THE RELATIONSHIP BETWEEN CORPORATE GOVERNANCE PRACTICES AND THE GROWTH OF SACCOS IN NAIROBI COUNTY

BY

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DECLARATION

This project is my original work and has not been presented for an award of a degree, diploma or certificate at any University or College.

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Supervisors' Approval

This project has been submitted with my approval as the University Supervisor.

Signature ………………………………………… Date ……………………………………….

MIRIE MWANGI

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DEDICATION

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ABSTRACT

The study sought to examine the relationship between corporate governance practices and the growth of SACCOs in Nairobi County. The study targeted active SACCOs operating in Nairobi County as at 31st December, 2012. The corporate governance practices and the growth of SACCOs in Nairobi county study is expected to influence the Kenyan government decision in SACCOs supervision. This is because the SACCOs growth creates jobs in the Country.

A total of 38 SACCOs operating in Nairobi County for the period January 2008 to December 2012 were studied and descriptive statistics such as percentages, frequencies and tables were used to analyze the data. Statistical package for social sciences (SPSS) was also used to aid in analysis. The regression model was used to study the relationship between corporate governance practices and the growth of SACCOs. Four dimensions of corporate governance practices i.e. Board composition (gender diversity), Education level of the board members, CEO duality and number of the board members were used as independent variables and percentage of annual net changes in loan divided by total loans as growth measurement which is the dependent variable in study.

The overall findings confirmed that there is no relationship between corporate governance practices and the growth of SACCOs in Nairobi County. There is a possibility of other multiple variables influencing the growth of SACCOs in Nairobi County that should be incorporated in the regression model to ascertain all the influential factors.

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ABBREVIATIONS

ABCU	-Association of British Credit Unions
AGM	-Annual General Meeting
BOD	-Board of Directors
BOSA	**-**Back Office Service Activities
CCG	-Center for Corporate Governance
CEO	-Chief Executive Officer
CMA	-Capital Markets Authority
FOSA	**-**Front Office Savings
KSH	-Kenya Shillings
PEARLS	**-**Protection, Effective Financial Structure, Asset, Return, Liquidity, Signs of - Growth
SACCOS	-Savings and Credit Co-Operative Societies
SMEs	-Small and Medium-Sized Enterprises
SPSS	-Statistical package for social sciences
USA	-United States of America
WOCCU	-World Council of Credit Unions

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Corporate governance is 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 (Keasey *et al*., 1997). Metrick and Ishii (2002) view corporate governance from the perspective of the investor as ‘‘both the promise to repay a fair return on capital invested and the commitment to operate a firm efficiently given investment’’. This suggests that corporate governance has an impact on a firm’s ability to access the capital market. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation responsibilities such as the board, managers, shareholders, and other stakeholders. It spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company’s objectives are set, and means of attaining those objectives and monitoring corporate growth, (Mallin, 2007).

The boards of directors of savings and credit co-operative societies (SACCO) are required to govern these enterprises in a manner that ensures that their growth and sustainability is achieved. SACCO members expect to see growth of these entities in terms of better services on their deposits. SACCO members will use various measures to evaluate growth such as the use of protection, effective financial structure, asset quality, return and cost, liquidity and signs of growth (PEARLS), for instance, percentage of annual net changes in withdraw able shares, savings and deposits divided by total savings and deposits, (WOCCU, 2002). An organization will only perform to the expectations of the stakeholders and remain competitive and viable in the market if it embraces good corporate governance practices. It is in view of this that this study seek to examine the corporate governance practices adopted by SACCOs and analyze the relationship of good corporate governance practices on their growth.

1.1.1 Corporate Governance Practices

Corporate governance is concerned with the processes and structures through which members interested in the overall well being of the firm take measures to protect the interests of the stakeholders. Good corporate governance is centered on the principles of accountability, transparency, fairness and responsibility in the management of the firm. The institution of corporate governance in a firm is an attempt to ensure the separation of ownership and control, and this often results in principal-agent problems (Jensen and Meckling, 1976).

According to Keasey *et al*. (1997), corporate governance includes structures, processes, cultures and systems that engender the successful operations of the organizations. Corporate governance is seen as the whole set of measures taken within the social entity (enterprise) to favor the economic agents to take part in the productive process, in order to generate some organizational surplus, and to set up a fair distribution between the partners, taking into consideration what they have brought to the organization. The Cadbury committee defines a governance system as ‘‘the system by which companies are directed and controlled’’ (Cadbury, 1992). The system by which business corporations are directed and controlled is referred to as corporate governance (Parum, 2005).

Good corporate governance is founded upon the attitudes, ethics practices and values of the society. It enhances accountability, power sharing, representation, and owner participation. It also defines the sense of right and wrong, fair and just, work and ethics and continuing social responsibility (Letza. S. et.al. 2004). Cadbury report (1992), views corporate governance as the system by which companies are directed and controlled. It is concerned with structures and the allocation of responsibilities within companies. The stakeholder's role in governance is to appoint the directors and the auditors and to satisfy themselves that appropriate governance structures is in place. The responsibilities of the board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The board's actions are subject to laws, regulations and the stakeholders in general meeting.

Board becomes very important for smooth running and functioning of organizations Board are expected to perform certain functions, which include but not limited to, monitoring of managers hiring and firing of management , provision and access to resources, grooming the CEO and providing strategic direction for the firm. This is a clear demonstration of the place of Board in contributing to firm performance in an increasing complex environment, (Yermack, 1996). There are a number of studies that have been done which enhances our understanding of the role of board. The structure role and impact of board on firm growth has been studied by scholars from different discipline (Kerich, 2006) resulting to a number of contrasting theories.

1.1.2 Growth of SACCOs

The subject of corporate governance, especially in SACCO has gained considerable attention due to the huge amount of money they handle, the liberalization of the world economy as well as the competition in the financial markets in which they operate. It is often argued that similar guidelines that apply to listed companies should also be applicable to SACCO. Jensen (1993) gives an example of what should be looked at when trying to improve a governance structures.

Perceptions of the elements that constitute good corporate governance vary from country to country. Moreover, the business environment is not uniform in all countries. Nevertheless, some insights of key elements of good corporate governance are provided by the Cadbury Report (1992). The report is named after Sir Adrian Cadbury who chaired the United Kingdom's Committee on the Financial Aspects of Corporate Governance (1992). According to Vinten (2001), the work of Cadbury's Committee was groundbreaking. The Cadbury Report built on the work of the Tread way Report from the USA but it went further to provide a benchmark for corporate governance in many countries (Monks & Minow, 1996).

1.1.3 Corporate Governance and Growth of SACCOs

One of the principal challenges which credit unions in Latin America face in order to expand and become more significant actors in the financial marketplace is that of establishing proper governance systems (Branch, 1998). As is the case with all investments, wealth maximization is a key objective whenever SACCOs have chosen an investment avenue from a universe of possible investment vehicles.

