# CORPORATE GOVERNANCE PRACTICES AND PERFORMANCE AT ELIMU SACCO IN KENYA

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**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION UNIVERSITY OF NAIROBI.**

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## DECLARATION

This is to declare that this research project is my original work that has not been presented to any other University or Institution of Higher Learning for examination.

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**REG. NO: D61/60248/2011**

**DECLARATION BY SUPERVISOR**:

This is to declare that this project has been submitted for examination with my approval as the university supervisor

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# DEDICATION

This study is dedicated to my loving family.

## ACKNOWLEDGEMENT

I would like to express my sincere thanks to the Supervisor Jeremiah Kagwe, Lecturers at Nairobi University MBA programme in School of Business for agreeing to supervise this research paper.

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# ABSTRACT

Previous research has shown that corporate governance in Sacco's in Kenya has not been effectively regulated and supervised. It is important to emphasize that good corporate governance practices in the SACCOs is imperative if the cooperative movement is to effectively play a key role in the overall development in Kenya. This study sought to achieve two objectives: To find out the influence of corporate governance practices on the performance of Elimu SACCO and to establish the challenges facing corporate governance practises at Elimu SACCO. The study used both primary and secondary data. Primary data was collected using an interview guide that had open-ended questions which enabled the researcher to collect qualitative data. The respondents of the study were ten (10) managers drawn from the various departments at Elimu SACCO. The study findings indicated that the main tasks of corporate governance involved assuring corporate efficiency and mitigating arising conflicts, providing for transparency and legitimacy of corporate activity, lowering risk for investments and providing high returns for investors and delivering framework for managerial accountability. Further, findings showed that corporate governance at Elimu SACCO encompassed authority, accountability, stewardship, leadership, direction and control exercised within an organization. The study concluded that the corporate governance helped in defining the relation between the SACCO and its general environment, the social and political systems in which it operates and also linked the way management and control were organized thus affecting the performance of the SACCO and its long run competitiveness.

The study recommends that Elimu SACCO should maintain a smaller board size that facilitates performance of the SACCO. However, the management should ensure that the board size is optimal as a very small board can also be redundant and may not be efficient in governing the SACCO. The study further recommends that Elimu SACCO be well equipped to implement corporate governance practices in its daily activities to the levels which might be acceptable in developed market economies and improve accessibility to firm financing by enhancing transparency and accountability in the information disclosed.

## TABLE OF CONTENTS

**DECLARATION ........ ii**
**DEDICATION ........ iii**
**ACKNOWLEDGEMENT ........ iv**
**ABSTRACT ........ v**
**LIST OF ACRONYMS ........ viii**
**CHAPTER ONE: INTRODUCTION ........ 1**
1.1 Background of the Study ........ 1
1.1.1 Concept of Corporate Governance ........ 2
1.1.2 Corporate Governance Practices ........ 3
1.1.3 Organization Performance ........ 4
1.1.4 Corporate Governance and performance ........ 4
1.1.5 SACCO Societies in Kenya ........ 5
1.1.6 Elimu SACCO ........ 7
1.2 Research Problem ........ 8
1.3 Research Objectives ........ 9
1.4 Value of the Study ........ 9
**CHAPTER TWO: LITERATURE REVIEW ........ 11**
2.1 Introduction ........ 11
2.2 Corporate Governance ........ 11
2.3 Corporate Governance Practices ........ 12
2.4 Organization performance ........ 12
2.5 Corporate Governance Practices and Firm Performance ........ 13
2.6 Challenges Facing Corporate Governance Practices ........ 14
**CHAPTER THREE: RESEARCH METHODOLOGY ........ 16**
3.1 Introduction ........ 16
3.2 Research Design ........ 16
3.3 Data Collection ........ 16
3.4 Data Analysis ........ 17
**CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION ........ 18**
4.1 Introduction ........ 18
4.2 The influence of corporate governance practices on performance ........ 18
4.3 Challenges of corporate governance practises ........ 22

4.4 Discussions....................23
**CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS....................27**
5.1 Introduction....................27
5.2 Summary of Findings....................27
5.3 Conclusions....................28
5.4 Limitations of the study....................30
5.5 Recommendations....................31
5.6 Recommendations for Further Research....................32
**REFERENCES....................33**
APPENDICES....................36
Appendix 1: Introduction Letter....................36
Appendix 2: Interview Guide....................37

## LIST OF ACRONYMS

| | |
|---|---|
| **SACCOS** | Savings and Credit Cooperatives |
| **OECD** | Organization for Economic Cooperation and Development |
| **USAD** | united states academic decathlon |
| **KFA** | Kenya Farmers Association |
| **KNFC** | Kenya National Federation of Cooperatives |
| **FOSAs** | Front Office Service Activities |
| **SMEs** | Small and Medium Enterprises |
| **ATM** | Automated Teller Machine |
| **ADM** | Annual Delegates Meeting |
| **CEO** | Chief Executive Officer |
| **ICT** | Information Communication and Technology |

# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

Corporate governance has dominated policy agenda in developed market economies for more than a decade and it is gradually warming its way to the top of the policy agenda on the African continent. The global economic crisis and the relative poor performance of the corporate sector in Sub-Saharan Africa have made corporate governance a catchphrase in the development debate (Brown and Caylor, 2004). Developing countries, of which Kenya is no exception, have increasingly embraced the concept of good corporate governance, because of its ability to impact positively on sustainable growth. It is believed that, good governance generates investor goodwill and confidence. Firms are now improving their corporate governance practices knowing it increases valuations and boosts the bottom line. Governance is concerned with structures and processes for decision making, accountability, control and behaviour at the top of organizations.

Corporate governance is a concept that involves practices that entail the organization of management and control of companies. Corporate governance is the means by which an organisation is directed and controlled. In broad terms, corporate governance refers to the processes by which organizations are directed, controlled and held accountable. Corporate governance encompasses authority, accountability, stewardship, leadership, direction and control exercised in corporations. It reflects the interaction among those persons and groups, which provide resources to the company and contribute to its performance such as shareholders, employees, creditors, long-term suppliers and subcontractors (Brownbridge, 2007).

In the context of Kenyan SACCOS, corporate governance involves a set of processes, customs, policies, Laws and institutions affecting the- way a Sacco is directed, administered or controlled. Corporate governance also includes the relationships among the many players involved (the stakeholders) and the goals for which a Sacco is governed. The principal players are the shareholders, management and the board of directors. Other stakeholders include employees, customers, bankers and other lenders, regulators, the environment and the community at large. According to Muturi (2002) a well functioning corporate governance system helps SACCOs to attract investment, raise funds and strengthen the foundation for their performance. It is believed that good governance generates investor goodwill and confidence. Again, poorly governed SACCOS are expected to be less profitable. Elimu SACCO corporate governance helps in defining the relation between the Sacco and its general environment, the social and political systems in which it operates.  This study will strive to respond to the following questions: what is the influence of board size and composition on the performance of Elimu SACCO?; How does the independence of committees influence performance of Elimu SACCO?; what is the influence of the independence of directors on the performance of Elimu SACCO?; and how does split chairman/CEO roles influence the performance of Elimu SACCO?

