THE EFFECT OF CORPORATE GOVERNANCE ON FINANCIAL PERFORMANCE OF REGISTERED TRANSPORT SAVINGS AND CREDIT COOPERATIVES IN NAIROBI COUNTY

BY

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DECLARATION

I hereby declare that this research project is my own work and has not been presented elsewhere in part or the entire work for award of degree.

Sign: …………………………………………….Date……………………………..………

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This research project has been submitted for examination with my approval as university supervisor.

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DEDICATION

I dedicate this research project to my wife Lucy Mugure and my daughter Patience Wairimu. You never complained of being absent from home when pursuing this course.

ABSTRACT

The study sought to find the effect of corporate governance on financial performance of registered transport Saccos in Nairobi County. The objective was accomplished by assessing the effect of size of the board, independence of the board sub committees, supervisory role of BODs, leadership duality, frequency of board meetings, board diversity and disclosure of information on the financial performance for the period 2011 to 2013.The study had target population of 264 registered transport Saccos.Random sampling was applied to sample 88 Saccos.83 questionnaires were returned by the respondents.The researcher employed descriptive research design to explain the situation. Questionnaires were administered to collect primary data. Secondary data was collected from audited books of accounts. SPSS software was used to present the data in tables as percentages and mean. The data for the three year study was analyzed to generate multiple regression between dependent variable (ROA) and independent variables.

The study findings showed that the mean for the board size was 2.3133 meaning majority of transport Saccos in Nairobi County had 5-8 board members in the period between 2011 and 2013. The extent of the application of independence of board sub committees had mean value of 2.9277.This means that majority of transport Saccos had board sub committees that exercise their mandate at a moderate extent. The mean value of 3.6345 shows that majority of transport Saccos had supervisory committee that regularly pushed for corrective actions only at a large extent. The mean of 0.6024 from the findings shows that majority of transport Saccos preferred the CEO to add up as the chairman of the board. The mean of the extent of application of frequency of board meetings was 4.0241. The research findings corroborates that majority of transport Saccos in Nairobi County applies the diversity of board members to a large extent. Disclosure of information was only applicable at a large extent in most of the registered transport Saccos since the mean value was 2.9920.The study found a strong positive relationship between corporate governance and financial performance.

The study concluded that the characteristics of the corporate governance affect financial performance of the registered transport Saccos in Nairobi County.Majority of Saccos had the recommended size of the board that is effective in decision making.The board subcommittees do not fully exercise their mandate independently.Members of the board do not practice their supervisory role appropriately in the management of majority of Saccos.Majority of the registered transport Saccos had CEO that adds up as the board's chairperson.Most of Saccos had board members that met regularly to discuss the relevant agenda of the Saccos.Likewise,majority of the Saccos implemented the policy of incorporating members of the board with diverse skills,knowledge,experience and gender.Quite a number of Saccos did not disclose full information to the shareholders.

The study recommended that the registered transport Saccos should maintain recommended number of board members. Transport Saccos should allow board sub committees to do their work without undue interferences.Saccos should tap the wealth of experience from these board members assigned special committees. The BODs should supervise the management of Saccos appropriately to improve financial performance.

The type of leadership structure adopted by Saccos should enhance effectiveness, reduce costs and solve complexity of governance. Board members should meet regularly to monitor the progress of the activities of the Saccos, strategize on areas of improvement and push for corrective actions in areas of non conformities.Saccos should always seek composition of board members with diverse skills, knowledge and experience. The management should raise investor's confidence by making full of any relevant information. The application of the best practices of corporate governance is important to a Sacco.Therefore,the management of these institutions should enforce strictly the adherence of well governed entities to improve financial performance.The government should also enforce by streamlining all relevant regulations.

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LIST OF ABBREVIATIONS

BOD	- Board of Directors
CBK	- Central Bank of Kenya
CCG	- Centre for Corporate Governance
CCN	- City Council of Nairobi
CEO	- Chief Executive Officer
CMA	-Capital Markets Authority
DPS	-Dividend per Share
DY	- Dividend Yield
EPS	-Earning per Share
EVA	- Economic Value Added
ICPAK	- Institute of Certified Public Accountants of Kenya
ICPSK	- Institute of Certified Public Secretaries of Kenya
ISA	- International Standards of Accounting
KRA	- Kenya Revenue Authority
MD	- Managing Director
MFI	- Micro Finance Institutions
NPM	- Net Profit Margins
NSE	- Nairobi Securities Exchange
NTSA	- National Transport and Safety Authority
P/E	-Price/Earning
PSV	- Public Service Vehicles
ROA	- Return on Asset

ROE - Return on Equity

SACCO - Savings and Credit Cooperatives

SSA - Sacco Societies Act

SASRA - Sacco Societies Regulatory Authority

TLB - Transport and Licensing Board

UTOS - United Transport Overseas Services

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Murdoch and Armendariz (2005) acknowledged that Saccos are ever accelerating the wide recognition in the whole world as financial intermediaries in the microfinance industry. With this rate of growth of Saccos worldwide, they expressed need for proper corporate governance for the sake of profitable institutions. Corporate governance entails best management practices. It lays out guidelines for being accountable and propping an outstanding behavior of making timely decisions by the senior members of the organization. The Management of the Saccos in the transport industry has inevitable choice to uphold good corporate governance for the success of these cooperative bodies.

The Ministry of Transport in Kenya gazetted the Legal Notice No.23 of 2010 to regulate that any person desiring to invest in transport industry should be in a corporate body. Public transport operators should either form or join Savings and Credit Cooperatives (SACCOs) or Transport companies. The body is required to have a minimum of thirty fleet of matatus and buses. The Legal Notice No.23 of 2010 is currently Legal Notice No. of 2014 after further amendment to regulate night travels. The formation of Saccos and transport management companies still hold. The Transport and Licensing Board (TLB) enforces these rules day to day in order to manage public transport sector in a well formalized institutions (Kenya Gazette, Legal Notice No.23 of 2010).

Savings and credit cooperative societies (SACCOs) are encompassed of members that form a financial intermediary.SACCOs members can save and borrow money from these institutions. The Kenyan government expressed the need for sanity in transport industry. Cooperatives and transport companies have requisite environment to be managed professionally. There was an urgent need to reduce fatal accidents as a result of careless driving, eliminate criminal gangs operating PSV vehicles and standardize the sector. Stiff competition in matatu industry would have worsened the situation if the government of Kenya did not intervene in the right time. Saccos provide a venture for self reliance through direct and indirect self employment. As a result, it attracted Ministry of Transport and Infrastructure's attention to introduce matatu oprerators in a movement that is good for all transport stakeholders. Companies and Saccos provide basis for the growth of economy (McCormick et al., 2011).

These financial intermediaries avail financial resources to the members involved from these institutions. Many borrowers prefer Saccos since it offers lower interest rates as compared to commercial banks. Ministry of Cooperatives (2011) tabulated bank's interest rate to be lower by 6% as compared to other lending organizations. In most Saccos, a member can borrow three times the amount deposited in these institutions. Therefore, the introduction of transport Saccos was inevitable to enable matatu operators invest more in this sector since they are accessible to cheap capital.

Saccos in Kenya has increased tremendeously.Currently there are 6,000 registered deposit taking saccos with approximately 7 million members and assets to a tune of 300 billion Kenya shillings (Capital Markets Authority,2013).The Sacco Societies Act(SSA) regulates these cooperative movements. The SSA necessitated the formation of Sacco Societies Regulatory Authority (SASRA).This authority enforces the corporate governance of Saccos within the stipulated corporate guidelines in the SSA.Saccos should file monthly financial reports for adherence to prudential management. Other checks and balances captured in the SSA include the regulation of dividends payment, expansion of Saccos and acquisition of properties. Saccos should have code of conduct for enforcement of ethics and integrity of the operators in the transport industry.

1.1.1 Corporate Governance

Corporate governance is a procedural practice that forms a platform for firm's managers to induce thinking and making decisions for the general welfare of the shareholders. The managers acquire a pattern of behaviors to run a firm in tandem with international standards in order to maximize shareholder's wealth. Corporate governance can further be described as a mode of efficient supervision of companies for the good of shareholders and other firm's stakeholders. Hermes (2008) defined corporate governance as concoctions of rules that enhance firm's management to control their behavior. Bobtricker and Robert (2012) stated that corporate governance plays an imminent role in control of manager's behavior in decision making. It forms a legal basis that guides the relationships between directors of the company, shareholders, management and other stakeholders of the firm.

Corporate governance has immense importance in management of firms. A well managed firm is able to win the favour of investors whom tend to put more money in the company as capital investments. Investors trust that the firm will automatically have better returns for being managed well. The controllers of the firm have reference point of best measures of corporate governance.Therefore, they often exercise stewardship of shareholder's resources. The aspect of corporate governance induces the managers to align and respect the interests of the stakeholders of the organization. A well managed firm improves financial performance that translates to the increasing economic growth of a country.Ekadah and Mboya (2011) argued that corporate governance is now a recognized attribute of corporate management in Kenya. Countries all over the world are really counting so much on the best practices of corporate governance in order to improve financial performance of profit making organizations. Corporate governance is also applied in non profit making institutions to deliver better results for such organizations (Barako, 2006).

Centre for Corporate Governance (CCG) voluntarily initiated corporate governance blueprints in Kenya in 1999. The organization intended firms to adopt these guidelines for checks and balances for better financial performance. Capital Markets Authority (2002) report indicate that the blueprints were then used by the Capital Markets Authority(CMA) as a requirement for corporate governance of the listed companies at the Nairobi Securities Exchange(NSE) .It was made compulsory for the listed companies to adopt these raft of corporate governance practices. The main issues expressed in this document was board composition, the work of the auditors, separation of the role of Managing Director(MD) and Board of Directors(BOD).The framework also enumerates shareholder's rights and obligations. Therefore, listed companies were supposed to comply with CMA regulations to improve financially and attract more investors.

