beta_4 \) are the regression coefficients while \( \epsilon \) is the model’s significance from f-significance results obtained from analysis of variance (ANOVA).
Table 4.6: Model’s Goodness of Fit Statistics

<table>
<thead>
<tr>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>734*</td>
<td>.539</td>
<td>.503</td>
<td>.1752</td>
<td>1.421</td>
</tr>
</tbody>
</table>

Source: Research findings

a. Predictors: (Constant), CEO duality, Board size, Percentage of independent board members and Level of disclosure.

Table 4.6 shows that there is a good linear association between the dependent and independent variables used in the study. This is shown by a correlation (R) coefficient of 0.734. The determination coefficient as measured by the adjusted R-square presents a moderately strong relationship between dependent and independent variables given a value of 0.503. This depicts that the model accounts for 50.3% of the total observations while 49.7% remains unexplained by the regression model.

Durbin-Watson test was used as one of the preliminary test for regression which to test whether there is any autocorrelation within the model’s residuals. Given that the Durbin Watson value was close to 2 (1.421), there was no autocorrelation in the model’s residuals.

Table 4.7: Analysis of Variance (ANOVA)

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>2.164</td>
<td>4</td>
<td>.541</td>
<td>11.657</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>9.775</td>
<td>16</td>
<td>.085</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>11.939</td>
<td>20</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research findings

The ANOVA statistics presented in the table above presented the regression model significance. An F-significance value of p = 0.039 was established showing that there is a probability of 3.9% of the regression model presenting a false information. Thus, the model is significant.

Table 4.8: Regression Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3.544</td>
<td>.425</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEO duality</td>
<td>.541</td>
<td>.154</td>
<td>.656</td>
<td>5.574</td>
</tr>
<tr>
<td>Board size</td>
<td>.644</td>
<td>.874</td>
<td>.241</td>
<td></td>
</tr>
<tr>
<td>Percentage of independent board members</td>
<td>.148</td>
<td>.441</td>
<td>.282</td>
<td>1.031</td>
</tr>
<tr>
<td>Level of disclosure</td>
<td>.504</td>
<td>.685</td>
<td>.257</td>
<td>2.412</td>
</tr>
</tbody>
</table>

Source: Research findings

a. Dependent Variable: Financial performance of deposit taking SACCOs

From the model, when other factors (CEO duality, the Financial Performance was 3.544. Holding other factors constant, a unit increase in Board size would lead to 0.541 (p=.035) increase in financial Performance. However, holding other factors constant, a unit increase in Percentage of independent board members and Level of disclosure would lead to a 0.644
(p=0.049) increase in Financial performance of deposit taking SACCOs.

Interpretation of Research findings

In summary, this study found that implementation of proper corporate governance is an important element in the financial performance from the regression equation it was revealed that Board Size, Board Composition, CEO duality and audit committee to a constant zero, financial performance of DT SACCOs would stand at 1.573. A unit increase in Board Size would lead to decrease in performance of DT SACCOs by a factor of 0.509, unit increase in Board Composition would lead to increase in financial performance of DT Saccos by a factor of 3.103, a unit increase in CEO duality would lead to increase in financial performance of DT SACCOs by a factor of 1.483 and unit increase in audit committee would lead to increase in financial performance of Saccos by a factor of 1.317. At 5% level of significance and 95% level of confidence, Board Composition had a 0.040 level of significance; Leverage showed a 0.032 level of significance, CEO duality had a 0.030 level of significance while Board Size showed 0.011 level of significance hence the most significant factor is Board Size. Overall Board Size had the greatest effect on the financial performance of DT SACCOs, followed by CEO duality, then audit committee and Board Composition had the least effect to the financial performance of DT SACCOs. All the variables were significant (p<0.05).Corporate governance has positive relation with financial performance hence the introduction of various governance policies will improve the financial performance and performance efficiency. Many different claims by different authors explaining the impact of corporate governance on financial performance of DT SACCOs have been explored and analyzed vis-à-vis the findings of the study. Competing explanations to the various arguments have also been shown .It was not, however possible to contribute the relationship between financial performance and some of the prepositions because of lack of relevant comparative data from other groupings of DT SACCOs. Future work should attempt to explore the linkages between transparency, communication, and performance in more depth and by use of different techniques.

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter looks at the summary, conclusions, and recommendations made from the study. The study sought to find out the relationship between corporate governance practices and financial performance in deposit taking Saccos in Western Kenya. CEO Duality, Board Size, Board Independence, and Disclosure levels guided the objectives of the study.