### 1.1.1 Concept of Corporate Governance

In the broadest sense, corporate governance can be defined as the stewardship responsibility of corporate directors to provide oversight for the goals and strategies of a company and to foster their implementation. Bauer et al, (2004) defined it as the process and structure used to direct and manage business affairs of the company towards enhancing prosperity and corporate accounting with the ultimate objective of realizing shareholders long-term value while taking into account the interest of other stakeholders. Corporate governance may thus be perceived as the set of interlocking rules by which corporations, shareholders and management govern their behavior. These rules refer to individual firm attributes and the factors that allow companies to maintain sound governance practices even where public and private institutions are relatively weak. Such factors may include a corporation's ownership structure, its relationships with stakeholders, financial transparency and information disclosure practices as well as the configuration of its managing boards.

Corporate governance is seen as the process and structure used to direct and manage the business affairs of the company towards enhancing business prosperity and corporate accountability with the ultimate objective of realizing long-term shareholder value, whilst taking into account the interest of other stakeholders. Corporate governance also includes the relationships among the many players involved (the stakeholders) and the goals for which the corporation is governed. The principal players are the shareholders, management and the board of directors. Other stakeholders include employees, suppliers, customers, bankers and other lenders, regulators, the environment and the community at large (Klapper and Love, 2003).

### 1.1.2 Corporate Governance Practices

Renewed interest in corporate governance practices of contemporary organizations has arisen mainly n relation to accountability, transparency, disclosure, fairness and effectiveness following the collapse of various large corporations during the years of 2000s, most of which involved accounting fraud. Corporate scandals of various forms have maintained public and political interest in the regulation of corporate governance (Sanda et al., 2003).

Corporate governance practices refer to the principles of governance as highlighted by Cadbury report, Sarbanes-Oxley Act, OECD (as cited in USAD leadership, management, and governance project, 2011) and the center for corporate governance (CCG) the former private sector initiative for corporate governance. The corporate governance principles include respect for the rights of shareholders, equitable treatment of all stakeholders in corporate governance, responsibilities of the board, transparency and disclosure (Sanda et al., 2003). Good corporate governance practices dictate that the board of directors governs the corporation n a way that maximizes shareholders value and in the best interest of society (Cornelius, 2005). T is neither in the long term interest of the enterprise or society to short-change customers nor engages in corrupt practices.

As Gatamah (2002) puts it corporate governance practices have gained interest because prosperity of nations, communities and individuals are closely linked with the ability to create, strengthen and maintain profitable, competitive and sustainable enterprises. Investors’ especially collective investment institutions and pension funds acting in a fiduciary capacity realize they have  a role to play in ensuring good corporate governance practices, thereby underpinning the value of their investments (OECD, 2004). Hutchinson and Gul (2004) noted that specific industries adopt particular corporate governance.

Corporate governance practices henceforth vary significantly among companies (Nam and Nam 2004). There is need to develop systems for monitoring and evaluating compliance with good corporate governance practices (Gatamah, 2002)

### 1.1.3 Organization Performance

Firm's 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. Performance also refers to the metrics relating to how a particular request is handled, or the act of performing; of doing something successfully; using knowledge as distinguished from merely possessing it. It is the outcome of all of the organisation's operations and strategies (Claessens, 2004). It is also the extent to which an individual meets the expectations regarding how he should function or behave in a particular context, situation, job or circumstance. Solomon and Solomon (2004) is of the view that performance is what people do in relation to organizational roles.

The financial performance of institutions is usually measured using a combination of financial ratios analysis, benchmarking, measuring performance against budget or a mix of these methodologies. The common assumption, which underpins much of the financial performance research and discussion, is that increasing financial performance will lead to improved functions and activities of the organizations. The subject of financial performance and research into its measurement is well advanced within finance and management fields. It can be argued that there are three principal factors to improve financial performance for financial institutions; the institution size, its asset management, and the operational efficiency (Foerster and Huen, 2004).

### 1.1.4 Corporate Governance and performance

Corporate governance is a multi-faceted subject. An important theme of corporate governance deals with issues of accountability and fiduciary duty, essentially advocating the implementation of guidelines and mechanisms to ensure good behaviour and protect shareholders (Schilling, 2003). Corporate governance is a concept that involves practices that entail the organization of management and control of companies. It reflects the interaction among those persons and groups, which provide resources to the company and contribute to its performance (Brownbridge, 2007).

The argument has been advanced time and time again that the governance structure of any corporate entity affects the firm's ability to respond to external factors that have some bearing on its performance. In this regard, it has been noted that well governed firms largely perform better and that good corporate governance is of essence to firms (Brown and Caylor, 2004). It is believed that good governance generates investor goodwill and confidence. Again, poorly governed firms are expected to be less profitable. Claessens et al. (2003) also points that better corporate framework benefits firms through greater access to financing, lower cost of capital, better performance and more favourable treatment of all stakeholders. They argue that weak corporate governance does not only lead to poor firm performance and risky financing patterns, but are also conducive for macroeconomic crises like the 1997 East Asia crisis. Other researchers contend that good corporate governance is important for increasing investor confidence and market liquidity (Donaldson, 2003).

Several studies have been done to the effect of corporate governance structure and firm's performance. One argument is that a strong corporate governance structure, could lead to a high performance (Sanda et al, 2005). It will help to promote a firm's performance and protect stake holder's interests. Nam et al (2002) found that corporate governance should lead to better performance since managers are better supervised and agency costs are decreased. Poor corporate governance on the other hand is a fertile ground for corruption and poor financial performance. Brown and Caylor (2004) found that firms with weaker corporate governance perform poorly compared to those with stronger corporate governance in terms of stock returns, profitability, riskiness and dividend payments.

### 1.1.5 SACCO Societies in Kenya

The first co-operative in Kenya was initiated by the European settlers in the Rift Valley in 1908. The cooperative was called Lubwa Farmers Cooperative Society. It was not until 1931 when the cooperative societies ordinance became law that these societies could formally be registered as cooperatives. The first society to be registered under the new Act was the Kenya Farmers Association (KFA) which started as a company in 1923. A new ordinance was then passed in 1945 and a commissioner of co-operative was appointed the following year. By independence time, there were over 600 primary co-operatives in Kenya. Kenya National Federation of Cooperatives (KNFC) was formed in 1964, and in 1966 a new Act was passed under cap 490 of the laws of Kenya (Maina, and Kibanga, 2004).