Hermes (2008) stated that corporate governance is a set of standard that should be used to control the behaviors of members in a cooperative movement including Saccos. The Corporate governance offers structures for maximum accountability among managers for the benefit of shareholder's wealth maximization. The guiding statutes uphold the rights of the shareholders from the excesses of the management.

Namisi (2007) confirmed that Sacco Societies are very relevant in the growth of economy of a country. Therefore, Saccos have to be extremely reliable and accountable for the fulfillment of desires of all stakeholders. The government receives taxes from these societies. The Kenya Revenue Authority (KRA) uses the corporate tax rate of 30%.Cooperatives creates more employment directly or indirectly. They fulfill the mandate of mutual associations within the communities around them. Saccos are regularly monitored by the Saccos Societies Regulatory Authority (SASRA) to ensure best corporate governance is exercised to the letter. There are strict penalties for societies that violate this statutes.SASRA protect shareholders from being frustrated by managers and directors.

Jebet (2009) listed institutions that enforce compliance to corporate governance practices in Kenya. These include; Capital Markets Authority (CMA), Nairobi Securities Exchange (NSE), Institute of Certified Public Accountants of Kenya (ICPAK), Institute of Certified Public Secretaries of Kenya (ICPSK), Central Bank of Kenya (CBK) and Saccos Societies Regulatory Authority (SASRA).Each of these bodies has been given enforceable laws to punish organizations that do not uphold best practices of corporate governance.

Corporate governance is thus operationalized on the basis of the number of directors, independence of board sub committees, supervisory role of the directors, state of CEO duality, frequencies of BODs meetings, diversity of BODs and disclosure of firm's information to the stakeholders.

1.1.2 Financial Performance

Financial performance is defined as the measure of the firm's ability to use its assets efficiently to generate profit. It is also referred to as the health of the financial position of a firm for a certain period of time. Financial performance forms the basis for benchmark with other firms in the same industry with similar categorization of firm's specific parameters. It compares the extent to which a certain firm rate in respect to other firms. The managers are able to establish their level of effectiveness in management of organizations. Financial performance signifies whether a firm has performed poorly or good. Higg (2004) expressed that financial performance is a key indicator in measurement of corporate governance practices of a firm. The key ratios used to measure financial performance of firms profitability ratios, liquidity ratios, asset utilization ratios and market value ratios. Profitability ratios include; Gross profit margin, Operating profit margin, Net profit margin(NPM), Return on assets(ROA) and Return on equity(ROE).Liquidity ratios include; Quick ratio, Current ratio and Net working capital. Asset utilization ratios include Inventory turnover, Receivables turnover, fixed asset turnover and total assets turnover. Market value ratios include; earning per share (EPS), Dividends per share (DPS), Price/Earning (P/E) ratio, Dividend Yield (DY), Market price to Book value and Payout ratio. The information about the financial performance of a firm can be retrieved from firm's financial reports and book of accounts.

Saccos Societies Regulatory Authority enforce the regulation that every cooperative society should keep proper accounts compiled in accordance to International Standards of Accounting(ISA).The records include a balance sheet, an income and expenditure account and a cash flow statement. These documents should reflect the true and fair state of the Saccos.The cooperatives book of accounts should be approved and authenticated by at least three committee members. Records should be audited at least once in every financial year by a recognized auditor(s) appointed by the Saccos and approved by the commissioner of the Saccos Societies Regulatory Authority (Cooperative Societies Act, 2004).

Financial performance is quite important since it is a good measure of how assets were utilized effectively to reap benefits to the firm in form of revenues, profit or sales. It forms target in which managers aim to achieve in a certain period e.g. one year.Therefore, managers apply relevant financial ratios to analyze whether the firm has done well or poorly. The managers are able to classify the financial performance of their firms by comparing with financial ratios of other firms in the same sector and equal benchmark parameters.

Financial performance is thus operationalized by determining financial ratios such as profitability ratios that measure the power of a firm to earn a profit, liquidity ratios that measure the ability of the firm to pay its financial obligations, asset utilization ratios that measure the ability of the firm to use its assets efficiently to generate profit and market value ratios that depicts the market value of the stock and firm. This study will adopt ROA as a measure of the magnitude of net income per unit of asset of the Saccos.A higher ratio shows that the assets of the Saccos are efficiently utilized to raise income whereas lower ratio depicts the investment of the Sacco is not generating much revenue.

1.1.3 Effect of Corporate Governance on Financial Performance

Corporate governance enshrines resource dependency theory. The BODs is composed of both executive and non executive members that bring wealth of experience to the firm. These members are quite resourceful in their area of specialization. They offer advice on the management of the Saccos.Therefore, the Sacco is always endowed with tactics that drives the financial performance to the higher mark (Hilman & Dalziel, 2003).

The practice of good corporate governance tames the agency cost. Shareholders do not invest much in monitoring the behavior of managers (Hermes, 2008).Corporate governance procedures recommends separation role of managers and BODs. The managers exercise day to day management of the Saccos and BODs plays an oversight role of the management.Therefore, managers put much effort to improve the financial performance of Saccos to avoid the wrath of BODs and shareholders.

The legal procedures and policies advocated in stakeholder's theory induce the controllers of the Saccos to put first the interest of the organization before individual's interest. The managers should work hard to maximize shareholder's wealth. Managers are expected to balance the interests of all stakeholders. This motivates and enhances loyalty of all persons affected directly or indirectly by the Sacco.Definitely, financial performance improves when shareholder's interests comes before any other interest (John & Senbet, 2003).

The managers and BODs are expected to exercise utmost stewardship of shareholder's resources. Stewardship theory expresses that the managers and BODs have no ulterior motive to plunder shareholder's investment but to take care and ensure shareholders get something in return. This state of governorship improves the financial performance of Saccos (Donaldson, 2002).

Muriithi (2004) noted that best practices of corporate governance defend the right of creditors, employees, directors and managers of the firm. Corporate governance involves policies and procedures to provide strategic direction of the organization. It states the nature and type of human personnel that are competent and committed to improve financial position of firms. Corporate governance advocates for the state of being accountable, objective, business expert and being a manager of high integrity (Mang'unyi, 2011).

Bhagat and Jefferis (2002) confirmed that good corporate governance lessens chances of a firm being vulnerable to unforeseeable financial distress. Further research stressed the relevance of corporate governance as a parameter that helps a firm to cope up with external factors that are threat to the organization (Donaldson, 2002).A firm with harmonious corporate structures is a recipe for improvement of financial performance. The board of directors and managers institutes best practices of corporate governance to maximize shareholder's wealth.

Demesetz and Villalonga (2002) claimed undoubtedly that a firm with a system of well practiced corporate governance raises the confidence of investors. The firm is able to attract more funds from investors to expand its businesses. A series of business portfolio increases the firm's financial performance. The aspect of a well laid out corporate governance institutes a culture of stewardship among board of directors, managers and employees. They strive to perpetuate the desires of shareholders on wealth maximization. Other stakeholders' interests are enhanced through inscribed corporate vision and mission.

Claessens, Fan and Wong (2002) confirmed that poor financial performance has a share of blame on poor governance. Weak management leads to unprofitable organization. More oftenly, firms have been known to collapse for not observing better corporate benchmarks. A better corporate system has favorable grounds for improved access to capital, lower interest rate and general goodwill from the firm's stakeholders. Greater financing of a company lead to improved financial performance.

1.1.4 Registered Transport Saccos in Nairobi County in Kenya

As at Friday, 30th May, 2014, the National Transport and Safety Authority (NTSA) had registered 1603 transport Saccos and companies in Kenya. Out of this figure, Nairobi County has 264 registered transport Saccos. It is estimated that 80% of Nairobians live in outskirts of Nairobi city. They rely on public transport to commute to and fro in their area of residence.PSVs make the most used mode of transport in Nairobi County. Commuters are largely working in formal sectors and others attend their businesses in the informal sectors. Nairobi County is now populated with universities and tertiary colleges. Therefore; there are large numbers of students that commute daily to attend classes.

The public service vehicles (PSVs) operating in Kenya consists of fourteen seater matatus which is a name coined from 30 cents flat rate fare that was being charged in

1966,minibuses and high capacity buses. Minibuses carries 29-33 passengers while high capacity buses ferries 49-60 passengers.Ngirachu (2014) cites how there was an organized transport system in Nairobi during 1966.Buses were well serviced and highly reliable even during rainy seasons. The management of these buses had effective and efficient operating schedules in all routes. The City Council of Nairobi (CCN) had contracted United Transport Overseas Services (UTOS) to run Kenya Bus Group limited.

On December 2010, the ministry of transport issued directive through the Legal Notice 163 of 2010 that all PSVs operators should either form or join saccos or companies. The regulations states that these corporate bodies should have directors, management officers, licensed as a corporate body, Quality Management Systems, Road Traffic Safety Management Systems- ISO 39001:2012 and code of conduct. The government intended to inculcate the corporate governance principles in management of PSVs. The Sacco management would hire competent drivers, conductors and other staff. Directors are expected to make strategic decisions necessary for improvement of financial performance of Saccos.

Financial performance is now a great concern in reference to the impact of the mandatory installation of transport Saccos.The dismal financial performance is related to poor corporate governance of transport Saccos.The management of Saccos do not uphold best practices of governing these bodies.The managers and BODs do not exercise their mandate to ensure Saccos are profitable.Investors lose confidence on poorly managed Saccos.Therefore,the number of members contributing money to Saccos decline every day.Investors pick up other ventures not even related to transport Saccos for lack of faith in management.