Summary

The study found out that all the deposit taking Saccos in Western Kenya had a clear separation of authority with respect to the executive function. CEOs were therefore, involved in the day-to-day management of the firms’ operations while the boards were tasked with policy formulation and decision-making. The study above shows that Shareholders elect and remove the members of the board with a mean of 4.253 and standard deviation of .874. Shareholders participate in voting process during elections of the board had a mean of 4.045 and standard deviation of .541. Appointment of CEO and senior staff is done by the board had a mean of 3.985 and standard deviation of .461. While finally, decisions made by the management vetted by board had a mean of 3.487 and standard deviation of .823. The study shows that respondents were for the idea that Directors are required to declare their interests in the entities doing business with the organization had a mean of 4.225 and standard deviation of .4644. The books of accounts are prepared in the organization had a mean of 4.201 and standard deviation of .5411. The organization employs external auditors to audit its books had a mean of 4.347 and standard deviation of .6854. The organization restricts insider trading had a mean of 3.984 and standard deviation of .3204. The organization carries out due diligence had a mean of 3.968 and standard deviation of .3964. The books are easily accessible to the intended users within the organization had a mean of 3.862 and standard deviation of .3212. Finally, disclosure levels meet regulatory requirements had a mean of 3.545 and standard deviation of .3684.

CONCLUSION

CEO duality becomes a challenge especially when the board is tasked with the mandate of evaluating and determining suitability of the holder. This can lead to conflict between managing the shareholder expectations and maintaining the executive roles of the CEO. CEO duality may protect the ownership structure but may lead to abuse of power especially if the CEO wields many powers over non-executive directors on the board. Effect of board size on financial performance is based on the agency theory. A firm’s board of director’s safeguards invested capital and is therefore an important element of corporate governance. The size of the board can affect its monitoring and control activity, larger boards have been argued to offer the firm a greater range of expertise and resources. However, other studies have found that an increase in board size has a negative effect on firm performance it appears that there are no conclusive results as to what is an optimal board size for effectively monitoring the behavior of managers. The reason for separation is that both the monitoring and the implementation roles
vested in a single person the monitoring role was severely impaired. Furthermore, companies that have combined leadership structure may have an individual who has too much power and is able to make decisions that do not maximize shareholders wealth. Disclosure is the process through which an organization communicates with the external environment. It is through disclosure that the outsiders get an insight into the operations of the organization. It is grounded on the Stakeholder theory since it helps the stakeholders to understand all that pertains to the operations of the organization. Transparency was achieved when issues affecting the firm are disclosed to the stakeholders. Enhanced corporate governance instilled confidence, enhanced market positions owing to the increased dividends on the members resulting from the enhanced R.O.A, boost the firm’s profiles and confidence from the membership, and forced the peers to take care for the same.

RECOMMENDATIONS
This study proposed that the code of best practice should include the boards to have at least fifty percent of non-executive directors, not one third as stated in the code. It was also proposed to select the directors from a register kept by the institute of directors.

In order to have a clear understanding of the risk, and manage the risks identified in a satisfactory manner, it was proposed to appoint risk management committees.

Lastly, because of the importance of accountability to other stakeholders, this study recommended the inclusion of interests of other stakeholders in the code of best practice, which would result in share prices responding organizations.

Policy Recommendation
The study recommends that the board size and composition be considered since they affect the financial performance of the DT SACCOs in Western region. The number of nonexecutive directors needs to be selected well since they affect financial performance of the DT SACCOs in Western region. Proponents of board independence should note with caution the negative relationship between board independence and future operating performance. Hence, if the purpose of board independence is to improve performance, then such efforts might be misguided. However, if the purpose of board independence is to discipline management of poorly performing firms or otherwise monitor, then board independence has merit. In other to have proper monitoring by independent directors, state corporation regulatory bodies should require additional disclosure of financial or personal ties between directors (or the organizations they work for) and the company or its CEO. By so doing, they will be more completely independent. Also, DT SACCOs in Western region should be allowed to experiment with modest departures from the current norm of a “supermajority independent” board with only one or two inside directors. The board needs to comprise of well educated people since they are actively involved in shaping DT SACCOs in Western region strategy. The study recommends that non-executive directors be trained on internal corporate governance mechanisms. Ownership concentration needs to be reduced to avoid few people controlling the financial performance of the organization. Employees should be encouraged to be more active in financial management aspects of the business. Finally, the study recommends that financial monitoring should be done thoroughly by the board. A constitution which clearly indicates how to select and replace the CEO and directors need to be adopted. DT SACCOs in Western regions should consider adopting conduct of regular Corporate Governance Audits and Evaluations. Good Corporate Governance has a positive economic impact on the institution in question as it saves the organization from various losses e.g. those occasioned by frauds, corruption and similar irregularities.

Limitations of the Study
Improved survey measures of performance of DT SACCOs in Western region and various potential financial performance determinants such as inflation, religion, marginal tax rates, market competition and culture could improve the reliability of the empirical results and further reduce the risk of measurement error. This study was unable to include those variables at the same time. The types of approaches used in measuring corporate governance and performance (i.e. by using a survey instrument) might provide limited results, and different research designs (such as interviews or an experiment) could produce different results. The researcher encountered various limitations that were likely to hinder access to information sought by the study. The researcher encountered problems of time as the research was being undertaken in a short period with limited time for doing a wider research.

Suggestions for Further Studies
The area of education related to corporate governance’s knowledge and levels of financial performance offers opportunities for additional research. Instead of using a survey, other methods of data collection i.e. interviews may provide different results. It is expected that two-way communication via an interview could produce other meaningful results; however, non-anonymous methods such as interviews can be problematic in revealing the truth, especially when questioning respondents regarding governance
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