Studies have shown that lack of sufficient Growth of SACCO has made it difficult for them to absorb their operational losses, which has threatened their sustainability and these has led to the losses being absorbed by members' savings and share capital, hence lose of members' savings, (John, *et al* 2012). While the purpose of SACCOs is to mobilize members' funds and grant credit for the members' development, this has made it difficult for the SACCOs to grow, achieve this objective and contribute favorably to National Domestic Savings. The purpose of this paper is to assess the relationship between corporate governance practice and the growth of SACCOs in Nairobi County.

1.1.4 Savings and Credit Co-operative Society in Nairobi County

Cooperative society is an association of persons who have voluntarily joined together to achieve a common end through the formation of a democratically controlled organization, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of undertaking in which the members actively participate (Mwangi, 2003). Savings and credit cooperatives are member owned financial institutions that offer savings and credit services to their members (Kimanzi, 2009). The fundamental role of any business firm is to economically benefit/promote the social-economic status of the shareholders. Profitability is the basis of any business goal. For a long period of time, the main goals for savings and credit cooperative societies have been service efficiency, good leadership, good reputation and organizational growth so as to service their members as required.

The credit union or SACCO movement in Kenya is the largest of all credit union movements in Sub-Saharan Africa. As of December 2001, there are an estimated 1.3 million credit union members belonging to credit unions affiliated to KUSCCO. In addition, there are over 350,000 direct members of the KERUSSU; SACCOs offer similar products and services. These can be divided into back office service activities (BOSA) and front office service activities (FOSA). The back office activities are the “traditional” SACCO offerings (shares and loans that are multiples of share balances) (WOCCU, 2002).

The Kenya SACCO system registered under cooperative societies Act, Chapter 490, is the largest credit union network in the whole of Africa. There are about 5,000 SACCOs currently registered in Kenya. (Ministry of cooperative development and marketing 2008). A Savings and Credit Co-operatives membership is open to all who belong to the group, regardless of race, religion, color, creed, and gender or job status. These members agree to save their money together in the SACCO and to extend credit to each other at reasonable rates of interest. Interest is charged on loans, to cover the interest cost on savings and the cost of administration. There is no payment or profit to outside interest or internal owners. The members are the owners and the members decide how their money will be used for the benefit of each other (Hartungi, 2007).

1.2 Research Problem

Understanding and appreciating the nature and power of effective governance structure is vital for a country’s stability as well as economic and social growth. Good governance results in transparency and accountability thus promoting ethical managerial practices, high positive impact and sustainable development. Corporate has been identified in the previous studies to influence firm’s financing or capital structure decisions which also affect performance (Friend and Lang, 1988; Berger et al., 1997). Weak corporate governance does not only lead to poor firm performance and risky financing pattern, but also conducive to macroeconomic crises (Classens et al., 2002). Board size, board composition and the leadership structure of the board are important characteristics that affect the effectiveness of the board in monitoring management (Jensen, 1993). Developing countries of which Kenya belong, are now increasingly embracing the concept of good corporate governance, because of its ability to impact positively on sustainable growth.

Despite the increasing awareness of corporate issues, little empirical studies exist on the corporate governance practices of SACCOs in the emerging economies. These empirical studies have tended to focus mainly on developed economies with inclusive results. Very little, however, has been done on corporate governance in sub-Saharan Africa, especially with respect to SACCO. In addition, there seems to be very little enthusiasm on the business scene about the impact of corporate governance in SACCO in Kenya. Mwololo (2011) Contends that separation of the CEO and a firms chairperson results in higher return on equity, return on investment and profit margins hence supporting the the proporsition linking good corporate governance and financial performance. Tsamenyi et al (2007) observes that corporate governance studies in developing countries are limited and available only on an individual country basis. Mwangi (2011) observed that the purpose of corporate governance is to persuade, introduce, compel and otherwise motivate corporate managers to keep the promises they make to investors. Another way to say this is that corporate governance is about reducing deviance by corporations where deviance is defined as any actions by management or directors that are at odd with the legitimate, investment backed expectations of investors.

The independent of chair board structures and CEOs financial incentives has no effect on shareholders returns particularly on return on equity contradicting the proposition held by (Mwololo, 2011). Good corporate governance is simply about keeping promises. Bad governance (corporate deviance) is defined as promise breaking behavior. Price housewatercoopers report January 2006, economic crime is on the rise with asset misappropriation as the top candidate. This survey found out that the result of the ongoing race for luxury and opulence is in the corporate world. The report pointed an accusing finger at senior managers and board of directors as the leading perpetrators of economic crime (The Accountant, April 2006)

This study attempts to investigate the role and impact of corporate governance on growth of SACCOs in Kenya with reference to those which have their operations based in Nairobi. The institutions of corporate governance serve two indispensable and ultimately indispensable objectives, enhance performance and ensure the conformance of corporations (Oman, 2001). They facilitate and stimulate the growth of corporations by creating and maintaining a business environment that motivates managers and entrepreneurs to maximize firms' operational efficiency, returns on investment and long-term productivity growth. They ensure corporate conformance with investors and society's interest and expectations by limiting the abuse of power, the siphoning off of assets , the moral hazard and the significant wastage of corporate-controlled resources so called ''agency problems'', that the self serving behavior of managers and other corporate insiders can be expected impose on investors and society in their absence simultaneously, they establish the means to monitor managers' behavior to ensure corporate accountability and provide for the cost-effective protection of investors', other stakeholders', investors and corporate insiders.

There is no research study on corporate governance and growth in SACCOs known to the researcher that have been carried out in Nairobi county, thus setting stage for the need for studying and examining how corporate governance practices within Sacco's in Nairobi county relates with growth of the Sacco's. This study attempts to bridge the existing gap by seeking answers to the following questions: (i) To what extent have SACCOS in Nairobi county adopted corporate governance practices? and what is the relationship between adoption of corporate governance practices and growth in Sacco ?

1.3 Research Objectives

The objective of the study is to establish the relationship between corporate governance practices and the growth of SACCOs in Nairobi County.

1.4 Value of the Study

The study will be important to various stakeholders, chief among them being:

The research is important to SACCO management in that it will provide them with an opportunity for self appraisal in terms of the level of observing good corporate governance practices and how it relate with the growth of the Sacco which would motivate management to embrace the best business practices to be able to improve growth rate. As both owners and customers, SACCO members would benefit from the study as it would help the management put in place strategies of observing good corporate governance practices aimed at improving growth as well as customer service.

Few studies have been carried out in the area of the relationship between corporate governance and the growth in SACCOs. The study would therefore contribute to the existing knowledge on the relationship between corporate governance practices and the growth in SACCO and act as a reference point for future research. The result of the study forms part of the literature on corporate governance and specifically on the relationship between corporate governance and growth in Sacco in Nairobi County.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter covers literature on previous studies done on the subject matter. The specific areas covered here include the theoretical framework, and then empirical studies done on this research topic will be looked at which will make it easier to understand the research area critique of the existing literature, summary and research gaps.