There are 5,122 registered SACCOs out of the total 12,000 registered co-operatives, which is about 44% of the total number of co-operatives in Kenya. Out of the 5,122 Saccos 150 are rural Saccos (commodity based) while the rest are Urban Saccos (employee based). All Saccos operate Back Office Service Activities and have been able to mobilize over Kshs 230 billion, which is about 31 percent of the national saving and granted loans to the tune of Kshs 210 billion (Ministry of Cooperative Development and Marketing, 2010). Saccos have registered tremendous growth since mid 1970s and have currently achieved an average growth rate of 25 percent per year in deposits and assets. SACCOS have grown tremendously and currently have about 3.7million members. The 230 SACCOs with FOSAs have diversified into specialized bank- like activities which include deposit taking, saving facilities, debit card (ATM) and money transfers both local and international (Ministry of Cooperative Development and Marketing, 2007). SACCOs play an important role of serving the financing requirements need of households, small and medium enterprises (SMEs). They encourage individuals to save thereby creating or accumulating capital which contribute to economic development of the country.

Co-operatives are governed and managed by elected committees. These committees are entrusted with the management of societies on behalf of members and employ managers and staff to carry out the day-to-day functions of the societies. In such instances, the leadership provides the guidance and delegates the powers of implementation to the staff, leaving them to act as members' agents. Since the co-operative agents are custodians, trustees and stewards of the societies, they are accountable and answerable to members, and are expected to be efficient, effective, responsible, responsive, honest, faithful, diligent and prudent. The firm performance of the SACCOs is greatly affected by the corporate governance practices which are attributed to its committees, directors, CEOs and other stakeholders. It is therefore worth studying the relationship that exists between corporate governance and the performance of the deposit taking SACCOs in Kenya.

### 1.1.6 Elimu SACCO

Elimu Sacco was registered in 1972 by employees of the Ministry of Education. It was formed to serve employees of the ministry then it later opened its common bond to other ministries and employees of learning institutions. In 1978-1981 it was placed under commission due to mismanagement. Currently it is serving employees of the Teachers Service Commission, other ministries, colleges, schools, and employees of the society, retired employees of these organizations and other Kenyans of good character with a reputable employer or business who is introduced by at least three members of the Sacco. The vision of elimu sacco has been “To be the Sacco of choice and a beacon within the Co-operative Movement in Kenya and the region.” The mission of elimu SACCO has been to “To mobilize savings and promote investments at a reasonable rate of interest within co-operative principles, in a dynamic economic environment, by exercising good corporate governance.” The Sacco’s Head Office is situated at Mubiru Rd, off Daidai Rd in South B, Nairobi. Elimu Sacco has branches in Lodwar (Kailonkol House), Homa Bay (Luore Plaza), Nairobi FOSA Branch (KCS House) and Busia Branch (Ingonyera Plaza).

The governance structure of Elimu Sacco society ltd consists the ADM(Annual Delegates meeting), which consists of 9 Board of Directors and 3 members of the Supervisory Committee elected to manage the affairs of the Society on behalf of the members. The Board in turn employs staff to run the day to day affairs of the society. The SACCO has 45 staff headed by the Chief Executive Officer. Elimu Sacco corporate governance is guided by a code of ethics, strict election procedures, management meetings on timely basis, transparent human capital development & strict observance of co-operative act & our by-laws. However the Sacco despite having good strategic plan and structures the Sacco is still faced with corporate governance issues that are affecting the overall performance.

## 1.2 Research Problem

Previous research has shown that corporate governance in Sacco's in Kenya has not been effectively regulated and supervised. It is important to emphasize that good corporate governance practices in the Saccos is imperative if the cooperative movement is to effectively play a key role in the overall development in Kenya. El-Kharouf (2000) while examining strategy and corporate governance, pointed out that corporate strategy is a deliberate search for a plan of action that will develop the corporate competitive advantage. Bauer and Guenster (2003) 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.

Locally studies that have been done on the effect of corporate governance include: Ngugi (2007) did a study on the relationship between corporate governance structures and the performance of insurance companies in Kenya and found that inside directors are more familiar with the firm's activities and they can act as monitors to top management especially if they perceive the opportunity to advance into positions held by incompetent executives. Gatauwa (2008) did a study on the relationship between corporate governance practices and stock market liquidity for firms listed on the Nairobi Stock Exchange. The study found that the effectiveness of a board depends on the optimal mix of inside and outside directors positively influenced stock market liquidity. Jebet (2001) conducted a study of corporate governances the case of quoted companies in Kenya, the study found that corporate governance practices were positively correlated to the performance of the companies. Muriithi (2005) did a study on the relationship between corporate governance mechanisms and performance of firms quoted on the NSE. The study found that the effectiveness of a board depends on the optimal mix of inside and outside directors concluding that an optimal board composition lead to better performance of the companies, Manyuru (2005) researched on corporate governance and organizational performance the case of companies quoted at the NSE and found that separation of ownership and control maximizes shareholders wealth while Matengo (2008) conducted a study on the relationship between corporate governance practices and performance the case of banking industries in Kenya. The study found that good corporate governance will lead to lower firm risk and subsequently to a lower cost of capital. None of these studies have focused on the influence of corporate governance and performance of the deposit taking Savings and Credit Cooperatives in Kenya. It is in light of this that the study aims at filling the knowledge gap by establishing the effects of corporate governance on performance of the deposit taking Savings and Credit Cooperatives in Kenya with specific reference to Elimu SACCO. This study sought to address the following questions:

i. What is the influence of corporate governance practices on the performance of Elimu SACCO?
ii. What are the challenges facing corporate governance practises at Elimu SACCO?

## 1.3 Research Objectives

This study aimed at achieving the following objectives:

i. To find out the influence of corporate governance practices on the performance of Elimu SACCO.
ii. To establish the challenges facing corporate governance practises at Elimu SACCO.

## 1.4 Value of the Study

The management of SACCOs would identify how various aspects of corporate governance affect the operations of SACCO societies in Kenya as well as determine the extent to which this and other factors affect operations of other SACCOs in Kenya. They would also identify the impediments that face SACCO societies in approaching various corporate governance practices that affect their financial performance. The policy makers would obtain knowledge of the cooperative movements dynamics and the responses that are appropriate; they will therefore obtain guidance from this study in designing appropriate practices that would regulate the shareholders participation in affecting the financial performance of the SACCOs in Kenya. By focusing on corporate governance practices practitioners of SACCOs in Kenya, the study will contribute towards domestic institution building for financial capacity widening and deepening in locally constituted organizations and funds. The study would provide information to potential and current scholars with regard to the relationship between corporate governance and financial performance of the deposit taking SACCO societies. In addition, researchers would be able to gain additional knowledge from the study given that it is focusing on a several SACCOs that involve in deposit taking.