1.2 Research Problem

Australian Stock Exchange Corporate Governance Council (2003), Cadbury Report (1992) and Sarbanes-Oxley Act (2002) cite the key components of corporate governance that are ingredients of any firm intending to be financially successful. They state that board of directors (BODs) should have apparent responsibilities for governing the corporate body. The BODs has a duty to appoint and oversee a team of competent management staff. The board should be composed of executives and non executives members having organization interests at heart and able to offer checks and balances within the governance structures.

Cooperative Saccos have been playing a key role in improvement of socio economy of citizens of different countries in the world. The Saccos members are able to save and access cheaper credit. Members are able expand their businesses with the ultimate goal of elevating their living standards.Thus,corporate governance in cooperative societies is necessary to promote better standards of management through observance of core principles, values and procedures. The success of a cooperative enterprise is positively related to effective leadership (Lopoyetum & Karthikeyan, 2003).

Quality corporate governance has gained popularity as a parameter for a firm's financial performance. Studies have shown that a well governed financial institutions results to higher returns than poorly managed organizations. Transport industry has no option other than to practice good governance if operators wish to get a profit from this venture. Saccos promote capital mobilization from low income transport operators with minimal access to loans from commercial banks that charge higher interest rates.Therefore; an outstanding management team should exercise good corporate governance in order to attract more investors and invest their money prudently. On the other hand, mismanagement of Saccos has led to collapse of Saccos (SASRA report, 2011).

A number of researchers have studied transport saccos under the context of socio-economic impact of the New Integrated Transport Policy in the case of Fourteen-seater Transport Saccos in Kenya (Migwi,2011).He measured the level of compliance,gender composition and membership to study their effects on financial performance of transport Saccos.He found positive correlation between these variables and financial performance. Jebet (2009) confirmed that corporate governance has a great effect on financial performance of cooperative societies. The variables regressed include board's structure, independence and supervisory role of BODs. They developed a Corporate Governance Index with values between 0-100 of these companies. The Indices were compared to Tobin's Q.They found a strong relationship between Corporate Governance Index and firm's performance.

Kabaiya (2012) researched about the relationship between corporate governance practices and financial performance of Saccos in Murang'a county irrespective of their uniqueness in operations. He regressed frequency of board meetings, number of resolutions and size of the board with respect to financial performance. The researcher realized positive relationship between these variables and ROA.He recommended need for appointing BODs with diverse competencies.However, he established that insider ownership is positively related to financial performance. He argued that managers bear much responsibility to improve financial performance of a firm if they have invested directly with these firms.

McCormick et al. (2013) studied strategies instituted by matatu operators in Nairobi County. Using multiple regression model, they observed that best practices of corporate governance bring down rate of stock return by increased investor's confidence. Lower rate of return translates to increased firm's value.Makena (2013) used a case study of Kenya Ports Authority (KPA) to study the influence of corporate management on the performance of public organizations . He regressed corporate governance variables; board composition and size to assess their effects on financial performance. These variables had positive relationships to ROE of state corporations.

Much of these studies have been focused on listed firms at the NSE, parastatals, commercial banks and Saccos under micro finance institutions with front office services. None of these studies have touched on the effects of corporate governance on financial performance of transport Saccos. Therefore, the study intended to fill the research gap by answering the following question; what are the effects of corporate governance on financial performance of transport Saccos in Nairobi County?

1.3Research Objective

To determine the effect of corporate governance on financial performance of transport Saccos in Nairobi County.

1.4Value of the Study

This study intends to determine the effect of corporate governance and financial performance of registered transport Saccos in Nairobi County. The study findings shall be generalized to uncover the effect of these variables under the context of all registered transport Saccos in Kenya.

The stakeholders in the transport industry shall be well informed on the effort needed to exercise corporate governance principles in order to increase profitability of Saccos. Policy makers have added information on their table to devise policy framework that will guide this industry.

Other researchers will pick up findings and recommendations from this study as a backbone for their future research topics. The author of this study will have cited several authors in the references. Therefore; future researchers will be able to accelerate retrieval of excellent literature reviews from this document.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter two comprises of theoretical and empirical review of corporate governance and financial performance variables to fill the research gaps in the context of this study. This section covers theoretical review, theories related to corporate governance, components of corporate governance, empirical review and summary of literature review.

2.2 Theoretical Review

Capital Market Authority Act (2002) defined corporate governance is a remarkable process of fulfilling desires of corporate's stakeholders. This concept offers the structure in which manager's task is to maximize shareholder's wealth. Resource dependency theory, agency theory, stewardship theory and stakeholder's theory are key theories that affirm the essence of corporate governance in an organization.Neuman (2006) stated that a theory is a framework in which the body of knowledge is conceptualized to make meaning to a phenomenon in the universe. Agency theory and stakeholder's theory have been the main theories about corporate governance (Mulili & Wong, 2010).

2.2.1 Resource Dependency Theory

In 1978, Pfeffer and Salancik coined resource dependency theory through intense review of empirical studies. They observed that the set of executive and non executive board members contribute much resources in the organization. Resource dependency theory hold views that these personnel, after being appointed to form the board, will aggressively work hard for the common good of the firm. Therefore, the board is seen as a key factor in increasing the financial performance of a company. Resources have different forms as can also be expressed as the firm's capital (Hilman & Dalziel, 2003).

Non executive board members bring in wealth of specific expertise to strategically manage the company amidst the existing uncertainties. The firm becomes reputable amongst other corporations as a result of decisions made by the seasoned experts. The firm become reputable by associating with these key people .Small scale entrepreneurs can outsource the knowledge of non executive directors if they cannot employ them permanently. The firm will still become successful through cheaper consultancies. Besides counsel offered by non executives, they can also form strategic networks that the company can connect to penetrate new markets. Non executives apply their past management experiences to assist the company mitigate against the business risks. Agency theory sees the policing role of non executives but resource dependency theory values them as they supplement knowledge to other board members. A Sacco endowed with resourceful BODs translates to improvement in financial performance.

2.2.2 Agency Theory

Hermes (2008) said that corporate governance is a series of intertwining rules that helps managers of corporations control their behavior as well as enhance decision making. Corporate governance offers direction and control in organizations. It provides the platform for describing the relationships and rights among firm's stakeholders (Muriithi, 2004).Therefore, corporate governance builds agency theory. This theory describes the relationship that exists between the principal who contracts an agent to run the company in his behalf.

Shareholders are usually the principals and the directors and managers are the agents in a firm. Agency theory develops best practices for guiding shareholders and managers relationships for the success of a company (Carter & Lorsch, 2004).Managers hold executive powers upon which they can exploit shareholder's resources for their own interest. Therefore, shareholders should incur agency costs to monitor the behavior of managers and directors (Tumbull, 2007).Therefore, Saccos should have corporate governance structures that prohibit self interests of managers by rewarding them accordingly for increased financial performance.

2.2.3 Stakeholder Theory

Stakeholders are group or individuals affected by the activities of the organization. For example, suppliers, customers, employees, directors, shareholders and business partners. The stakeholders theory proposes that managers should consider the interests of these stakeholders.Welsbach and Hermalin (2003) argued that the composition of non executive members, threat of take over and auditors can stop malpractices of naughty managers.

John and Senbet (2003) expressed the corporate governance as blueprint for controlling interests of stakeholders through advent of legal frame work and policies of the corporation. Therefore, organizations formulate vision statements, mission statements and values that cater for the interest of all stakeholders.If shareholders' interest supersedes individual's interest, the management tailors to maximize shareholder's wealth. There is an increment in financial performance of Saccos.

2.2.4 Stewardship Theory

Donaldson (2002) viewed managers through the stewardship theory as personnel concerned for the welfare of shareholders by trying to maximize wealth as much as possible. Managers have no intention of exploiting shareholder's wealth for their own personal interests. Stewardship theory was derived from McGregor Theory Y that states that people are naturally motivated to work and do a good job.Therefore,shareholders does not bear burden of agency costs in monitoring managers. This theory assumes no conflict between shareholders and managers. Managers and directors practice good corporate governance in order to uplift the value of the company. On this note, there is improvement of financial performance if managers and BODs carry on habit of taking care and seeking returns from shareholder's investment.

2.3 Determinants of Financial Performance of Transport Saccos

2.3.1 Investment Policies

Saccos invest member's savings in expectation of better returns. Once the members deposit their money in the Saccos, the management takes charge of investing in ventures that will promise investors will get back their money and interest income thereof. Member's savings can be extended as a credit to fellow members at a lower interest rate than the one charged by commercial banks. The managers of the Saccos can also invest in liquid ventures such as marketable securities.However, the management of Saccos should be extra vigilant on the riskness, yield and liquidity of investments. An investment policy is inevitable to guide the management of Saccos on where to invest deposits. Such an investment policy should be flexible to allow changes in strategy depending on the volume of loan and savings. Sometimes there may be high demand for loans in which the management should seek for more deposits. More oftenly, the loan maturities are shortened to cater for high demand of loan.

Investment policies cite the appraisal procedures during the investment decisions. The management of Saccos is quite aware that greater risk and volatility of securities translate into higher yield. They must be extremely careful not to incur losses in such investments. A well diversified portfolio gives Saccos higher rate of return thus improving its financial performance (Wagereka, 2013).

2.3.2 Government Regulations

Government regulations can greatly affect the financial performance of Saccos. The effects are either positive or negative. For example, the government can limit the entry of new competitors in the same industry. The existing businesses become more profitable when they maintain the same market share or even when the market grows bigger. The government mounted SSA to be enforcing Sacco's regulations. The legal and regulatory framework demands Saccos to be licensed and comply with the stipulated regulations.Saccos should state their internal control mechanisms, amount of capital, infrastructure and liquidity management (Republic of Kenya SASRA report, 2010).However, it is costly to maintain compliance. The management of Saccos needs legal services to interpret the Acts concerning the transport Saccos. Saccos should invest in management of information systems to automate internal controls and financial report. As such, Sacco's financial performance may become quite dismal before the fruits of such investments are realized in the course of time.