2.2 Corporate Governance Theories

In today's world shareholders are demanding more say and better transparency and disclosure of information from their directors. The quality of governance at all levels is increasingly becoming the most important factor for the success of corporations. Mudibo (2005) points that, good corporate governance practices facilitate achievement of the following in organizations: strategic thinking and strategy setting; balance of power and control; efficiency and effectiveness; responsibility and receptiveness; creativity and innovativeness and competitiveness and sustainability.

The following are the theories of corporate governance; Agency Theory, Stewardship Theory, Resource Dependency Theory, Stakeholders Theory and Institutional theory. In the study the researcher is going to use only two theories namely; Agency Theory and Stewardship Theory.

2.2.1 Agency Theory

The divorce of ownership and control has led to the ‘agency problem.’ Berle and Means (1932) found that dispersed shareholding led to a separation of ownership and control. The agency problem was first explored in Ross (1973), with the first detailed theoretical exposition of agency theory being presented by Jensen and Meckilng (1976), they defined the managers of a company as the agents and the shareholders as the principal. Fama and Jensen (1983) argued that an organization is nexus of contracts, written and unwritten, among the owners of sectors of production and customers. These contracts or internal rules of the game specify the rights of each agent in the organization, performance criteria on which agents are evaluated and the pay off functions they face. According to Fama and Jensen (1983), agency problems arise because contracts are not costless written and enforced.

Jensen and Meckling (1976), the agency theory identifies the agency stewardship relationship where one party, the principle (the company), delegates work to another party, the agent (Board of Directors). In the context of corporations and issues of corporate control, agency theory views corporate governance mechanisms as being an essential monitoring device in ensuring that any problems that may be brought about by principal agent relationship are minimized. Jensen and Meckling (1976), Developed the notion of Agency theory which is important because expropriation, self-dealing and a buse of minorities are common manifestations of the Agency problem in East Africa (Cheesman, 2001; Lague, 2001; Wilhem, 2001). Second this view resonates with lawyers from a common law background because it reminds them of shareholder and creditor remedies. Third from an Agency perspective, the principal reason that investors provide external financing to firms is that they receive control rights in exchange (Shleifer and Vishny, 1997). If firm managers violate these rights (voting, duty of loyalty, creditor remedies) the financiers can ask court to enforce them. This legal protection of officers is a central issue in corporate governance and this varies from country to country.

Jensen (1983) recognizes two important steps. Firstly, the principal agent risk bearing mechanism must be designed efficiently and the second one being the design must be monitored through the nexus of organizations and contracts. Jensen calls the second one ‘positive agency theory’. Agency costs are the inevitable loss of firm values that arise with agency costs (Jensen & Meckling, 1976). Agency theory acknowledges that board will vary in their intentions to monitor on behalf of shareholders and as a result, functions are important precursors to effective monitoring (Fama and Jensen,1983; Jensen and Meckilng,1976).

2.2.3 Stewardship Theory

Freeman (1984) is the first expositions of Stakeholders theory, couched with management discipline; he proposed that a general theory of the firm incorporating corporate accountability to abroad range of stakeholders. Solomon and Solomon (2004), stakeholders include shareholders, employees, suppliers, customers, community in the vicinity of the company’s operations and the general public. Blair (1995), this theory states that managers should make decisions that take account of the interest of all the stakeholders in the firm. Stakeholder theory has its roots in sociology, organizational behavior and the policies of special interest. The theory takes account of wider group of constituents rather than focusing on shareholders Chew and Gillian (2006) in their book of article titled corporate governance at the cross-roads, argue that stakeholder theory does not provide single corporate objective, but directs managers to serve many ‘‘masters’’.

Many parties are interested in the well-being of the firm and the same parties often have competing interest, John & Sabit (1998). Donaldson and Davis (1994) stated that managers are good stewards of the corporations and diligently work to attain high levels of corporate profit and shareholders returns. Proponents of this theory contend that superior corporate performance will be linked to a majority of inside directors as they work to maximize profit for shareholders. The reason so far advanced for this is that inside directors understand the business they govern better than outside directors and therefore make superior decisions (Donaldson and Davis,1991; Donaldson,1990). Donaldson and Davis, (1991), the implication of this theory on Board composition is that the Board should have a significant proportion of inside directors to ensure more effective and efficient decision making. Similarly CEO duality is seen as a positive force leading to better performance since there is a clear leadership for the company.

2.3 Empirical Studies

Generally research on corporate governance applied to SACCOs is indeed scarce (Prowse, 1997). This is confirmed by Omran (2001) and Turner (2002). They hold a consensus that although the subject of corporate governance in developing economies has recently received a lot of attention, it is still not yet noted enough. There is no study on the relationship between corporate governance and growth in SACCOs in Kenya known to the researcher that has been carried out on Nairobi County SACCOs. A few of the studies on corporate governance that have been carried out have concentrated on the other forms of organizations. Wainaina (2003) carried out a study on the corporate governance in microfinance sector and concluded that the lack of regulatory framework in the sector had led to the low levels of good corporate governance in that sector. Maina (2007) studied corporate governance in insurance industry in Kenya and revealed that there were same weaknesses in the corporate governance among insurance companies in Kenya. Osambo (2006) studied corporate governance systems in SACCOs Front Office Services Activies (FOSA) and found that corporate governance systems in FOSA were generally satisfactory. Okungu (2006) examined the depth of positive governance in Kenyan banking industry and concluded that there was significant positive relationship between good corporate governance practices and financial performance in the Kenyan banking sector.

Jensen and Murphy (1990) examined the relationship between pay and performances by CEOs in the USA. They advanced the argument that the conflict of interest between the shareholders and CEO represents a classic case principal-agency problem. Agency theory predicts that compensation policy will be designed to give managers incentives to select and execute actions that increase shareholders wealth. They find that in small firms, CEOs' pay is more sensitive to performance (due to more option – more ownership). However for large firms, pay-performance sensitivity is low. This low sensitivity is linked to several hypotheses, such as, maybe CEOs do not matter much, or "their actions may be easily monitored" or "political forecast in the contracting process may be limiting the pay."

Kajora (2008) studied the relationship between corporate governance and firm's financial performance among Nigeria hosted firms. He urges that there is a positive relationship between profit margins and CEO status. He examined the relationship between corporate governance mechanisms i.e. board size and composition, Chief Executive Status, audit committee and two financial performance measures which are Return On Equity (ROE) and Profit Margins (PM) based on a sample of 20 Nigerian listed firms between year 2000 and 2006. Using a panual methodology, the results provide evidence of a positive significant relationship between ROE and Board size as well as chief executive status. He concludes that the Board size should be limited to sizable limit and the post of chief executive and board chair should be occupied by different persons. The findings and conclusions therefore confirm that good firms' financial performance is lined at embracing good corporate governance.

Heydman et al (2002) studied the structure, growth and accountability of credit unions in UK. They picked a sample of 120 credit unions from Great Britain and Northern Ireland and analyzed their annual reports other than traditional financial information to ascertain quality of the financial statements and types of information that were frequently and routinely made available to members. In addition, in order to obtain a more in-depth understanding of the issues, a series of interviews with key stakeholders were undertaken, focusing on the accountability of credit unions through the medium of financial report.