# CHAPTER TWO: LITERATURE REVIEW

## 2.1 Introduction

This chapter summarizes the information from other researchers who have carried out their research in the same field of study. The specific areas covered here are:

## 2.2 Corporate Governance

Corporate governance has come to underpin systematically the work of many business academics and practitioners alike, and their information and research needs present challenges not only for them, but also for the information professionals who assist them. Governance refers to the manner in which power is exercised in the management of economic and social resources for sustainable human development initiative (Brownbridge, 2007). The definition of corporate governance may vary in different contexts or different countries (Solomon and Solomon, 2004).

Becht (2002) laws, regulations or formal policy play a significant role in determining this, of course. For example, legally, a board of directors is vested with the authority to manage or supervise the management of the business and affairs of a corporation. Each director and officer, in exercising their powers and discharging their duties, is required by law to: act honestly and in good faith with a view to the best interests of the company (otherwise known as the director's “fiduciary duty”); and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances (otherwise known as the director's “duty of care”). While these duties are deliberately broad in their scope, what has occurred in the last several years is that specific duties and responsibilities have been imposed on, and expected of, directors, by regulations, shareholder guidelines and otherwise, in a broad variety of areas (e.g., board structure and composition, director qualifications and financial, risk and compensation oversight by the board) in order to ensure that boards of directors adequately oversee the management of the organization and act in the best interests of the company and all of its shareholders at all times (Brownbridge, 2007).

## 2.3 Corporate Governance Practices

Brownbridge (2007) the concept of corporate governance evokes the question of corporate performance and higher returns in the case of companies complying with certain rules. The research on these relations constitute a substantial proportion of papers in modern management, finance as well as law and economics. Researchers have investigated relationships between company performance and corporate governance practices such as ownership structure (concentration, shareholder identity), board structure (composition, turnover, proportion of independent, insider/outside or affiliated members), structure and functioning of board committees, structure and size of executing compensation (fixed salary vs incentives programs and stock options), structure and size of debt (long vs short term, private vs public).

Although, the research findings remain relatively mixed, many results do reveal clear relations between governance characteristics and performance. An overview of the main findings on corporate performance and corporate governance characteristics include the following: ownership concentration improves corporate performance lowering the agency costs of dispersed ownership; however, the dominant shareholder may tend to abuse minority investors particularly under conditions of poor institutional order; the involvement of institutional investors in the ownership structure is positively correlated with corporate performance due to their skills and experience in monitoring; independent directors positively influence corporate performance providing objectivity and professionalism; separation of CEO and Chairman enhances the monitoring and supervision exerted by the board; performance-based executive compensation aligns managerial interests with those of shareholders and mitigates agency problems (Abor, 2007).

## 2.4 Organization performance

Performance is the achievement of organizational goals in pursuit of business strategies that lead to sustainable competitive advantage. Mak and Yuanto (2003) to measure organizational performance more completely, one might use an approach similar to the balanced scorecard, which elevates non financial measures to a level consistent with a traditional focus on financial measures. In this age of global competition, technological innovation, turbulence, discontinuity, even chaos, change is inevitable and necessary. The organization must do all it can to explain why change is essential and how it will affect everyone.

Moreover every effort must be made to protect the interests of those affected by change. On the other hand performance indicators are defined as statements of the performance expectations or requirements necessary for achieving the critical results of the position. They clearly communicate to employees what has to be done and employees should be involved in setting the standards under which their performance will be evaluated. Performance indicators include; quality, teamwork and customer service measures (Sanda et al., 2003).

**2.5 Corporate Governance Practices and Firm Performance**

The composition of the board may be used to ameliorate the principal-agent problem. The participation of outside directors is designed to enhance the ability of the firm to protect itself against threats from the environment and align the firm's resources for greater advantage. However, research on the impact of outside directors has grown significantly but with mixed results. In another related work, the proportion of outside directors was found to have a significant positive relationship to firm performance. Firms with higher number of outside directors are expected to pursue activities that would bring about low financial leverage with a high market value of equity (Sanda et al., 2003).

Boards should be ready to increase meetings frequency if the situation requires a high supervision and control (Brownbridge, 2007). Other studies suggest that boards should balance the costs and benefits of frequency.

Board meetings serve as key forums where executives and directors share information on company performance, plans, and policies. Frequent meetings allow for better communication between management and directors. However, frequent meetings might also distract the firm’s managers from their day-to-day operational responsibilities and may deter the board participation of some of the most desirable directors with other time-consuming responsibilities. Boards increase meeting frequency after poor performance. On average, meeting frequency does not lead to poor performance but is a reaction to deteriorating performance. The recovery from poor performance is faster if board meeting frequency is increased (Fama and Jensen, 1983 ).

The focus on board independence is grounded in agency theory (Fama and Jensen, 1983). In fact, it has long been argued in the finance literature that boards with a majority of independent directors are more effective in monitoring management and are more likely to replace poorly performing CEOs. More independent boards are also more likely to opt for a clean slate when company performance deteriorates significantly, and to hire a replacement CEO from outside the firm rather than promote an internal candidate (Huson, 2001).

Fama and Jensen (1983) suggest that concentration of decision management and decision control in one individual reduces board's effectiveness in monitoring top management. The literature reveals a board structure typology, the system where the CEO also acts as chairman of the board and the system where the positions of CEO and chairman are occupied by two individuals. It has been noted that the system where the CEO also acts as board chairman leads to leadership facing conflict of interest and agency problems thus giving preference for the system where the CEO's role is separated from that of the board chairman. Abor (2007) argues that firms are more valuable when the CEO and board chair positions are separate. Relating CEO duality more specifically to firm performance, researchers however found mixed evidence. Daily and Dalton (1992) found no relationship between CEO duality and performance in entrepreneurial firms. Abor (2007) showed that CEO duality is not associated with inferior performance. Sanda et al. (2003) found a positive relationship between firm performance and separating the functions of the CEO and Chairman. Brownbridge (2007) however, reported that companies with CEO duality have stronger financial performance relative to other companies.

**2.6 Challenges Facing Corporate Governance Practices**

According to Abor (2007) organizations are ill equipped to implement corporate governance practices in their day to day activities to the levels which might be acceptable in developed market economies. To access firm financing or access credit the external financiers often need transparency and accountability of corporate insiders which board members may be reluctant to disclose. The boardroom composition is full of political appointee without management skills hence affecting the decision making and long term plans of an organization since most of them act like rubberstamps for decision taken outside the board. Majority of organizations are faced with corruption practices like engaging in bribery which leads to mismanagement of funds hence affecting the operations of the organization. Deciding on the board size and composition is another challenge that firms encounters.