2.3.3 Membership

The number of members contributing to a Sacco determines the level of financial performance. A higher number of members accumulates larger amount of savings than a smaller group of Sacco's members. Larger volume of deposits is invested rationally to get returns. Such a great amount of savings is able to meet the increasing demand for loan by members (Wagereka, 2013).Government regulations plays great role to increase member's confidence that they will receive principal plus interest. The management of Saccos controls moral hazard to maximize the value of members.

2.3.4 Technology

Technology advancement has a bearing on financial performance of Saccos.Technology cuts down transaction costs and improves service delivery.Saccos install management information systems to track loan repayment by members. Chances of loan defaulting is minimal since the management of Saccos has adequate information about the borrowers. The automation of internal controls like procurement, human resource s management and financial reporting lessens the costs of doing business. Some transports Saccos are gradually adopting the system of cashless payments like Beba Pay. This system is known to minimize misappropriation of transport fares by conductors and drivers.Matatu owners get more daily returns than before the introduction of this mode of payment. This consequently enhances matatu operators to contribute more in their Saccos (McCormick et al, 2013).

2.3.5 Nature of the Route

Each transport Sacco must ply the route as per the license from NTSA. Some routes are riddled with poor road infrastructure, road capacity and traffic management. As such, they experience heavy traffic congestion almost the whole day. Transport Saccos in such routes makes fewer trips than areas endowed with good road networks and infrastructure. Some roads are not yet tarmacked. Some roads have many potholes causing more expenses to matatu owners in maintaining their vehicles. The number of passengers commuting along a certain route determines the level of income to matatu owners (McCormick et al., 2013) .Nairobi County has some residential areas highly populated with people travelling to Nairobi city. Those transport Saccos along these routes have more revenue than routes with scanty commuters. There is likelihood that matatu owners with higher disposable income will contribute more to their Saccos.As previously discussed, larger member's savings, invested wisely, attracts higher returns thus improving the financial performance of Saccos.

2.4 Empirical Review

Zhang et al. (2000) sampled 403 firms listed at China Stock Exchange during transition period. The findings strongly upheld stewardship theory than agency theory as a corporate governance concept that significantly affects financial performance. They recommended study on best application of CEO duality and BODs resources to fulfill investor's desires.

Beur and Gueniter (2003) sampled 269 firms listed at Euro Stock Market between 2000-2003 to study effects of corporate governance on stock returns, value of the firm and financial performance. Using multiple regression models, they observed that best practices of corporate governance bring down rate of stock return by increased investor's confidence. Lower rate of return translates to increased firm's value.

Black, Kim Jang and Park (2003) used 526 Korean companies listed at Korean Stock exchange to study effects of corporate governance on firm's value. The variables regressed include board's structure, independence and supervisory role of BODs. They developed a Corporate Governance Index with values between 0-100 of these companies. The Indices were compared to Tobin's Q.They found a strong relationship between Corporate Governance Index and firm's performance.

Kajola (2008) sampled 20 listed firms in Nigeria Stock Exchange between 2000-2006 to study relationship between audit committee and financial performance. The financial performance was measured by Return on Equity (ROE) and Profit Margin (PM).Their Panel Methodology of Estimation found no significant relationship between audit committee and financial performance of these firms.

Lehman, Warning and Weygand (2009) used a sample of 361 corporations in Germany between 1991 and 1996 to assess relationship between governance structures and firm's profitability. The multiple regression coined by these researchers consisted of variables; disclosures, board size, diversity in board, independence of board and frequency of meetings. The results analyzed by Data Envelop Multi-input-Output confirmed that there is significant relationship between these variables and financial performance of these corporations.

Kitetei (2009) sampled deposit taking micro finance institutions in Kenya to examine relationship between corporate governance and financial performance. The researcher used CEO duality component to study this relationship. He observed that majority of these firms at 67% had CEO and BODs chairman's position served by different personell.The rest of deposit taking MFIs at 33% had CEO adding up as chairman of the board. He noted that the firms with two distinct roles of CEO and chairman had better performance than that with dual CEO.

Mbaabu (2010) sampled 39 insurance companies in Kenya to determine the relationship between corporate governance and financial performance. He used proxies of board size and board structures for study. They found positive relationships between these variables on ROE.

Muoria and Miringu (2011) applied descriptive research design on a sample of 30 state corporations in Kenya to study effects of corporate governance on financial performance. They regressed corporate governance variables; board composition and size to assess their effects on financial performance. These variables had positive relationships to ROE of state corporations.

Kabaiya (2012) used 43 Saccos in Murang'a County to study relationship between corporate governance practices and their financial performance. He applied descriptive research design to describe the situation of these Saccos. The variables to facilitate the study were CEO duality, Number of BODs committee, Independence of BODs and

Disclosure of Information. Majority of respondents at 53% said that BODs is highly independent while 47% of them said the independence of the BODs is fair.Only 11 % of CEOs chaired the BODs in these Saccos. The researcher observed that all Saccos had fulfilled regulations of mounting board committees but some directors had minimal skills. The Saccos had been disclosing information to the public as per the regulations.

Opanga (2013) sampled 45 insurance firms listed at the NSE in Kenya to study relationship between corporate governance and firm's financial performance. He regressed frequency of board meetings, number of resolutions and size of the board with respect to financial performance. The researcher realized positive relationship between these variables and ROA.He recommended need for appointing BODs with diverse competencies.However, he established that insider ownership is positively related to financial performance. He argued that managers bear much responsibility to improve financial performance of a firm if they have invested directly with these firms.

2.5 Summary of Literature Review

Empirical reviews from different researchers show that there is a significant relationship between corporate governance and financial performance of corporations. However, some empirical tests did not uphold the relationship as result of contravening variables that varies from one country to another. Corporate governance is among the attributes most dominating in the management of firms. Regulatory bodies have made principles of corporate governance mandatory in all Saccos and companies. Sanctions are being imposed to firms that fail to practice right corporate governance.Therefore,BODs and managers always strive to adhere to laid out procedures, policies and statutes for the growth of the organizations. Shareholders benefit immensely since their interests are protected by these regulations.

Various researchers sampled regulatory State corporations, commercial banks listed at the NSE, insurance companies, airline companies and MFIs to study effect of corporate governance on financial performance. Kabaiya (2012) studied relationship of corporate governance and financial performance of Murang'a Saccos irrespective of their nature of operations. Therefore, the researcher sought to fulfill research gaps of this relationship on transport Saccos in Nairobi County.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Chapter three captures the type of research design to be used in this study. The study population and sample are also enumerated in this section. Other sections be discussed include; Data collection methods as well as approaches to data analysis.

3.2 Research Design

Kumar (2005) defined research design as a procedural layout that helps a researcher to answer research questions appropriately. The design helps a researcher to avoid carrying out research in a subjective and inaccurate manner. Descriptive research design was adopted in this study to explain the phenomenon as it is. The design described the financial results as a factor of corporate governance structures that have been put in place in transport Saccos in Nairobi County. The specified variables of corporate governance in the literature review were measured to determine their effects on financial performance.

3.3 Population

Ngechu (2004) defined population as an overall group of things, people or elements that are under investigation. He stressed that the entire set of individuals to be investigated should have common characteristics so as to make meaningful study. The study considered 264 registered transport Saccos by NTSA as at 30th May, 2014 that operates within Nairobi County (See Appendix 2).

3.4 Sample

Cohen and Marion (2000) defined a sample as a portion of the entire population to be studied and generalize findings. The researcher applied Ms Excel to generate random samples. The entire transport Saccos in Nairobi County were listed in alphabetical order. The program sampled every three Saccos. Therefore, the researcher had a total of 88 Saccos to study.

3.5 Data Collection Methods

Two mains data collection methods were applied; Primary and secondary. In primary method, the researcher used a questionnaire (See Appendix 1) for the period 2011 to 2013.The corporate governance variables to be operationalized were quoted in the data collection tool to measure their effects on financial performance of transport Saccos in Nairobi County. Financial data was retrieved from secondary sources especially yearly audited financial statements between 2011 and 2013 that are attached on the websites of the sampled transport Saccos. The research issued questionnaires to the respondents and picked them after three days.

3.5.1 Reliability and Validity for Data Collection Instruments

Mugenda and Mugenda (2003) described validity of data collection as the one that measures exactly what is supposed to measure. The researcher piloted at least five questionnaires to the respondents of transport Saccos that are not sampled for study to prove their validity and reliability.

3.6 Data Analysis

Once data has been collected, a researcher can organize, summarise and interpret with help of a statistical software such as SPSS version 20(Kasomo, 2006).The researcher organized data in reference to their means and standard deviation. The presentation of results and analysis were in form of tables. A multiple regression model was used to analyze quantatitative data to assess the relationship between corporate governance and financial performance of transport Saccos.Before regression analysis, collinearity issues were examined by correlation test.

3.6.1 The Analytical Model

The researcher used a multiple regression model to test whether there is correlation between corporate governance and financial performance of transport Saccos in Nairobi County. The general algebraic equation considered financial performance as a dependent variable that is given by the ROA for the period between 2011 and 2013. The characteristics of corporate governance were independent variables. The independent variables taken into account include; Size of the board, Independence of board subcommittee, Supervisory role of BODs, Leadership duality, Frequency of board meetings, Board diversity and Disclosure. The equation is as follows;

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7} + \varepsilon$$

Where;

Y - Financial Performance measured by ROA that is given by Net Income/Total Assets for each financial year.

β_0 - is a constant value that shows effects of other variables not under study.

β_1 - β_7 – represent regression coefficients that shows the extent of change on dependent variable for every unit change of independent variable.

X_1 – Size of the Board. This was measured by the number of board members of the Sacco. The mean value of a scale 1-5 was used to determine the range of directors.