The findings were that, governance in both financial and non-financial terms including that relating to wider social accountability was weak hence poor, therefore negatively attributed to poor governance structure that existed on most of those institutions passing a challenge to their performance and growth. This study confirms evidences added by researchers work that good corporate governance does have a positive effect on organizations performance whether financial or non-financial.

Bhogat and Borton (2008) studied the relationship between corporate governance and performance taking into account the endogenority of the relationship among corporate governance, corporate performance, corporate capital structure and corporate ownership structure. The period of the study was between 1990 and 2004 where sample size drawn from 11,736 firms in the US Stock Exchange and varied among governance variables, endogenous variables, performance variables such as assets, expenses, board size, CEO age, tenure and risk. They found that stock ownership of board members and co-chair separation is significantly positively correlated with subsequent operating performance. Again they found that financial and governance relationship do depend on whether or not one takes into account the endogenous nature of relationship between governance and stock market performance. Lastly that better governed firms are less likely to experience disciplinary management turnover in spite of their poor performance. They concluded that efforts to improve corporate governance should focus on stock ownership of board members since it is positively related to both future operating performance and to the probability of disciplinary management turnover to poorly performing firms. They also urged that if the purpose of board independence is to improve performance, then such efforts might be misguided, but if it is to discipline management of poorly performing firms, then the board independence has a merit. The study narrows on only two aspects of corporate which are board stock ownership and CEO, chair person role separation results. In the context of SACCOs, it would also be important to investigate the value of shareholding of board members in relation to their performance.

Brown and Caylor (2004) observed that good governance has positive impact on a firms' financial performance. The study was based on a Gov-Scorebing a composite measure of 51 factors encompassing eight corporate governance categories i.e. audit, board of directors, charter or by-laws, director education, executive and director composition, ownership, progressive practices and state of incorporation. The study related Gov-Score to operating performance, valuation and shareholder payout for 2,327 firms and found out that better governed firms are relatively more profitable, more valuable, pay out more returns to their shareholders. They examined that the eight categories underlining the Gov-Score are mostly associated with good performance particularly when measured using charter or by-laws are mostly highly associated with bad performance.

They observed that through examination of the 51 factors underlining Gov-Score are mostly associated with good firms performance explains the positive contributions of good corporate governance. However some factors representing good governance such as consulting fees and audit fees paid to auditors and absence of a staggered board have contributed to bad performance. Their conclusion was that a firm's financial performance depends on factors of corporate governance adopted and it's upon each firm to prudently embrace the right factors to succeed. The issue therefore is which of these corporate governance factors can be unique to SACCOs in Kenya, would lead to their superior or poor financial performance.

Cuevas and Fischer (2006) examine co-operative financial institutions in terms of governance issues, regulation and supervision. They looked at the effect of growth in savings and loans as well as number of membership in financial co-operatives (SACCOs) in Quibec USA due to governance issues. They used the data from WOCCU to do their analysis and presented them in form of graphs from the period 1996 to 2003. Their findings were that the research identified agency conflict between members and managers as the principal source of failures for CFIs. This presents quite a tricky perspective rather in the context of co-operative governance structures and especially elected board members. In particular, they pointed out that co-operatives can also be a site of conflict between members and their boards in addition to members/ managers tension. Their boards can well pursue their interest at the expense of the members' interest leading to poor financial performance and affecting their growth. The study therefore looked at the CFI's which are similar to the SACCOs in Kenya of which it would be worthwhile to carry out a similar study locally to interrogate whether the findings would be similar or different in view of varying environmental variation.

Boubkari et al (2004) contends that liberalization and corporate governance has an effect of performance of privatized firms with headquarters in developing countries classified within four geographical regions of Asia, Pacific, Latino, America and Caribbean. They performed a multivariate regression analysis which changes in profitability efficiency, investment and output were regressed on three groups of independent variables, the firm and industry characteristics. The findings were that corporate governance variable as well as those of macro-economic reforms and environment appears to drive the performance improvements of newly privatized firms in developing countries. They concluded that corporate governance drives performance improvements of firms.

Mersland and Storm (2007) argues that internal mechanism of top management and ownership together with external mechanisms composition and regulations influences the financial and outreach performance of MFIs. They also hold that separation of roles between CEO and a firm's chairperson is key to defining financial performance indicators that managers should pursue towards serving the interest of the shareholders. The study attempted to investigate the relationship of a firm's performance and corporate governance in micro-finance institutions using a self constructed global data set on MFIs collected from third party rating agencies. It focused on the effects on board characteristics, ownership type, competition and regulation on MFIs outreach to poor clients and their financial performance. The findings were that outreach measured by the number credit client served and poverty level is improved with group lending based on split roles of CEO and chairperson. However, there is no effect on board size and composition on average loans and credit clients served yet the loan methodology is important determinants of these outreach variables. They conclude that there is no difference between non-profit organization and shareholders firms neither in financial performance nor outreach in terms of the role played by corporate governance.

Ponnu (2008) asserts that there is significant relationship between good corporate governance and firms' performance. The aim if the study was to investigate the effect of any of the corporate governance structures particularly board structures and CEO duality as corporate governance dimension on financial performance of Malaysian public listed companies. The sample used were 100 Bursa Malaysian companies performance hence the quality of reported earnings improves dramatically with monitoring but greatly declines with option compensation. The study narrows in on one aspect of corporate governance i.e. Management compensation in view of their positions as agents which has been a challenge in Kenyan SACCOs in view of other financial sector players. The question therefore, what would be the effect of management compensation to SACCOs growth.

Chia et al (2008) in their study, “CEO duality and firms’ performance an endogenous issue,” found significant differences in firm characteristics between dual and non-dual CEO firms. However, they found no evidence that CEO duality has a significant effect on firms’ performance. They found the existence that CEO duality has a significant effect on firms’ performance. They found the existence of endogenerity in CEO duality, indicating that the corporate structure is endogenously and optimally determined, given firm characteristics and ownership structure. Their evidence casted doubt on the notion that firms changing from dual to non-dual leadership structure would improve performance.

Thus there exists a knowledge gap in research on the relationship between corporate governance and growth in SACCO’s in Kenya. The study intends to contribute towards reducing the gap by looking at the relationship between corporate governance practices and growth in SACCO’s in Nairobi County. Specifically the study intends to investigate the relationship between an integrated governance scores generated from individual scores of various corporate governance mechanisms such as the Board of Directors (BOD), Senior Management Team (SMT) and employees and the growth in SACCOs in Nairobi County between the years 2008 to 2012. In order to determine how corporate governance practiced by SACCOs over the years has influenced growth in SACCOs.

2.4 Summary of Literature Review

The relevance of corporate governance cannot be over emphasized since it constitutes the organizational climate for the internal activities of a company. In Kenya corporate governance can greatly assist the SACCO sector by infusing better management practices, stronger internal auditing and greater opportunities for growth. Good corporate governance should provide proper incentives for the Board and management to pursue objectives that are in the interest of the company and its shareholders and should facilitate effective monitoring. Good corporate governance is found upon four tenets which are fairness, transparency, accountability and responsibility. However it must also be noted that good governance does not guarantee business success.