The concept of board independence is one of the most challenging aspects of corporate governance in many organizations. Despite the trend towards convergence in the content of corporate governance codes across countries. Brownbridge (2007) there exists a large degree of variation in descriptions of what constitutes an independent director (Becht, 2002). Independence is defined in the context of supervisory boards, as meaning that ‘‘members of the supervisory board should not have relations with the company and its shareholders or employees which could significantly affect the independent member’s ability to make impartial decisions.’’ Another challenge that many firms face is the one concerning bestowing the CEO and chairman duties on one individual. This makes it harder for a board to replace a poorly performing CEO, which can reduce the flexibility of a board to address sizable declines in performance.

# CHAPTER THREE: RESEARCH METHODOLOGY

## 3.1 Introduction

This chapter is a blueprint of the methodology that was used by the researcher to achieve the research objectives. In this chapter the research methodology was presented in the following order, research design, data collection method and finally the data analysis.

## 3.2 Research Design

This was a case study since the unit of analysis is one organization. The aim of the study was to get detailed information regarding the influence of corporate governance on the performance of Elimu SACCO. A case study allows an investigation to retain the holistic and meaningful characteristics of real life events. Case study involves a careful and complete observation of social units. According to Cooper and Schindler (2003), it is a method of study in depth rather than breadth and places more emphasis on the full analysis of a limited number of events or conditions and other interrelations. Primarily data collected from such a study is more reliable and up to date.

## 3.3 Data Collection

The study used both primary and secondary data. Primary data was collected using an interview guide. The interview guide had open-ended questions. The open-ended questions enabled the researcher to collect qualitative data. This was used in order to gain a better understanding and possibly enable a better and more insightful interpretation of the results from the study. The interview guide comprised of two sections. The second part was devoted to the identification of the responses to the influence of corporate governance on the performance of Elimu SACCO and the challenges facing corporate governance practises at Elimu SACCO where the main issues of the study will be put into focus.

The respondents of the study were ten (10) managers drawn from various departments. They included the Human resource Manager, Accounts Manager, ICT Manager, internal audit, Customer Relations Manager, front office manager, records managers and loan manager. These respondents will be better placed in providing required data because they play a leading role in ensuring that they position Elimu Sacco favorably within the changing environment through instituting appropriate timely responses. The interview guide will be administered through personal interviews to allow for further probing. The secondary data will be obtained from Elimu Sacco documented publications and any other relevant information about the Sacco. The data will be obtained through review of relevant documents, key among them the Sacco's strategic plan and other relevant documentations.

### 3.4 Data Analysis

Before processing the responses, the completed interview guide was edited for completeness and consistency. Both the primary and secondary data was qualitative in nature. Given this fact, content analysis was used to analyze the data.

According to Creswell (2003), content analysis is a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same to relate trends. The data obtained was compared with existing literature in order to establish areas of agreement and disagreement.

# CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

## 4.1 Introduction

This chapter presents the findings of the study and the analysis of the data collected from the interview guide who was administered to managers Elimu SACCO selected from various departments of the company. The interviewees to the interview guide were heads of departments (divisions) from eight departments. The functional heads were Human resource Manager, Accounts Manager, ICT Manager, internal audit, Customer Relations Manager, front office manager, records managers and loan manager. According to the data found, seven out of all the eight heads of department projected in the previous chapter to be interviewed were interviewed which makes a response rate of 87%. The commendable response rate was achieved at after the researcher made frantic effort at booking appointments with the heads of departments despite their tight schedules and making phone calls to remind them of the interview.

## 4.2 The influence of corporate governance practices on performance

To the question regarding the main task for corporate governance, the interviewees indicated that the main tasks of corporate governance involved assuring corporate efficiency and mitigating arising conflicts, providing for transparency and legitimacy of corporate activity, lowering risk for investments and providing high returns for investors and delivering framework for managerial accountability.

According to the interviewees, corporate governance encompassed authority, accountability, stewardship, leadership, direction and control exercised in the SACCO. It reflected the interaction among those persons and groups, which provide resources to the SACCO and contributed to its performance such as shareholders, employees, creditors, long-term suppliers and subcontractor. Further, the interviewee indicated that corporate governance helped in defining the relation between the SACCO and its general environment, the social and political systems in which it operate. Some interviewees indicated that Corporate governance linked the way management and control are organized thus affecting the performance of the SACCO and it's long run competitiveness and also it determined the conditions for access to capital markets and the degree of investors' confidence.

To the question on who incorporated the corporate governance system, the interviewees indicated that senior managers, directors, middle managers, departmental heads and other lower level employees were involved in incorporating the corporate governance system at Elimu SACCO but the middle level managers played the pivotal role in the implementation. Further, the interviewees said that the management should be competent so as to ensure good corporate governance objective setting, achieve strategic awareness, manage resistance to its implementation, give a clear guidance, sustain vigorous strategy implementation efforts, align structure to strategy, envision change for future competences and critically assess current strategy.

On whether size and composition of the board influenced corporate governance, the interviewees said that the size of the board had an impact on the quality of corporate governance. According to the interviewees a large board could be dysfunctional and that smaller board sizes are better than larger ones because large boards may be plagued with free rider and monitoring problems. Additionally, the interviewee said that smaller boards are more effective since they experience fewer communication and coordination problems.

On the question regarding how often the board should meet, the interviewees indicated that boards should be ready to increase meetings frequency if the situation requires a high supervision and control and balance the costs and benefits of frequency. According to some interviewee, if the board increased the frequency of its meetings, the recovery from poor performance would be faster. Further, some said that separating CEO and chairman roles is in the shareholders' interest.

According the interviewees the board is vested with responsibility for managing the firm and its activities. There is no agreement over whether a large or small board does this better, the smaller the board of directors the better the firm's performance. Further some interviewees said that larger boards are found to be slow in decision making. The monitoring expenses and poor communication in a larger board give a reason for the support of small board size however some employees said that firms with larger board size have the ability to push the managers to pursue lower costs of debt and increase performance.

The interviewees indicated that boards with a majority of independent directors are more effective in monitoring management and are more likely to replace poorly performing CEOs. According to some interviewee a more independent board is more likely to opt for a clean slate when company performance deteriorates significantly, and to hire a replacement CEO from outside the firm rather than promote an internal candidate.

On the question whether directors should be employees of or affiliated with Elimu SACCO (inside directors) or outsiders. The interviewees said that inside directors were more familiar with the firm's activities and they could act as monitors to top management especially if they perceive the opportunity to advance into positions held by incompetent executives. On the other hand, outside directors may act as “professional referees” to ensure that competition among insiders stimulates actions consistent with shareholder value maximization. Further some interviewee said that boards of directors were more independent as the proportion of their outside directors increased.