X_2 – Independence of Board Sub Committees. Likert scale was used to measure the extent of the application of independence of board sub committees from 2011 to 2013 as phrased in question 2 in the questionnaire-The board subcommittee was free to execute their mandate without duress either from managers, shareholders or other stakeholders.

X_3 – Supervisory Role of BODs. Likert scale was used to measure the extent of the application of supervisory role of board members from 2011 to 2013 as phrased in question 3 in the questionnaire-The supervisory committee regularly pushed for corrective actions in areas of non conformities in management of that Sacco.

X_4 – Leadership Duality. A binary variable which equals 1 was assigned when the CEO also served as board chairman, 0 if otherwise.

X_5 – Board Meetings. Likert scale was used to measure the extent of the application of board diversity from 2011 to 2013 as phrased in question 5 in the questionnaire-Members of the board met regularly to strategize on improvement of financial performance.

X_6 – Board Diversity. Likert scale was used to measure the extent of the application of board diversity from 2011 to 2013 as phrased in question 6 in the questionnaire-

The formal system of evaluating members of the board was implemented in order to incorporate diverse skills, knowledge, experience and gender.

X_7 –Disclosure of Information. Likert scale was used to measure the extent of the application of disclosure of information from 2011 to 2013 as phrased in question 7 in the questionnaire-The managers and members of the board made full disclosure of relevant information to its shareholders.

ε - is the error in measurements of the effect of corporate governance on financial performance.

3.6.2 Diagnostic Tests

The researcher applied multiple Regression analysis to generate correlation coefficient(r), coefficient of determination (r^2) and analysis of variance (ANOVA). Correlation sought to show the nature of relationship between dependent and independent variables and coefficient of determination showed the strength of the relationship. Analysis of variance was done to show whether there is a significant mean difference between dependent and independent variables. The ANOVA was conducted at 95% confidence level.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter reports the data analysis, results and discussion of the findings of the study of the effect of corporate governance on financial performance of registered transport Saccos in Nairobi County. Data analysis involves descriptive statistics, correlation analysis and regression analysis.

4.2 Data Presentation and Analysis

4.2.1 Response Rate

Eighty eight Saccos were sampled from a population of 264 registered Saccos in Nairobi County. The researcher administered questionnaires to the members of the board of directors. Five questionnaires were not returned. Therefore, the response rate was as indicated in the Table 4.1.

Table 4.1: Response Rate

Questionnaire	Frequency	Rate
Returned	83	94.3%
Not returned	5	5.7 %
Total	88	100 %

Source: Author (2014)

4.2.2 Analysis of Descriptive Statistics

The study findings were described in mean and standard deviation as indicated in the Table 4.2

Table 4.2: Summary of Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
X1	249	1.00	4.00	2.3133	.67670
X2	249	1.00	5.00	2.9277	1.27744
X3	249	1.00	5.00	3.6345	1.03125
X4	249	.00	1.00	.6024	.49039
X5	249	2.00	5.00	4.0241	.78765
X6	249	1.00	5.00	3.8514	.88787
X7	249	1.00	5.00	2.9920	1.00800
ROA	249	.045	.078	.06200	.013518
Valid N (list wise)	249				

Source:Author(2014)

The study sought to know the size of the board of the transport Saccos in Nairobi County.The mean value of the likert scale of 1 to 5 was used to show the range of the directors.The mean was 2.3133 meaning majority of transport Saccos in Nairobi County had 5-8 board members in the period between 2011 and 2013.This is a highly recommended range of BODs for effective decision making and composition of members with diverse skills, knowledge and experience.

The extent of the application of independence of board sub committees had mean value of 2.9277.This means that majority of transport Saccos had board sub committees that exercise their mandate without interference from managers and other stakeholders at a moderate extent. The mean value of 3.6345 shows that majority of transport Saccos had supervisory committee that regularly pushed for corrective actions in areas of non conformities only at a large extent.

The study also sought to know the nature of leadership structure applied in the three years of study.The mean of 0.6024 from the findings shows that majority of transport Saccos preferred the CEO to add up as the chairman of the BODs.The results also indicate that majority of transport Saccos had board members that met regularly to strategize on the improvement of financial performance.The mean of the extent of application of frequency of board meetings was 4.0241.

The research findings corroborates that majority of transport Saccos in Nairobi County applies the diversity of board members to a large extent.The mean value was 3.8515 that was approximately 4 that described the extent of application of board diversity.Disclosure of information was only applicable at a large extent in most of the registered transport Saccos since the mean value was 2.9920.The average ROA for the three years period of study was 0.062.

4.3 Correlation Analysis

The data for independent variables were correlated to examine the issue of multicollinearity. The bivariate correlation analysis was as indicated in the Table 4.3.

Table 4.3: Summary of Bivariate Correlation Analysis

Correlations

		X1	X2	X3	X4	X5	X6	X7
X1	Pearson Correlation	1						
X2	Pearson Correlation	.810**	1					
X3	Pearson Correlation	.800**	.880**	1				
X4	Pearson Correlation	-.765**	-.664**	-.671**	1			
X5	Pearson Correlation	.818**	.887**	.860**	-.727**	1		
X6	Pearson Correlation	.675**	.719**	.680**	-.627**	.749**	1	
X7	Pearson Correlation	.831**	.911**	.889**	-.635**	.864**	.670**	1

**. Correlation is significant at the 0.01 level (2-tailed).

Source:Author(2014)

The correlation was significant at the 0.01 level (2-tailed).The independent variables demonstrated multicollinearity. Therefore, the remedy for this issue was to control the independent variable of board diversity(X_6).No more two variables were significantly co-related.

4.4 Regression Analysis

The study findings were used to generate a multiple regression model to study the relationship between the characteristics of corporate governance (Size of the Board, Independence of the Board Sub Committees, Supervisory role of BODs, Leadership Duality, Frequency of Board Meetings, Board Diversity and Disclosure of Information) and financial performance (ROA) for the period between 2011 and 2013.The model was as follows;

$$\mathbf{Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + \beta_7X_7} + \varepsilon$$

However,X_6 (Board diversity) was removed in the determination of linear regression model due to the issue of multi collinearity.

4.4.1 Regression Model Summary

Table 4.5 illustrates summary of the regression model.R square which is referred to as coefficient of determination that gives the variation in the dependent variable that was due to change in the independent variables as 0.375.Therefore,the variation of 37.5 % in the financial performance of the registered transport Saccos was due to the size of the board, independence of the board sub committees, supervisory role of BODs, leadership duality, frequency of board meetings and disclosure of information. R which is the correlation coefficient indicates the strength of the relationship between the independent and dependent variables. An estimate of 0.625 indicates a strong positive linear relationship between the independent and dependent variables.

Table 4.5: Regression Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.625[a]	.390	.375	.010687	.390	25.793	6	242	.000

a. Predictors: (Constant), X7, X4, X1, X5, X3, X2

Source: Author (2014)

4.4.2 Analysis of Variance

Analysis of variance was done to show whether there was a significant mean difference between dependent and independent variables. The ANOVA was conducted at 95% confidence level.The ANOVA results was as indicated in the Table 4.6.

Table 4.6: ANOVA Results

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.018	6	.003	25.793	.000[b]
	Residual	.028	242	.000		
	Total	.045	248			

a. Dependent Variable: ROA

b. Predictors: (Constant), X7, X4, X1, X5, X3, X2

Source: Author (2014)

To estimate the overall significance the study estimated from F tables the F critical at 5% level of significance and n-1, n-k degrees of freedom as:

F critical = 2.92

F critical < F calculated,Reject the Null Hypothesis of Ho: $R_2 = 0$ therefore in conclusion R_2 is significant hence the overall model is significant.

4.4.3 Regression Coefficient

The results for the regression coefficients were as indicated in the Table 4.7.

Table 4.7: Regression Coefficient Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.044	.007		6.030	.000
	X1	-.008	.002	-.397	-3.615	.000
	X2	.008	.002	.768	5.385	.000
	X3	-.001	.002	-.041	-.331	.741
	X4	.013	.002	.463	5.562	.000
	X5	-.002	.002	-.128	-1.007	.315
	X7	.005	.002	.387	2.654	.008

a. Dependent Variable: ROA
Source: Author (2014)

The estimated multiple regression models were as follows;

$$\mathbf{Y = 0.044 - 0.008X_1 + 0.008X_2 - 0.01X_3 + 0.013X_4 - 0.002X_5 + 0.005X_7}$$

According to the multiple regression equation, while taking constant at zero all independent factors(Size of the Board, Independence of the Board Sub Committees, Supervisory role of BODs, Leadership Duality, Frequency of Board Meetings and Disclosure of Information), the financial performance of the registered transport Saccos in Nairobi County is 0.044. The model also indicate that taking all other independent variables at zero, a unit increase in size of the board will lead to 0.008 decrease in financial performance, a unit increase in independence of board sub committees will lead to 0.008 increase in financial performance, a unit increase in supervisory role of BODs will lead to 0.001 decrease in financial performance, a unit increase in leadership duality will lead to 0.013 increase in financial performance, a unit increase in frequency of board meetings will lead to 0.002 decrease in financial performance while a unit increase in the level of disclosure of information will lead to a 0.035 increase in financial performance.

4.4 Discussion of Findings

The study sought to know the size of the board of the transport Saccos in Nairobi County.The mean value of the likert scale of 1 to 5 was used to show the range of the directors.The mean was 2.3133 meaning majority of transport Saccos in Nairobi County had 5-8 board members in the period between 2011 and 2013.This is a highly recommended range of BODs for effective decision making and composition of members with diverse skills, knowledge and experience. A larger number of BODs have an upper hand in minimizing the dominance of managers. Some managers may have tendency of arm twisting decisions in favor of their course of actions which might not be beneficial to the maximization of shareholder's wealth. On the hand, a bigger size of the board consists of various members with diverse skills, knowledge and experience necessary for increasing performance of Saccos. The model affirmed a negative relationship between size of the board and financial performance of the registered transport Saccos in Nairobi County.