Many studies have examined the relationship between a number of corporate governance mechanisms and their effect on corporate institutions. For instance Muriithi (2004) who studied the relationship between corporate governance mechanisms and performance of firms quoted in NSE, Ademba (2006) on corporate governance system in SACCOs front office savings activities (FOSAs), Ojiambo (2008) who did an analysis of the corporate governance practices of selected Kenyan SACCOs, Naibo (2006) who researched on corporate governance structures and practices in insurance underwriting sector in Kenya and Oliphia (2011) on financial performance and the extent of adoption of corporate governance practices by SMEs have not fully exhausted the area of corporate governance. However some examined only the impact of a single governance mechanism on financial performance while others investigated the impact of several mechanisms together on financial performance. The evident shortcoming is none of such studies have specifically covered the relationship between corporate governance practices and growth of SACCOs with specific reference to Nairobi County.

Many unpublished work in Kenya focused on corporate governance in other corporate sectors or public entities with little attention directed to the case of the Sacco sub-sector being an important player in the financial sector. It’s against this background that the researcher finds it necessary to focus this study by investigating the relationship between corporate governance and the growth of SACCOs in Nairobi County.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter is concerned with the various steps that will facilitate the execution of the study objectives which includes research design, data collection method, and evaluation of data collection method, data analysis and validity. The study investigate from the point of two governance Theories (Agency Theory and Stewardship Theory)

3.2 Research Design

This study is a descriptive survey research design. Muganda and Muganda (1999) define descriptive survey research as an attempt to collect data from a representative sample of population in order to determine the current status of the population with respect to one or more variables and generalize its findings. It involves finding out how one variable affects changes in the other one or more variables by portraying their characteristics or situations.

The choice of this design is appropriate in that based on the study objectives, there is need to establish how corporate governance which is the independent variable affect changes in dependent variable growth. The design is expected to address the objectives of this study.

3.3 Target Population

The population for the purpose of the study was 38 SACCOs registered and active whose operations are based in Nairobi County. The study covers a period of five years from 2008 to 2012.

3.4 Sample Size and Sampling Technique

Cooper and Scheduler (2002) defines sampling as the process of selecting element in a population for purposes of drawing conclusion on specific characters from the identified population.

The group of population separated into homogenous sub sets using proportionate stratified sampling on the basis of their asset base to account for the differences in subgroups. This is because some SACCOs are at different stages of growth and this method ensure that each subgroups characteristics are represented in sample they are raising the external validity of the study.

3.5 Data Collection

Data was collected using the questionnaire method. A questionnaire with a set of questions, both open-ended was administered to each respondent. The close ended questions were accompanied by a list of all possible alternatives from which the respondents selected the answers that best describes their situation, while open ended question allowed them freedom of response. The questionnaires were used to collect primary data on corporate governance practices. Secondary data on growth variable measure of loan advanced was obtained from SASRA and Ministry of corporative and marketing annual financial reports filled with them by the SACCOs

3.6 Data Analysis Method

The primary data obtained using the questionnaires were analyzed using descriptive statistics. This enabled the researcher to meaningfully describe a distribution of measurements using a few indices. The closed ended questions were coded for analysis using statistical instruments. These will include frequency distribution tables, pie charts, bar charts, computer packages especially the statistical packages for social scientists (version 17) and excel software to help draw conclusions and make recommendations from the research findings.

Independent Variables; These are the board characteristics variables. They include Board Corporation attributes;

Duality- where there is no duality meaning the office of the CEO and the Bard chairperson is diferrent, value assigned was 1 and where duality existed the value was recorded as 0.

Number of Board members. The actual number of the board members in a SACCO was recorded.

Education level of the board members. Where the board member had a masters the value assigned was 1, degree was 2, diploma 3, ‘‘O/A’’ level 4

Board Gender diversity. Where at least 30% of either gender was represented in the Board, the value assigned was 1 and where this was not met the value assigned was 0.

Dependent variables; these constitute the growth in SACCOs.

The following is the PEARLS measure of Growth which has been chosen for this study;

$$Gowth(A) = \frac{\text{Annual net change in Loans}}{\text{Total loans of previous year}} * 100$$

Variables in this study include;

$$\mathbf{Y = a + b1X1 + b2\ X2 + b3\ X3 + b4\ X4 + \mu}$$

Where **Y** represents growth in SACCOs which is a dependent variable **A** measured using the percentage of annual net change in loans divided by the total loans.

a = constant factor value of the intercept of variables Y and X measuring average value of Y when X = 0

X = represents values of independent variables; CEO duality as X1, Education level as X2, No of board members as X3 and Board gender diversity as X4.

b = coefficient of the independent variables b1, b2, b3 and b4 to be determined.

μ = Error term being the difference in value between the observation and the model.

Data presentation is in the form of tables which easily depicts results on the level of relationship between the two variables in the questionnaire responses. The research objectives given in chapter one of these studies provides the basis of the analysis and interpretation of the data.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.0 Introduction

The chapter contains summaries of data findings and their interpretations. The study is carried out on 38 SACCOs which responded to the questionnaires. From the 50 SACCOs selected for the sample, this shows that the response rate is 76% which is favorable for the study.

The data was analyzed by employing descriptive statistics such as percentages, frequencies and tables. Statistical package for social sciences (SPSS) was used to aid in analysis. The researcher used SPSS because of its ability to cover a wide range of the most common statistical and graphical data analysis and is very systematic. Computation of frequencies in tables was used in data presentation. The information is presented and discussed as per the objectives and research questions of the study.

4.1 Corporate Governance Practices

The researcher examined the various corporate governance practices practiced by the various SACCOs and found the following results.

Table 4.11 No of board members

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	7	6	15.4	15.8	15.8
	8	9	23.1	23.7	39.5
	9	20	51.3	52.6	92.1
	11	1	2.6	2.6	94.7
	12	1	2.6	2.6	97.4
	15	1	2.6	2.6	100.0
	Total	38	97.4	100.0	
Missing	System	1	2.6		
	Total	39	100.0		

The above table 4.1 shows that 1 SACCO (2.6%) had a board consisting of 15, 12 and 11 directors, 20(52.6%) consisted of 9 directors, 6(15.8%) had 7 directors while 9(23.7%) had 8 directors.

Table 4.12 Board composition (Gender diversity)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No diversity	6	15.4	15.8	15.8
	Gender diverse	32	82.1	84.2	100.0
	Total	38	97.4	100.0	
Missing	System	1	2.6		
	Total	39	100.0		

The above table 4.2 shows that 32(84.2%) of the board had women in the board while (6)15.8% of the board did not have female board members. These results shows that SACCOs boards are diverse as far as the composition in terms of both gender is concerned with few SACCOs failing to meet this requirement.