According to the interviews, a well functioning corporate governance system would help in attracting investment, raise funds and strengthen the foundation for financial performance. Further, some interview said that good governance would generate investor goodwill and confidence. Some interviewee indicated that, poor governance affect negatively the profitability of Elimu SACCO. Some interviewee said that better corporate framework would benefit Elimu SACCO through greater access to financing, lower cost of capital, better financial performance and more favorable treatment of all stakeholders.

To the question on best Practices for evaluating performance, the interviewee indicated that best practices include soliciting informal feedback from Board, CEO, CFO, Compliance Officer and internal and external auditors on specific opportunities to improve Audit Committee effectiveness, completing a self-assessment survey and reviewing the results with the Board, management and internal and external auditors and assessing the contributions and performance of individual Audit Committee members by the Audit Committee chairperson for review with the Board Chairperson and CEO.

The interviewees, on role of the board in strategic decision, indicated that the board has to set strategic objectives and plans and put in place proper management structures (organization, systems and people) to achieve those objectives and plans. According to the interviewee, the Board acts as a catalyst, initiating, influencing, evaluating and monitoring strategic decisions and actions of management and holds management accountable. The Board is not a mere formality, which takes a back seat, leaving management to make all strategic decisions.

According to the interviewees, the board has established and put in place mechanisms to ensure that Elimu SACCO operates within the objects established by shareholders, the mandate given to it by society, utilizes the resources entrusted to it efficiently in pursuit of the stead mandate and meets the legitimate expectations of its various stakeholders. Some interviewee indicated that there are established mechanisms, processes and systems to constantly ensure that governance practices are effective and appropriate, there is transparency and accountability to the various stakeholders, the SACCO complies with legal and regulatory requirements, there is disclosure of all pertinent information to stakeholders, there is effective monitoring and management of risk, innovation and change, the SACCO remains relevant, legitimate and competitive and the corporation is viable , solvent and sustainable.

To the question on the effect of corporate governance structure on performance, the interviewees said that a strong corporate governance structure, could lead to a high performance through promoting performance and protecting stake holder's interests. Some employees indicated that corporate governance lead to better performance since managers are better supervised and agency costs are decreased. Further some said that poor corporate governance on the other hand is a fertile ground for corruption and poor financial performance.

To the question on what the board need to do to enhance the performance of the SACCO, the interviewees indicated that the board should ensure that a proper management structure is in place and the structure functions to maintain corporate integrity, reputation and responsibility, the board should monitor and evaluate the implementation of strategies policies and management performance criteria and the plans of the SACCO, the board should constantly review the viability and financial sustainability of the SACCO and must do so at least once a year, the board should identify the internal and external stakeholders; agree on a policy or policies determining how the SACCO should relate to, and with them , increasing wealth, jobs and sustainability of a financially sound corporation while ensuring that the rights of stakeholders established by law or custom are expected, recognized and protected. Further, the interviewees indicated that the Board should ensure that no one person or group of persons has unfettered power and that there is an appropriate balance of power on the Board so that it can exercise objectives and independent judgment.

The interviewees indicated that bestowing the CEO and chairman duties on one individual makes it harder for a board to replace a poorly performing CEO which can reduce the flexibility of a board to address sizable declines in performance. On the other hand, some interviewees were indifferent that separating these roles improves firm performance. However, some interviewee sad that, combining the positions of chairman and CEO confers greater power to the CEO, who gains the title of chairman after having outperformed his/her peers, so the chairman title serves as a reward to a new CEO who has demonstrated superior performance and represents an implicit vote of confidence by outside directors. Further some interviewee said that separating the positions of CEO and chairman would deprive boards of an important tool to motivate and reward new CEOs.

### 4.3 Challenges of corporate governance practises

The interviewees indicated that Elimu SACCO was ill equipped to implement corporate governance practices in its day to day activities to the levels which might be acceptable in developed market economies. Other challenges include reluctance of board members to disclose information, lack of transparency and accountability of corporate insiders that hinders access to financing or access to credit.

SACCO since most of them acted like rubberstamps for decision taken outside the board. Some interviewee said that Elimu SACCO is faced with corruption practices like engaging in bribery which leads to mismanagement of funds hence affecting the operations of the SACCO.

According to the interviewees, the other challenge that faced the SACCO concerned bestowing the CEO and chairman duties on one individual. The interviewee indicated that it made it harder for a board to replace a poorly performing CEO, which reduced the flexibility of a board to address sizable declines in performance.

The researcher asked the interviewees to suggest the possible solutions to the challenges of corporate governance. According to the interviewees, they indicated that Elimu SACCO should be well equipped to implement corporate governance practices in its day to day activities to the levels which might be acceptable in developed market economies. With regard to the challenge of accessibility to firm financing or access credit the external financiers, the interviewees indicated that there was dire need for transparency and accountability of corporate insiders of which the board members should disclose. Further the interviewees indicated that the boardroom composition should comprise of appointees with management skills who can affect the decision making and long term plans of the SACCO. According to the interviewees, Elimu SACCO should split the CEO and chairman duties as this would make it easier for a board to replace a poorly performing CEO.

### 4.4 Discussions

The researcher found that the main tasks of corporate governance involved assuring corporate efficiency and mitigating arising conflicts, providing for transparency and legitimacy of corporate activity, lowering risk for investments and providing high returns for investors and delivering framework for managerial accountability. The researcher also found that good corporate governance is necessary in order to attract investors both local and foreign and assure them that their investment will be secure and efficiently managed and in a transparent and accountable process, create competitive and efficient companies and business enterprises, enhance the accountability and performance of those entrusted to manage corporations and promote efficient and effective use of limited resources. This collates with earlier findings by Brownbridge (2007).

The researcher found that corporate governance at Elimu SACCO encompassed authority, accountability, stewardship, leadership, direction and control exercised within an organization (Brownbridge, 2007).

The researcher found that the size of the board had an impact on the quality of corporate governance. The researcher found that a large board could be dysfunctional and that smaller board sizes are better than larger ones because large boards may be plagued with free rider and monitoring problems. Further researcher found that larger boards are found to be slow in decision making. The monitoring expenses and poor communication in a larger board give a reason for the support of small board size however some employees said that firms with larger board size have the ability to push the managers to pursue lower costs of debt and increase performance. These findings are similar to the ones on previous research by Abor, (2007).