The extent of the application of independence of board sub committees had mean value of 2.9277.This means that majority of transport Saccos had board sub committees that exercise their mandate without interference from managers and other stakeholders at a moderate extent..This is an alarm that sub committees are not completely free to solve issues affecting the Saccos.It also shows that members in this sub committees are less motivated to raise more ideas since there are being downplayed by other stakeholders. Sub committees are supposed to bring wealth of experience in various functions of the organization such as finance, human resources, procurement, legal services and information technology.However, the model shows positive relationship between independence of the board sub committees and financial performance of transport Saccos in Nairobi County.

The mean value of 3.6345 shows that majority of transport Saccos had supervisory committee that regularly pushed for corrective actions in areas of non conformities only at a large extent.. This finding is not appealing since BODs should be vigilant in the management of Saccos in order to improve financial performance. They should consistently enforce best practices of management and sanction managers that perform poorly. A well managed Saccos attracts more members' savings. The model also shows a negative relationship between supervisory role of BODs and financial performance of Saccos.

The study also sought to know the nature of leadership structure applied in the three years of study.The mean of 0.6024 from the findings shows that majority of transport Saccos preferred the CEO to add up as the chairman of the BODsLeadership duality is a double edged sword. Duality has significant effect on financial performance of Saccos in times of inadequate resources and when management is complex.However,this poses a risk if the CEO is non performer. The multiple regression models indicate a positive relationship between leadership duality and financial performance of transport Saccos.

The results also indicate that majority of transport Saccos had board members that met regularly to strategize on the improvement of financial performance.The mean of the extent of application of frequency of board meetings was 4.0241.This is a great effort by the BODs to plan in advance and deliberate more oftenly on ways of increasing financial performance of their Saccos.Many sittings will help BODs to uncover and tackle critical issues affecting the Saccos.The model illustrates that there is a negative relationship between frequency of the board meetings and financial performance.

The research findings corroborates that majority of transport Saccos in Nairobi County applies the diversity of board members to a large extent. Resourceful board members offer expertise from their areas of specialization. Financial performance takes sharp rise if the BODs are enriched with ideas that can change loss making Saccos to profit making organizations. The study model does not consider this variable due to multi collinearity.

Disclosure of information was only applicable at a large extent in most of the registered transport Saccos since the mean value was 2.9920.This result shows that these Saccos have to satisfy the stipulated regulations as well as desires of shareholders. Proper disclosure of audited reports enhances transparency and accountability. The Sacco gets good public image. Investors admire to join and save more in such Saccos since they are confident that managers will always work hard to maintain an excellent financial performance. The model also shows a positive relationship between disclosure of information and financial performance.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter presents the summary, conclusion, recommendations, limitations of the study and areas for further research. The summary captures the objective of the study, research methodology, summary of descriptive statistics, correlation analysis and regression analysis. The conclusion highlights the key aspects of the effect of corporate governance on financial performance.

5.2 Summary

The study sought to find the effect of corporate governance on financial performance of registered transport Saccos in Nairobi County. The objective was accomplished by assessing the effect of size of the board, independence of the board sub committees, supervisory role of BODs, leadership duality, frequency of board meetings, board diversity and disclosure of information on the financial performance for the period 2011 to 2013.

The study had target population of 264 registered transport Saccos.Random sampling was applied to sample 88 Saccos.83 questionnaires were returned by the respondents.The researcher employed descriptive research design to explain the situation. Questionnaires were administered to collect primary data. Secondary data was collected from audited books of accounts. SPSS software was used to present the data in tables as percentages and mean. The data for the three year study was analyzed to generate multiple regression between dependent variable (ROA) and independent variables (characteristics of corporate governance under study).

The study sought to know the size of the board of the transport Saccos in Nairobi County.The mean value of the likert scale of 1 to 5 was used to show the range of the directors.The mean was 2.3133 meaning majority of transport Saccos in Nairobi County had 5-8 board members in the period between 2011 and 2013. The extent of the application of independence of board sub committees had mean value of 2.9277.This means that majority of transport Saccos had board sub committees that exercise their mandate without interference from managers and other stakeholders at a moderate extent.

The mean value of 3.6345 shows that majority of transport Saccos had supervisory committee that regularly pushed for corrective actions in areas of non conformities only at a large extent.The study also sought to know the nature of leadership structure applied in the three years of study.The mean of 0.6024 from the findings shows that majority of transport Saccos preferred the CEO to add up as the chairman of the BODs.The results also indicate that majority of transport Saccos had board members that met regularly to strategize on the improvement of financial performance.The mean of the extent of application of frequency of board meetings was 4.0241.

The research findings affirms that majority of transport Saccos in Nairobi County applies the diversity of board members to a large extent.The mean value was 3.8515 that was approximately 4 that described the extent of application of board diversity.Disclosure of information was only applicable at a large extent in most of the registered transport

Saccos since the mean value was 2.9920. The average ROA for the three years period of study was 0.062.

The correlation test found a multicollinearity of the independent variables.The correlation was significant at the 0.01 level (2 tailed).This issued was resolved by controlling the variable for board diversity to lessen degree of two variables being significantly co-related.

Regression analysis was carried out know the relationship between the characteristics of corporate governance and financial performance of registered transport Saccos.Having tested for multi collinearity,board diversity was eliminated in the determination of the linear regression model.An An estimate of 0.625 indicated a strong positive linear relationship between the independent and dependent variables. The ANOVA was conducted at 95% confidence level.The comparison between F calculated and F critical affirmed the significance of the model.

5.3 Conclusion

The study focused on the effect of corporate governance on financial performance of registered transport Saccos in Nairobi County.The mean value of 2.3133 indicated that majority of transport Saccos in Nairobi County had 5-8 board members in the period between 2011 and 2013. This is a highly recommended range of BODs for effective decision making and composition of members with diverse skills, knowledge and experience.A large size is able to tame the dominance of self seeking managers who would otherwise collapse the Sacco.A smaller size of the board may experience challenges of being compromised by managers who have more knowledge about affairs of the Sacco.The model affirmed a negative relationship between size of the board and financial performance.Therefore,the study concudes that, taking all other independent variables at zero, a unit increase in size of the board will lead to 0.008 decrease in financial performance.

The board sub committees are not 100% free to execute their mandate with fear or favour from the other stakeholders. It also showed that members in these sub committees have less control of their ideas. Sub committees are supposed to bring wealth of experience in various functions of the organization. The model showed positive relationship between independence of the board sub committees and financial performance of transport Saccos in Nairobi County.Therefore,the study concludes that, taking all other independent variables at zero, a unit increase in independence of board sub committees will lead to 0.008 increase in financial performance.

Supervisory role of BODs is not well executed by the members of the board. They only supervise the management to a large extent. The model showed a negative relationship between supervisory role of BODs and financial performance of Saccos.Therefore,the study concludes that, taking all other independent variables at zero, a unit increase in supervisory role of BODs will lead to 0.001 decrease in financial performance.

Majority of the Saccos opted to have CEO holding the position of BODs. Duality has significant effect on financial performance of Saccos in times of inadequate resources and when management is complex.The model indicated that there is a positive relationship between leadership duality and financial performance of transport Saccos.Therefore,the study concludes that, taking all other independent variables at zero, a unit increase in leadership duality will lead to 0.013 increase in financial performance.

Most of Saccos recorded a large extent in which the board members meet regularly to strategize on the improvement of financial performance. The model illustrated that there is a negative relationship between frequency of the board meetings and financial performance.Therefore,the study concludes that, taking all other independent variables at zero, a unit increase in frequency of board meetings will lead to 0.002 decrease in financial performance.

The study also found that most of Saccos to a large extent emphasized the implementation of recruiting board members from diverse areas of specialization.The findings indicate that at a moderate extent, majority of transport Saccos in Nairobi County have managers and BODs that made full disclosure of relevant information to stakeholders. The model also showed a positive relationship between disclosure of information and financial performance.Therefore,the study concludes that, taking all other independent variables at zero, a unit increase in the level of disclosure of information will lead to a 0.035 increase in financial performance.

Overall,the model shows a positive relationship between dependent and independent variables.A unit increase or decrease of the extent of application of corporate governance lead to an increase in financial performance.

5.4 Recommendations for Policy and Practice

The study showed a strong positive linear relationship between the characteristics of corporate governance under study and financial performance.Therefore, the study recommends that the registered transport Saccos should maintain a productive number of board members. A larger number of BODs may take long in decision making. On the other hand, a smaller size of the board is vulnerable to being manipulated by the managers who might take advantage of their advanced knowledge.

Transport Saccos should allow board sub committees to do their work without undue interferences.Saccos should tap the wealth of experience from these board members assigned special committees. The BODs should supervise the management of Saccos appropriately to improve financial performance. The type of leadership structure adopted by Saccos should enhance effectiveness, reduce costs and solve complexity of governance.

Board members should meet regularly to monitor the progress of the activities of the Saccos, strategize on areas of improvement and push for corrective actions in areas of non conformities.Saccos should always seek composition of board members with diverse skills, knowledge and experience. The management should raise investor’s confidence by making full of any relevant information.

The application of the best practices of corporate governance is important to a Sacco.Therefore,the management of these institutions should enforce strictly the adherence of well governed entities to improve financial performance.The government should also enforce by streamlining all relevant regulations.

5.5 Limitations of the Study

The study had a number of challenges.First,it was cumbersome to get the list of the registered transport Saccos in Nairobi County.The researcher overcome this problem by seeking a confidential letter from the coordination office of the master of business administration.