Table 4.13 Board composition (Education level)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Masters	98	28.8	32.5	32.5
	Bachelors	123	36.1	37	69.5
	Diploma	93	27.3	28	97.5
	O/ A Level	18	5.2	2.5	100.0
	Total	332	97.4	100.0	
Missing		1	2.6		
	Total	333	100.0		

The above table 4.3 shows that 32.5% of the board members had master degree, 37% had bachelor's degrees, 28% had diploma and 2.5% had O or A level qualifications. These result shows that majority of the board of the SACCOs have higher academic qualifications of graduate. This therefore shows that the majorities of the board members is very educated, well informed and exposed to make sound management decisions which have far reaching benefits to the SACCOs.

Table 4.14 CEO duality

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No duality	35	89.7	92.1	92.1
	Duality	3	7.7	7.9	100.0
Missing	System	1	2.6		
	Total	39	100.0		

The above table 4.4 shows that CEO duality was present in the 3(7.9%) SACCOs while it was not the case in (35) 92.1% of the SACCOs. This therefore shows that most of the SACCOs do not have their CEO doubling up as chairpersons of the board of directors which is a good indicator for compliance with corporate governance practices in SACCOs with a few yet to comply.

Table 4.15 Frequency of the board meetings

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Monthly	38	97.4	100.0	100.0
	Weekly	-	-		
	Quarterly	-	-		
Missing	System	1	2.6		
	Total	39	100.0		

The above table shows that 100% of the SACCOs had their board meetings being held monthly. This is a good show of the monitoring of the progress of the SACCOs.

Table 4.16 Availability of the Audit committee

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	38	97.4	100.0	100.0
Missing	System	1	2.6		
	Total	39	100.0		

The above table shows that 100% of the SACCOs had an audit committee in place with none not having. This therefore shows a high level of compliance.

4.2 Correlation Analysis

The correlation result shown in table 4.31. Table 4.31 presents the results of the correlation between independent variables used in the study. Only four independent variable; CEO duality, board composition (gender diversity), number of board members and education level are used for the purposes of this study analysis.

Two of the study variables namely frequency of the board meetings and audit committee was left out since they were unitary in terms of measurement i.e. both had meetings held monthly and audit committee existed in all the SACCOs thereby was coded as 1 hence no significance would be able to be tested given no difference in the same.

As shown in table 4.31 the study found out that none of the independent variables had a significant relationship with each other at 5% level. This also means that there was no multi-co linearity between the independent variables hence the variables could not be included in the multiple regression analysis.

Table 4.21 Correlation Matrix for independent variables

	Gender diversity	Number of board members	CEO duality	Education level of board members
Gender diversity	1.000			
Number of board members	-.029	1.000	.105	
CEO duality	-.037	-.057	1.000	
Education level of board members	-.211	-.102	.125	1.000

4.3 Regression analysis

The study performed a regression analysis with growth model. The results are shown in table 4.41 which shows the relationship between corporate governance and growth of SACCOS.

As shown in table 4.41, the study found that the corporate governance explained 6.9% of the variables in growth of SACCOs as shown by adjusted R^2 with an F ratio of 1.860 which was not significant at 5% level ($p>0.5$). The model predicts 15.2% of variables in performance (R^2=0.152). None of the independent variables had a significant influence on growth at 5% level. From the Durbin Watson test statistic of 2.214, it is concluded that no serial auto correlation in the data existed.

Table 4.31: Corporate Governance Practices and the Growth of SACCOs Regression Analysis

	Coefficient	**p- value**
Constants	12.523	.000
Number of board members	-1.105	.085
Gender diversity	-.981	.509
CEO duality	-1.562	.201
Education level of board members	-3.502	.005
R	.380	
R^2	.144	
Adjusted R^2	.089	
Durbin Watson	2.214	
F	1.860	.143

4.4 How the functioning of the SACCO board of directors can be improved

When asked what they thought needed to be done to improve the functioning of the SACCO board of directors, the respondents gave various suggestions, including conducting a free and fair delegates' elections who will elect the board members and this will represent all SACCO members representation in the board who will implement policies which meet the SACCO members individual needs, board should concentrate on policy matters and leave the day to day management of the SACCOs to the management staff. The SACCO management should ensure that there is a clear policy on the work they should be doing which is checked by the board of directors.

CHAPTER FIVE:

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 INTRODUCTION

This chapter presents conclusions drawn from the research findings and the recommendations for practice and further studies. The researcher has intended to determine the relationship between corporate governance practices and the growth of SACCOS in Nairobi County.

5.1 Summary of Major Findings

The following are the results of major findings of the study.

5.1.1 Board Size/Board composition

The study found out that majority of the SACCOs had between 5 and 9 board members. This implies that majority of the SACCOs are in agreement with Jensen (1993), Limpson & Lorch (1992) that large boards are less effective and easier for a CEO to control, the reason being that when the board grows too large, it becomes difficult to co-ordinate and poses problems. Smaller boards are also said to reduce the possibility of free riding by individual directors and increases their participation in the decision –making process.

5.1.2 Audit Committee

The researcher found out that all the SACCOs have a functioning audit committee which is a show of compliance, transparency and disclosure.

5.1.3 CEO Duality

The study found out that most of the SACCOS have the position of the chairperson and the CEO separated except for a few, the ones with no duality had their role split and their responsibilities clear, set out in writing and agreed by the board. This means that decision making and power is not controlled by one person.

5.1.4 Board gender diversity

The researcher found out that 84.2% of the SACCOs had women in their board revealing the board gender diversity.

The correlation results are shown that none of the independent variables had a significant relationship with each other at 5% level hence the absence of multi-co linearity between the independent variables

5.2 Conclusions

The research findings indicate that most SACCOs have implemented some corporate governance measures though not all. It was clear from the research that the boards of directors of all the SACCOs have put in place measures of transparency and disclosure such as constituting an audit committee. Most SACCOs have separated the roles of board chair and the CEO. Based on the board size of the SACCOs, the researcher found that majority of the SACCOs had small boards as compared to those with large boards. Jensen (1993) and Lipton & Lorsch (1992) articulate that large boards are less effective and easier for a CEO to control, the reason being that when the board grows too large, it becomes difficult to co-ordinate and posses problems. Small boards are also said to reduce the possibility of free riding by individual directors and increases their participation in decision making.

Concerning CEO duality, the researcher found out that majority of the SACCOs had separated the roles of the CEO and board chair. It is expected that SACCOs with non-dual CEO structures would have better firm performance as compared to those with a dual CEO structures, according to Fama and Jensen (1983) and Jensen (1993) who suggested that CEO duality may hinder board's ability to monitor management and thereby increase the agency cost. As a result, splitting the titles of the CEO and chairman of the Board will improve SACCO's growth, though this is not true according to the findings of this study.