Boards should be ready to increase meetings frequency if the situation requires a high supervision and control (Brownbridge, 2007). Other studies suggest that boards should balance the costs and benefits of frequency. On how often the board should meet, the researcher found that boards should be ready to increase meetings frequency if the situation requires a high supervision and control and balance the costs and benefits of frequency. The researcher found that boards with a majority of independent directors are more effective in monitoring management and are more likely to replace poorly performing CEOs. On the whether directors should be employees of or affiliated with Elimu SACCO (inside directors) or outsiders. The researcher found that inside directors were more familiar with the firm's activities and they could act as monitors to top management especially if they perceive the opportunity to advance into positions held by incompetent executives. On the other hand, outside directors may act as “professional referees” to ensure that competition among insiders stimulates actions consistent with shareholder value maximization. These collated with earlier findings by Becht, (2002).

The researcher found that a well functioning corporate governance system help in attracting investment, raise funds and strengthen foundation for financial performance and that good governance would generate investor goodwill and confidence. On best Practices for evaluating performance, the researcher found that best practices included soliciting informal feedback from Board, CEO, CFO, Compliance Officer and internal and external auditors on specific opportunities to improve Audit Committee effectiveness, completing a self-assessment survey and reviewing the results with the Board, management and internal and external auditors and assessing the contributions and performance of individual Audit Committee members by the Audit Committee chairperson for review with the Board Chairperson and CEO. These findings are similar to the ones on previous research by (Fama and Jensen, 1983 ).

On the role of the board in strategic decision, the study found that the board at Elimu SACCO sets strategic objectives and plans and put in place proper management structures (organization, systems and people) to achieve those objectives and plans. On the effect of corporate governance structure on performance, the researcher found that a strong corporate governance structure, could lead to a high performance through promoting performance and protecting stake holder's interests. Corporate governance lead to better performance since managers are better supervised and agency costs are decreased. These findings are similar to the ones on previous research by (Huson, 2001).

Bestowing the CEO and chairman duties on one individual makes it harder for a board to replace a poorly performing CEO which can reduce the flexibility of a board to address sizable declines in performance (Sanda et al., 2003). Also the researcher found that, combining the positions of chairman and CEO confers greater power to the CEO, who gains the title of chairman after having outperformed his/her peers, so the chairman title serves as a reward to a new CEO who has demonstrated superior performance and represents an implicit vote of confidence by outside directors and separating the positions of CEO and chairman would deprive boards of an important tool to motivate and reward new CEOs.

On the challenges faced the researcher found that Elimu SACCO was ill equipped to implement corporate governance practices in its day to day activities to the levels which might be acceptable in developed market economies. Other challenges included reluctance of board members to disclose information, lack of transparency and accountability of corporate insiders that hinders access to financing or access to credit.

From the study, other challenge that faced the SACCO concerned bestowing the CEO and chairman duties on one individual. The researcher found that this made it harder for a board to replace a poorly performing CEO, which reduced the flexibility of a board to address sizable declines in performance.

# CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

## 5.1 Introduction

This chapter presented the summary of key data findings, conclusion drawn from the findings highlighted and recommendation made there-to. The conclusions and recommendations drawn are in quest of addressing the research question or achieving at the research objective which is corporate governance and performance at Elimu SACCO.

## 5.2 Summary of Findings

According to the study good corporate governance is necessary in order to attract investors both local and foreign and assure them that their investment will be secure and efficiently managed and in a transparent and accountable process, create competitive and efficient companies and business enterprises, enhance the accountability and performance of those entrusted to manage corporations and promote efficient and effective use of limited resources. From the study, the size of the board had an impact on the quality of corporate governance and a large board could be dysfunctional and that smaller board sizes are better than larger ones because large boards since they may be plagued with free rider and monitoring problems. Further, it was indicated that larger boards are found to be slow in decision making because the monitoring expenses and poor communication in a larger board give a reason for the support of small board.

According to the study, Elimu SACCO was ill equipped to implement corporate governance practices in its day to day activities to the levels which might be acceptable in developed market economies. Some of the challenges faced include reluctance of board members to disclose information, lack of transparency and accountability of corporate insiders that hinders access to financing or access to credit.

The study revealed that Elimu SACCO should be well equipped to implement corporate governance practices in its day to day activities to the levels which might be acceptable in developed market economies. With regard to the challenge of accessibility to firm financing or access credit the external financiers, there is need for transparency and accountability of corporate insiders of which the board members should disclose. Further the boardroom composition should comprise of appointees with management skills who can affect the decision making and long term plans of the SACCO.

## 5.3 Conclusions

From the study, the researcher concludes that the main tasks of corporate governance involves assuring corporate efficiency and mitigating arising conflicts, providing for transparency and legitimacy of corporate activity, lowering risk for investments and providing high returns for investors and delivering framework for managerial accountability and that good corporate governance is necessary in order to attract investors both local and foreign and assure them that their investment will be secure and efficiently managed and in a transparent and accountable process, create competitive and efficient companies and business enterprises, enhance the accountability and performance of those entrusted to manage corporations and promote efficient and effective use of limited resources.

The researcher also concludes that corporate governance at Elimu SACCO reflected the interaction among those persons and groups, which provide resources and contributed to its performance such as shareholders, employees, creditors, long-term suppliers and subcontractor. Further, the researcher concludes that corporate governance helped in defining the relation between the SACCO and its general environment, the social and political systems in which it operate and also linked the way management and control were organized thus affecting the performance of the SACCO and it’s long run competitiveness.

From the study, the researcher concludes that senior managers, directors, middle managers, departmental heads and other lower level employees were involved in incorporating the corporate governance system at Elimu SACCO but the middle level managers played the pivotal role in the implementation. In addition the management should be competent so as to ensure good corporate governance objective setting, achieve strategic awareness, manage resistance to its implementation, give a clear guidance, sustain vigorous strategy implementation efforts, align structure to strategy, envision change for future competences and critically assess current strategy. The researcher concludes that the size of the board had an impact on the quality of corporate governance. The researcher concludes that a large board could be dysfunctional and that smaller board sizes are better than larger ones because large boards may be plagued with free rider and monitoring problems.

From the study, the researcher concludes that boards should be ready to increase meetings frequency if the situation requires a high supervision and control and balance the costs and benefits of frequency. Also the researcher concludes that boards with a majority of independent directors are more effective in monitoring management and are more likely to replace poorly performing CEOs.

On the role of the board in strategic decision, the study concludes that the board at Elimu SACCO sets strategic objectives and plans and put in place proper management structures (organization, systems and people) to achieve those objectives and plans. On the effect of corporate governance structure on performance, the researcher found that a strong corporate governance structure, could lead to a high performance through promoting performance and protecting stake holder's interests. Corporate governance lead to better performance since managers are better supervised and agency costs are decreased.