Time was so limited during collection of data.The researcher had to administer questionnaires to 88 different transport Saccos in Nairobi County.The challenge was overcame by spending more money in recruiting research assistants.All in all,five questionnaires were not returned.

The study findings had independent variables that tested positive for multi collinearity.The researcher had to drop one of the independent variable in order to arrive at a less co-related variables.This created some biasness in the determination of a regression model.

The dummy value for CEO was either 1 if the CEO added up as chairman and 0 if otherwise.The descriptive had a decimal value that showed none of the category.The researcher managed to round off the average in order to determine the nature of leadership duality.

5.6 Areas for Further Research

The researcher suggests more study to be carried out on other characteristics of corporate governance to determine the consistency with these findings. On the same note, more research should be done with respect to other measures of financial performance such as return on equity and return on sales to establish whether the positive relationship will still hold as depicted by the model that considered return on assets.

It is also paramount to replicate the study to other registered transport Saccos in other counties of Kenya in order to assess the relationship between corporate governance and financial performance.

More research should be done to assess the implication of director ownership on the financial performance of registered transport Saccos.The study should find out what proportion of ownership and how many directors are independent.

Further research should be done to determine the effect of age of directors on the financial performance of registered transport Saccos in Nairobi County.

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APPENDICES

APPENDIX 1: QUESTIONNAIRE

Please fill in the questionnaire. Your responses will be treated with utmost confidentiality and only used for the purposes of study.

PART A: SIZE OF THE BOARD

1. Roughly what was the number of board directors in these financial years?

Year	Below 5	5 to 8	9 to 12	13 to 16	16 & above
	1	2	3	4	5
2011					
2012					
2013					

PART B: INDEPENDENCE OF BOARD SUB COMMITTEES

2. Tick the appropriate box to indicate the extent of the application of the independence of the board subcommittee in this Sacco from 2011 to 2013.

The Five Point Likert Scale is as follows; 1-Not at All; 2-Little Extent; 3-Moderate Extent; 4-Large Extent; 5-Very Large Extent.

Year	Attributes of the Board Sub Committees	1 Not at All	2 Little Extent	3 Moderate Extent	4 Large Extent	5 Very Large
2011	The board subcommittee was free to execute their mandate without duress either from managers, shareholders or other stakeholders					
2012	The board subcommittee was free to execute their mandate without duress either from managers, shareholders or other stakeholders					
2013	The board subcommittee was free to execute their mandate without duress either from managers, shareholders or other stakeholders					

PART C: SUPERVISORY ROLE OF BOARD OF DIRECTORS

3. Tick the appropriate box to indicate the extent of the application of the supervisory role of Board of directors (BODs) in this Sacco from 2011 to 2013.

The Five Point Likert Scale is as follows; 1-Not at All; 2-Little Extent; 3-Moderate Extent; 4-Large Extent; 5-Very Large Extent.

Year	Attributes of the Supervisory Role of Directors	Not at All	Little Extent	Moderate Extent	Large Extent	Very Large
		1	2	3	4	5
2011	The supervisory committee regularly pushed for corrective actions in areas of non conformities in management of this Sacco					
2012	The supervisory committee regularly pushed for corrective actions in areas of non conformities in management of this Sacco					
2013	The supervisory committee regularly pushed for corrective actions in areas of non conformities in management of this Sacco					

PART D: LEADERSHIP DUALITY

4. Fill in your response by ticking in regard to the nature of the leadership structure in this Sacco from 2011 to 2012.

Year	Attributes of the Leadership Duality	Yes (1)	No (0)
2011	The CEO/Manager added up as the chairman of the Board of Directors(BODs)		
2012	The CEO/Manager added up as the chairman of the Board of Directors(BODs)		
2013	The CEO/Manager added up as the chairman of the Board of Directors(BODs)		

PART E: BOARD MEETINGS

5. Tick the appropriate box to indicate the extent of the application of the board meetings in this Sacco from 2011 to 2013.

The Five Point Likert Scale is as follows; 1-Not at All; 2-Little Extent; 3-Moderate Extent; 4-Large Extent; 5-Very Large Extent.

Year	Attributes of the Board Meetings	Not at All	Little Extent	Moderate Extent	Large Extent	Very Large
		1	2	3	4	5
2011	Members of the board met regularly to strategize on improvement of financial					

	performance.					
2012	Members of the board met regularly to strategize on improvement of financial performance.					
2013	Members of the board met regularly to strategize on increase of finances					

PART F: BOARD DIVERSITY

6. Tick the appropriate box to indicate the extent of the application of the board diversity in this Sacco from 2011 to 2013.

The Five Point Likert Scale is as follows; 1-Not at All; 2-Little Extent; 3-Moderate Extent; 4-Large Extent; 5-Very Large Extent.

Year	**Attributes of the Board Diversity**	**Not at All**	**Little Extent**	**Moderate Extent**	**Large Extent**	**Very Large**
		1	**2**	**3**	**4**	**5**
2011	The formal system of evaluating members of the board was implemented in order to incorporate diverse skills, knowledge, experience and gender among BODs affected financial performance.					

2012	The formal system of evaluating members of the board was implemented in order to incorporate diverse skills, knowledge, experience and gender among BODs affected financial performance.					
2013	The formal system of evaluating members of the board was implemented in order to incorporate diverse skills, knowledge, experience and gender among BODs affected financial performance.					

PART G: DISCLOSURE OF INFORMATION

7. Tick the appropriate box to indicate the extent of the application of disclosure of information in this Sacco from 2011 to 2013.

   The Five Point Likert Scale is as follows; 1-Not at All; 2-Little Extent; 3-Moderate Extent; 4-Large Extent; 5-Very Large Extent.

Year	Attributes of the Disclosure of Information	Not at All 1	Little Extent 2	Moderate Extent 3	Large Extent 4	Very Large 5
2011	The managers and BODs of the Sacco made full disclosure of relevant information to its shareholders					
2012	The managers and BODs of the Sacco made full disclosure of relevant information to its shareholders					
2013	The managers and BODs of the Sacco made full disclosure of relevant information to its shareholders					

THANK YOU FOR YOUR COOPERATION

APPENDIX 2: LIST OF TRANSPORT SACCOS IN NAIROBI COUNTY

1	12C TRANSPORT SACCO LTD
2	2B TRAVELLERS SACCO LTD
3	2KR ROUTE 105 MULTIPURPOSE COOPERATIVE SOCIETY LIMITED
4	2KW SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LTD
5	8B SACCO SAVINGS AND CREDIT COOPERATIVE SOCIETY LTD
6	AKILLA TRANSPORTERS LIMITED
7	ALDANA TRAVELLERS SACCO
8	ALSOPS TRAVELLERS SERVICE LTD
9	ARRIVA COACH LTD
10	ASTRABELL LIMITED
11	BABA DOGO 25 TRAVELLERS SACCO
12	BAKAKI 101 TRAVELLERS SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
13	BANANA HILL MATATU SACCO LTD
14	BENJO(K) LTD
15	BLUELINE SAFARIS SHUTTLE
16	BURETI EXPRESS SACCO LTD
17	BURUBURU 58 TRAVELLERS SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
18	CBET SACCO
19	CHUKA SACCO SOCIETY LTD
20	CITY HOPPER LIMITED/FANAKA MERCHANTS LIMITED
21	CITY STAR SHUTTLE LIMITED
22	CITY TRAM SHUTTLE LTD
23	CITY TRAVELLERS SAVINGS AND CREDIT COOPERATIVE SOCIETY LIMITED
24	CLASSIC PELICAN SACCO LIMITED
25	CLIMAX COACHES LIMITED
26	COMLINES SACCO LIMITED
27	COMPLIANT MANAGEMENT COMPANY LIMITED

28	COSY TRAVELLERS LTD
29	CROWN BUS SERVICE LTD
30	DABUMATO COMMUTER SERVICE SAVINGS & CREDIT CO-OPERATIVE SOCIETY LTD
31	DAIMA CONNECTIONS LTD
32	DAKIKA MATATU OWNERS SACCO
33	DANDORA USAFIRI TRAVELLERS SACCO
34	DIX-HULT MATATU OWNER SACCO
35	EASTERN BYPASS SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
36	EASTERN BYPASS TRAVELLERS COMPANY LIMITED
37	EASTLANDS EAGLES LIMITED
38	EASTLEIGH COMMUTER SERVICES LIMITED
39	EASTLEIGH ROUTE SACCO
40	EASY COACH LTD
41	ECOSA TRAVELLERS SACCO
42	EGESA SHUTTLE SACCO
43	ELDORET EXPRESS LIMITED
44	ELEVENTH HOUR TRANSPORT SACCO
45	EMBASSAVA COOPERATIVE SAVINGS AND CREDIT SOCIETY LTD
46	EMUKI COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED
47	ENNUS LTD
48	ESTATES CONNECTION LIMITED
49	EVERBEST
50	EXPRESS CONNECTIONS LTD
51	FIG KOMBA
52	FIVE FRIENDS INVESTMENT COMPANY LTD
53	FORWARD TRAVELLERS SACCO LTD
54	FOURTY FOUR SACCO
55	FREESTYLE CONNECTION LTD
56	GANAKI MULTI PURPOSE COOP SOCIETY
57	GATANGA TRAVELLERS SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LTD

58	GESARATE TRADE LINKS COMPANY LTD
59	GINYALI COOPERATIVE SAVINGS & CREDIT SOCIETY LTD
60	GITHIGA TRAVELLERS SACCO
61	GIWA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
62	GUSII COMMUTER SERVICES SACCO LTD
63	GUTON KENYA ENTERPRICES LIMITED
64	HIGHRISE KIBERA SACCO
65	HIMOSA TRAVELLERS SACC0
66	HOME SACCO
67	HURUMA 46 SAVINGS AND CREDIT CO-OP SOCIETY LTD
68	HURUMA MINI-BUS SACCO LTD
69	IMPACT SHUTTLE LIMITED
70	INDIMA (NJE) SACCO
71	INTER COUNTIES TRAVELLERS SACCO
72	INTER COUNTY EXPRESS LTD
73	JESMAT TRAVELLERS CO-OPRATIVE
74	JONSAGA FLATS SACCO
75	KADANA TRAVELLERS INVESTMENTS COMPANY LIMITED
76	KAKA TRAVELLER SACCO LIMITED
77	KAM TRANSPORTERS SACCO LTD
78	KAMANA SAVINGS AND CREDIT COOPERATIVE SOCIETY LTD
79	KANGEMI MATATU OWNERS SACCO
80	KANI TRANSPORT SACCO SAVINGS AND CREDIT SOCIETY LIMITED
81	KARARWA INVESTMENT COMPANY LIMITED
82	KARIOBANGI MATATU OWNERS SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
83	KARURI COMMUTERS SERVICES SAVINGS AND CREDIT CO-OPERTAIVE SOCIETY LIMITED
84	KASBOWA SAVINGS AND CREDIT COOPERATIVE SOCIETY LIMITED
85	KAT MOK TRAVELLERS LIMITED
86	KAWANGWARE MATATU SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
87	KAYO-LINE GROUP COMPANY LIMITED.