The study shows that the SACCOs board of directors in Nairobi meets regularly and so are the committees. Corporate governance is about building credibility, ensuring transparency and accountability as well as maintaining an effective channel of information disclosure that would foster good corporate performance. The relevance of corporate governance cannot be over emphasized since it constitutes the organizational climate for the internal activities of a company. In Kenya corporate governance can greatly assist the SACCO sector by infusing better management practices, stronger internal auditing and greater opportunities for growth. Corporate governance brings new strategic outlook through independent directors and also enhances firms' corporate entrepreneurship and competitiveness. Based on the findings of the study, it is expected that the stakeholders, who include the government, the SACCO members and agencies offering various support mechanisms to the SACCOs will gain a better understanding of the impact of corporate governance on their growth. The following measures are recommended in order to enhance adoption of corporate governance practices among SACCOs in Nairobi. Good governance mechanisms among SACCOs are likely to result in boards exerting much needed pressure for improved performance by ensuring that the interests of the firms are served. In the case of SACCOs, board members bring into the firm expertise and knowledge on financing options available and strategies to source such finances thus dealing with the credit constraint problem of SACCOs as well.

This study identifies that the research, management, and policy development of training in the SACCO sector needs to be more open and flexible in order to address corporate governance issues. Research, management and policy instruments of training support will need to interact with , and be responsive to, the distinctions of context that will moderate what is more appropriate, and more likely to be welcomed, in the SACCO sector. The overall conclusion of this study is corporate governance has no impact on growth of SACCOs as per the study variables used in the study.

5.3 Limitations of the study

Limitations of the study have restricted focus on SACCOs within Nairobi County area, and considering the diversity of the country, the findings may not be representative of the whole population of SACCOs in Kenya. However, the sampling technique used ensured that each respondent had a non-zero chance of being selected to participate in the study. The researcher preferred to administer the data collection tools to only the sampled respondents, however, this was practically not possible as some of them delegated this request since they were either too busy or were away on official duties.

Through review of the literature, not so much studies have been carried locally and globally in the SACCO sub sector on how corporate governance practices affect their growth. This inhibited the researchers' ability to evaluate sector specific studies to understand the argument widely held that SACCOs are poorly managed.

5.4 Recommendations for Further Studies

This study had looked at the relationship between corporate governance practices and the growth of SACCOs by considering the regression model. Few SACCOs had their board chairpersons and some board members executing management roles through Executive committees resulting in conflict of roles, though this leads to duality and may impact negatively on growth. SACCOs with duality issues should embrace separation of roles by stopping to exercise executive powers by engaging in the day to day operational matters in SACCOs by engaging qualified CEO's and let them manage the company. This is also emphasized in the new SASRA regulation.

The study recommends that another study should be carried out on the relationship between corporate governance and the growth of SACCOs but with the annual change in shares being the dependent variable as opposed to annual change in loans which was used in this study.

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APPENDIX 1: QUESTIONNAIRE.

Introduction.

Dear respondent, the purpose of this questionnaire is to get the actual scenario of your SACCO as pertains the topic addressed purely for academic proposes. Please read the statement and give the response that represents your most honest opinion. The information so given will be accorded the confidentiality it deserves and not used for any other purpose other than for the research. Your name should not appear on the questionnaire. Kindly respond to all the items.

Part A: General information

1. Name of your SACCO…………………………………………………………………...

Part B: Corporate governance practices

2. (a) How many members does the board of directors have? -----------------------------------

(b) Indicate gender, and qualifications level of your SACCO board.

EDUCATIONAL LEVEL	MALE	FEMALE
Masters		
Bachelors degree		
Diploma		
‘‘O’’/ ‘‘A’’ Level		
Others		

3. Does the CEO double as the board chairman? Yes ☐ No ☐

4. How frequently does the board of directors meet?

Weekly ☐ Monthly ☐ Quarterly ☐

Others (specify) ---

5. How frequently does the full board meets?

Weekly ☐ Monthly ☐ Quarterly ☐

Others (specify) ---

6. Does the SACCO have an audit committee in place? Yes ☐ No ☐

7. How can functioning of the SACCO board of directors be improved?

……………………………………………………………………………………………

……………………………………………………………………………………………

Thank you for taking your time to fill this questionnaire.

APPENDIX 2: LETTER OF INTRODUCTION.

UNIVERSITY OF NAIROBI

SCHOOL OF BUSINESS

TO ALL RESPONDENTS,

DEAR SIR/MADAM,

RE: THE RELATIONSHIP BETWEEN CORPORATE GOVERNANCE PRACTICES AND THE GROWTH OF SACCOS IN NAIROBI COUNTY.

I am a post graduate student at the University of Nairobi pursuing Master of business Administration degree in Finance. I am carrying out a research for a study as referenced above, among the SACCOs in Nairobi County in partial fulfillment of the requirements for the award of the degree.

I kindly request you to fill the attached questionnaire to enable me to gather the required information. My supervisor and I assure you that this information will be used purely for academic purposes and your name will not be mentioned in the report. A copy of final project shall be availed to you upon request. Your cooperation will be highly appreciated and thanking you in advance.

Yours faithfully,

WYCKLIFE OTIENO

MBA STUDENT, UNIVE RSITY OF NAIROBI.

APPENDIX 3: LIST OF SACCOs

1	MWALIMU NATIONAL
2	HARAMBEE
3	STIMA
4	AFYA
5	KENYA POLICE
6	UNITED NATIONS
7	UKULIMA
8	KENYA BANKERS
9	UNAITAS
10	METROPOLITAN
11	MAGEREZA
12	BORESHA SACCO
13	HAZINA
14	NACICO
15	SOLUTION SACCO
16	SHERIA
17	BINGWA
18	COSMOPOLITAN
19	JAMII
20	TAIFA
21	ASILI COOPERATIVE

22	CHAI (KTDA)
23	MAISHA BORA
24	TELEPOSTA
25	SAFARICOM
26	ARDHI
27	WANANCHI
28	NATION STAFF
29	TAI
30	JITEGEMEE
31	UFUNDI
32	RELI
33	ELIMU
34	UKRISTO NA UFANISI
35	DAIMA
36	UNIVERSAL TRADERS
37	BIASHARA
38	AIRPORTS