On the board of Directors appointments the researcher found that if it was managed effectively, the process involved should ensure a balanced mix of proficient individuals and that each of those appointed is able to add value and bring independent judgment to bear to the decision making process. On what the board needed to do to enhance the performance of the SACCO, the researcher concludes that the board should ensure that a proper management structure is in place and the structure functions to maintain corporate integrity, reputation and responsibility, the board should monitor and evaluate the implementation of strategies policies and management performance criteria and the plans of the SACCO, the board should constantly review the viability and financial sustainability of the SACCO and must do so at least once a year, the board should identify the internal and external stakeholders; agree on a policy or policies determining how the SACCO should relate to, and with them , increasing wealth, jobs and sustainability of a financially sound corporation while ensuring that the rights of stakeholders established by law or custom are expected, recognized and protected.

The researcher concludes that bestowing the CEO and chairman duties on one individual makes it harder for a board to replace a poorly performing CEO which can reduce the flexibility of a board to address sizable declines in performance and combining the positions of chairman and CEO confers greater power to the CEO, who gains the title of chairman after having outperformed his/her peers, so the chairman title serves as a reward to a new CEO who has demonstrated superior performance and represents an implicit vote of confidence by outside directors and separating the positions of CEO and chairman would deprive boards of an important tool to motivate and reward new CEOs.

On the challenges faced the researcher concludes that Elimu SACCO was ill equipped to implement corporate governance practices in its day to day activities to the levels which might be acceptable in developed market economies. Other challenges included reluctance of board members to disclose information, lack of transparency and accountability of corporate insiders that hinders access to financing or access to credit.

From the study, other challenge that faced the SACCO concerned bestowing the CEO and chairman duties on one individual. The researcher concludes that this made it harder for a board to replace a poorly performing CEO, which reduced the flexibility of a board to address sizable declines in performance.

**5.4 Limitations of the study**

A limitation for the purpose of this research was regarded as a factor that was present and contributed to the researcher getting either inadequate information or responses or if otherwise the response given would have been totally different from what the researcher expected.

The main limitations of this study were;

Some respondents refused to be interviewed. This reduced the probability of reaching a more conclusive study. However, conclusions were made with this response rate.

The small size of the sample could have limited confidence in the results and this might limit generalizations to other situations.

Most of the respondents were busy throughout and had to continuously be reminded and even persuaded to provide the required information.

### 5.5 Recommendations

From the discussions and conclusions in this chapter, the study recommends that there should be an increase in meetings frequency if the situation requires a high quality supervision and control. This will allow for consultations and discussions on the direction the company is to take to counter the changes in the operating environment.

The study further recomends that the board should balance the costs and benefits of meetings frequency given that the study established that if the board increases the frequency of its meetings, the recovery from poor performance is faster.

Since it was clear from the study that the companies with a small board size had greater performance, the study recommends that board size should be maintained as small as possible as an increase in board size leads to decrease in financial performance of the SACCO. However, the management should ensure that the board size is optimal as a very small board can also be redundant and may not be efficient in governing the SACCO.

In addition, the study recommends that Elimu SACCO should adopt good governance systems as they enhance their performance. This include an optimal mix of inside and outside direction with a small proportion of outside directors and splitting of the roles of chairman and chief executive roles. The study also recommends that Elimu SACCO should be well equipped to implement corporate governance practices in its daily activities to the levels which might be acceptable in developed market economies and improve accessibility to firm financing by enhancing transparency and accountability in the information disclosed. In addition, the study recommends that the boardroom composition should comprise of appointees with management skills who can affect the decision making and long term plans of the SACCO.

Moreover the study recommends that policy makers should take serious notice of these findings to implement policies that sustain the already existing strong corporate governance structures.

Finally the study recommends to the management of SACCOs and other organizations to upgrade their corporate governance practices and structure so as to remain profitable in this competitive sector.

## 5.6 Recommendations for Further Research

The relationship that came out in as far as performance is concerned was that there is a positive relationship between, accountability, separation of ownership and control, board composition and size and splitting chairman/CEO role and performance. More studies should be done to ascertain the relationship between other aspects of corporate governance other than the ones studied in this research.

The researcher recommends that further studies should be done on the effect of corporate governance structures and practices on the performance of other institutions in other industries.

Further studies should be done on the challenges of corporate governance and the effect of these challenges on the performance of the companies.

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## APPENDICES

### Appendix 1: Introduction Letter

September, 2012

**The Human Resource Manager,**

**Elimu SACCO,**

**P.O Box 45675,**

**Nairobi.**

**MBA RESEARCH PROJECT**

I am a student at Nairobi University pursuing a Masters of Business Administration program.

Pursuant to the pre-requisite course work, I would like to conduct a research project about corporate governance and performance at Elimu SACCO. I kindly seek your authority to conduct the research at Elimu SACCO through research interviews and use of relevant documents. I have enclosed an introductory letter from the University. Your assistance is highly valued. Thank you in advance.

Yours faithfully,

**Joan Torodia Wasike**

**Appendix 2: Interview Guide**

**CORPORATE GOVERNANCE AND PERFORMANCE OF ELIMU SACCO**

**Section A: CORPORATE GOVERNANCE PRACTICES AND PERFORMANCE OF ELIMU SACCO**

1. What is the main task for corporate governance in your institution?
2. In your organization what does corporate governance encompass?
3. What are the benefits of having corporate governance in your institution?
4. Who incorporates the corporate governance system in this institution?
5. Do the size and composition of the board influence corporate governance?
6. How often does the board meet?
7. Is the board vested with responsibility for managing the institution and its activities?
8. Do you think a board with a majority of independent directors is more effective in monitoring management and more likely to replace poorly performing CEOs?
9. Should the directors be employees of or affiliated with Elimu SACCO (inside directors) or outsiders?
10. How would a well functioning corporate governance system help in attracting investment?
11. In your opinion what do you consider as best Practices for evaluating performance?
12. What role does the board play in strategic decision making?
13. According to you has the board established and put in place mechanisms to ensure that Elimu SACCO operates within the objects established by shareholders?
14. What is the effect of corporate governance structure on the performance of Elimu SACCO?
15. In your own opinion what do you think the board need to do to enhance the performance of Elimu SACCO?
16. Is the role of the CEO/Chairman separate? Explain how it influences the performance of Elimu SACCO.

**Section B: Challenges facing corporate governance practises at Elimu SACCO**

1. Do you think Elimu SACCO is well equipped to implement corporate governance practices in its day to day activities to the levels which is acceptable?
2. Is access to financing are challenge to Elimu SACCO?
3. Do you face challenges related to poor management? Yes/No. if yes what are the challenges and what do you suggest could be a solution?
4. Is the concept of board independence a challenging aspect of corporate governance in your organization?
5. What are the other challenges faced in practicing corporate governance at Elimu SACCO?
6. What are the possible solutions to the challenges of corporate governance practices at Elimu SACCO?