APPENDIX 4: LOANS ADVANSED FOR THE PERIOD 2008 TO 2012

Name of the Sacco	loan Advanced (Ksh)				
	2008	2009	2010	2011	2012
MWALIMU NATIONAL	11,814,207,843	15,854,217,843	14,814,217,843	17,606,221,180	17,507,374,216
HARAMBEE	6,877,601,210	9,833,609,810	10,877,609,810	13,020,437,982	10,388,968,889
STIMA	2,315,843,087	3,095,843,087	5,395,843,087	6,293,487,243	8,109,155,198
AFYA	4,442,367,118	1,498,302,110	5,498,367,118	7,086,414,255	7,829,270,710
KENYA POLICE	1,909,841,529	5,919,841,500	4,909,841,529	4,093,488,281	7,564,811,427
UNITED NATIONS	2,995,870,008	3,395,830,208	3,995,860,008	4,832,582,691	5,843,108,623
UKULIMA	1,480,957,206	2,842,877,077	1,703,756,207	4,093,488,281	5,308,059,416
KENYA BANKERS	1,036,982,255	21,444,610	6,877,601,210	4,832,582,691	3,608,422,007
UNAITAS	248,257,910	1,206,286,721	6,877,601,210	1,213,767,162	2,341,767,162
METROPOLITAN	7,021,441,506	221,442,509	2,021,442,576	2,630,833,381	3,322,655,339
MAGEREZA	685,472,366	740,615,810	1,170,010,093	2,539,144,663	1,993,725,707
BORESHA SACCO	1,223,104,726	217,119,654	1,124,038,301	1,093,565	1,980,165,681
HAZINA	126,118,560	108,460,518	524,943,721	1,660,203,086	2,651,689,311
NACICO	685,472,366	885,412,316	685,472,366	1,374,105,251	1,380,999,230
SOLUTION SACCO	117,213,190	219,411,401	1,013,158,425	2,254,876,245	1,517,636,488
SHERIA	613,597,200	1,448,555,264	1,248,585,274	1,410,002,269	1,775,427,141
BINGWA	877,367,214	3,580,274,299	524,943,721	769,109,053	938,472,169
COSMOPOLITAN	129,544,016	219,411,401	1,154,421,764	129,167,043	1,725,715,941
JAMII	821,407,511	340,477,551	870,477,551	1,065,769,946	1,404,850,099
TAIFA	503,193,193	921,658,209	811,658,219	687,245,068	353,633,465
ASILI COOPERATIVE	896,134,407	5,569,005,092	796,134,407	979,568,725	1,011,638,269
CHAI(KTDA)	3,414,328,533	799,010,187	899,040,187	1,026,902,806	1,102,378,396
MAISHA BORA	408,670,487	524,943,721	307,804,410	2,842,877,077	1,154,518,499
TELEPOSTA	3,246,000	1,110,090,103	401,261,545	1,089,144,625	934,961,029
SAFARICOM	2,118,608,422	669,853,767	669,853,767	858,769,159	918,289,388
ARDHI	107,104,299	315,812,581	415,888,030	884,883,879	848,930,195
WANANCHI	140,934,910	361,314,840	261,324,040	462,916,024	414,144,623
NATION STAFF	285,898,901	461,421,418	431,451,458	556,474,023	626,188,715
TAI	145,510,106	82,256,995	524,943,721	353,085,576	416,218,687
JITEGEMEE	124,860,086	160,401,101	134,483,000	430,232,901	542,787,939
UFUNDI	2,711,469,510	1,110,090,103	524,943,721	330,409,846	266,458,716
RELI	124,243,179	1,909,841,529	251,181,099	193,778,259	161,641,722
ELIMU	1,121,544,903	98,458,268	27,601,004	457,089,571	405,239,639
UKRISTO NA UFANISI	281,589,251	719,583,526	258,494,729	235,446,278	441,321,599
DAIMA	185,764,124	308,505,143	449,647,644	487,909,070	168,109,257
UNIVERSAL TRADERS	109,257,159	139,267,019	169,257,119	283,310,659	299,921,101
BIASHARA	311,187,141	254,099,125	454,125,557	221,348,000	266,487,901
AIRPORTS	791,441,303	819,626,640	401,261,545	242,350,720	235,539,491

APPENDIX 5: AVERAGE GROWTH RATE FOR THE PERIOD 2008 TO 2012

NAME OF THE SACCO	AVERAGE GROWTH RATE FOR THE PERIOD 2008 TO 2012(LOANS)
MWALIMU NATIONAL	0.1148
HARAMBEE	0.1327
STIMA	0.3837
AFYA	0.6002
KENYA POLICE	0.6527
UNITED NATIONS	0.1822
UKULIMA	0.5546
KENYA BANKERS	1.5462
UNAITAS	2.1666
METROPOLITAN	1.9311
MAGEREZA	0.4039
BORESHA SACCO	3.0249
HAZINA	1.6149
NACICO	0.2689
SOLUTION SACCO	1.3470
SHERIA	0.4028
BINGWA	0.7282
COSMOPOLITAN	4.1069
JAMII	0.3784
TAIFA	0.0184
ASILI COOPERATIVE	1.1551
CHAI(KTDA)	-0.1063
MAISHA BORA	1.8782
TELEPOSTA	1.4803
SAFARICOM	-0.0831
ARDHI	0.8381
WANANCHI	0.4883
NATION STAFF	0.2410
TAI	1.1996
JITEGEMEE	0.6460
UFUNDI	-0.4205
RELI	3.2772
ELIMU	3.4538
UKRISTO NA UFANISI	0.4250
DAIMA	0.1370
UNIVERSAL TRADERS	0.3056
BIASHARA	0.0738
AIRPORTS	-0.2247

APPENDIX 6: CORPORATE GOVERNANCE PRACTICE INDEX

Name of the SACCO	Number of board member	Does the CEO double as the board chairman	Gender diversity	How frequently does the board committees meet?	How frequently does the full board meet?	Does the SACCO have an audit committee?
MWALIMU NATIONAL	7	2	1	2	2	1
HARAMBEE	15	2	1	2	2	1
STIMA	9	2	1	2	2	1
AFYA	8	2	1	2	2	1
KENYA POLICE	11	2	0	2	2	1
UNITED NATIONS	9	2	1	2	2	1
UKULIMA	9	2	1	2	2	1
KENYA BANKERS	9	2	0	2	2	1
UNAITAS	9	2	1	2	2	1
METROPOLITAN	9	2	1	2	2	1
MAGEREZA	9	2	1	2	2	1
BORESHA SACCO	9	2	1	2	2	1
HAZINA	12	2	1	2	2	1
NACICO	9	2	1	2	2	1
SOLUTION SACCO	8	2	1	2	2	1
SHERIA	8	2	1	2	2	1
BINGWA	7	2	0	2	2	1
COSMOPOLITAN	9	2	1	2	2	1
JAMII	7	2	1	2	2	1
TAIFA	9	2	0	2	2	1
ASILI COOPERATIVE	9	2	1	2	2	1
CHAI(KTDA)	8	1	1	2	2	1
MAISHA BORA	9	2	1	2	2	1
TELEPOSTA	9	2	1	2	2	1
SAFARICOM	8	2	1	2	2	1
ARDHI	9	2	1	2	2	1
WANANCHI	8	2	1	2	2	1
NATION STAFF	8	2	1	2	2	1
TAI	9	2	0	2	2	1
JITEGEMEE	8	2	1	2	2	1
UFUNDI	7	2	1	2	2	1
RELI	9	2	1	2	2	1
ELIMU	8	2	1	2	2	1

Name of the SACCO	Number of board member	Does the CEO double as the board chairman	Gender diversity	How frequently does the board committees meet?	How frequently does the full board meet?	Does the SACCO have an audit committee?
UKRISTO NA UFANISI	7	2	0	2	2	1
DAIMA	9	2	1	2	2	1
UNIVERSAL TRADERS	7	2	1	2	2	1
BIASHARA	9	2	1	2	2	1
AIRPORTS	9	1	1	2	2	1