88	KAZANA TRAVELLERS SERVICES LIMITED
89	KENYA BUS SERVICE MANAGEMENT LIMITED
90	KIAMBU MARAFIKI SACCO LTD
91	KIBERA MATATU OWNERS COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED
92	KIDAGI SACCO
93	KILELE SHUTTLES LIMITED
94	KILIMAMBOGO TRAVELLERS SACCO
95	KILLETON COMMUTERS SERVICES SAVINGS AND CREDIT COOPERATIVE LTD
96	KIMMA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
97	KINATHI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
98	KINATWA CO-OPERATIVE SACCO SOCIETY LIMITED
99	KIPSARAMAN TRAVELLERS SERVICES LIMITED
100	KIRAGI TRAVELLERS SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
101	KITENGELA MINIBUS SACCO(KIMISA)
102	KIU INVESTMENT SACCO
103	KIWALIRU SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
104	KIZALI TRAVELLERS LIMITED
105	KNRT SAVINGS & CREDIT CO-OPERATIVE SOCIETY LIMITED
106	KUKENA SACCO SOCIETY LIMITED
107	LAKENYA TRANSPORT SACCO LTD
108	LANKANA SACCO SOCIETY LIMITED
109	LATEMA 22 TRAVELLERS SACCO
110	LIKAMBU MATATU SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
111	LIKANA ROUTE 114/115 MATATU CO-OPERATIVE SOCIETY LTD
112	LINA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
113	LINGANA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
114	LIRA LINE SACCO SOCIETY LTD
115	LOPHA MULTIPURPOSE CO-OPERATIVE SOCIETY
116	LUCKY BABA DOGO TRAVELLERS SACCO LTD
117	LUCKY TRANSPORTERS COMPANY

118	LUMINOUS SHUTTLES LIMITED
119	LUXURY SHUTTLES & TRAVELLERS LTD
120	MACHAKOS PUBLIC TRANSPORTERS SACCO SOCIETY LTD
121	MADIWA MATATU OWNERS SACCO
122	MAKANA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LTD
123	MAKATA SACCO
124	MAKOS SACCO
125	MAKUENI TRANSPORTERS SACCO
126	MAMIKA SACCO LIMITED
127	MANATWA SACCO
128	MANATWA SACCO
129	MANMO SACCO
130	MARIMBA TRAVELLERS SACCO
131	MATUNDA(FRUITS) BUS SERVICES
132	MATWA SAVINGS AND CREDIT SOCIETY LIMITED
133	MBUKINYA SUCCESS (K) LTD
134	MEGARIDER MANAGEMENT LIMITED
135	MEKINA MATATU SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
136	MERU NISSAN OPERATORS COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED
137	METROTRANS EAST AFRICA LIMITED
138	MNGN SACCO LTD
139	MNK SACCO SOCIETY LTD
140	MOLO CLASSIC SACCO SOCIETY LTD
141	MOLOLINE SERVICES LIMITED
142	MOONLIGHT COACH LTD
143	MOYALE RAHA TRANSPORTERS LIMITED
144	MSAFARA SACCO SOCIETY LTD
145	MUKURWE TRAVELLERS SACCO
146	MUNA SUPREME SHUTTLE
147	MWAMBA TRAVELLERS SACCO

148	MWIKI PSV SACCO
149	MWIKI SUPER SHUTTTLE MANAGEMENT COMPANY LIMITED
150	MWIKINA NISSAN SAVING AND CREDIT COPERATIVE SOCIETY LIMITED
151	MWINGI TRAVELLERS
152	MWIRONA SACCO LTD
153	NABOKA TRAVELLERS SACCO
154	NAEKANA ROUTE 134 CO-OPERATIVE SAVINGS $ CREDIT SOCIETY LTD
155	NAIROBI FRIENDS TRAVELLERS SOCIETY
156	NAIROBI KIRU LINE SERVICES LTD
157	NAIROBI NAKURU KIKUYU SHUTTLE LIMITED
158	NAIROBI PRESTIGE BUS SHUTTLE LTD
159	NAIROBI SHUTTLE LTD
160	NAIROBI-WESTERN-CLASSIC SACCO
161	NAKAM SACCO SOCIETY LIMITED
162	NAKAMATA SAVINGS AND CREDIT COOPERATIVE SOCIETY LTD
163	NAKASKI TRANSORT SAVINGS CREDIT SACCO LTD
164	NAKATHI TRAVELLERS SACCO LIMITED
165	NAKILI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LTD
166	NAKIMU CLASSIC
167	NAKIMU CLASSIC TRAVELLERS SACCO
168	NAKIMU CLASSIC TRAVELLERS SACCO
169	NAKINDUKA MATATU SACCO
170	NAKISA SACCO SOCIETY LTD
171	NAKONN SACCO LTD
172	NAKWE TRAVELLERS SACCO SOCIETY LTD
173	NAMAK
174	NAMAKI CX
175	NANGKIS MATATU SACCO
176	NAROK LINE SERVICE
177	NAROK SAFARIS SACCO SOCIETY LIMITED

178	NARUGI DEVELOPMENT SACCO LTD
179	NASAMKI SACCO
180	NAWAKU SACCO
181	NAWASUKU SACCO
182	NAZIGI SACCO
183	NEEMA TRAVELLERS AGENCY LTD
184	NEWLOT TRAVELLERS SACCO LTD
185	NGOKANA SAVINGS AND CREDIT COOPERATIVE SOCIETY
186	NGONG TRAVELLERS SACCO
187	NGUMO-LINE SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
188	NGUSO TRAVELLERS SACCO
189	NKIKAN SACCO SOCIETY LIMITED
190	NMOA SACCO SOCIETY LIMITED
191	NORTH RIFT SHUTTLE
192	NUCLEUR INVESTMENTS LTD
193	NUCLEUR INVESTMENTS LTD
194	NUNGUNI EXPRESS TRAVELLERS SACCO
195	NYAMIRA LUXURY EXPRESS COMPANY LIMITED
196	OBAMANA TRAVELLERS SACCO
197	ONGATA LINE TRANSPORTERS
198	ONGATA RONGAI BUS SERVICES
199	OROKISE SACCO LTD
200	OROMATS SACCO SOCIETY LTD
201	OUTER CIRCLE SACCO
202	OUTREACH TRAVELL
203	PAKIN ALICIA SACCO SOCIETY LTD
204	PEJA TRAVELLERS LIMITED
205	PEJO TECH COMPANY LTD
206	PINPOINT SOLUTION (K) LTD
207	PRIME TRANSCITY LIMITED

208	QUARSER SHUTTLE
209	QUE SERVICES SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LTD
210	RASASI INVSETMENT LIMITED
211	REMBO SHUTTLE SAVINGS AND CREDIT SACCO LTD
212	RENGCOM COMMUNICATIONS LTD
213	ROG TRAVELLERS SAVINGS AND CREDIT COOPERATIVE SOCIETY LTD
214	RONGAO SAVING AND CREDIT COOPERATIVE SOCIETY LIMITED
215	RONGO PUBLIC TRANSPORT SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
216	RUKAGINA 44 SACCO
217	RUNKA SERVICES COOPERATIVE SAVINGS AND CREDIT SOCIETY LTD
218	RWAKEN INVESTMENTS LIMITED
219	SASALINE CLASSIC SHUTTLE LIMITED
220	SATIMA SACCO SOCIETY LTD
221	SEMA STAGE MINIBUS OWNER SACCO
222	SEMAKA COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED
223	SERIAN SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LTD
224	SILKER AGENCIES LTD
225	SNOWBALL SACCO SOCIETY LTD
226	SONY TRADING LIMITED
227	SOUTH B MATATU OWNERS SACCO SOCIETY LTD
228	SOUTH B TRAVELLERS SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LTD
229	ST. MARYS TRANSPORT SACCO SOCIETY-JASSET
230	STAHITO COMMUTER SERVICES CO.LIMITED
231	STARBUS (K) LTD
232	STARWAYS EXPRESS LTD
233	SUPER HIGHWAY 45 SACCO SOCIETY LTD
234	SUPER METRO LIMITED
235	SUPER PREMIUM SAVINGS AND CREDIT COO-PERATIVE SOCIETY LTD
236	SUPERCOACH SAFARI SACCO SOCIETY LIMITED
237	SUPREME SHUTTLE LIMITED

238	TAWALA UTAWALA SACCO
239	TEAM FERGIE TRANSPORTERS
240	TELAVIV TRANSPORTERS LIMITED
241	THE GUARDIAN COACH CO.LTD
242	THIKA FALLS SACCO LTD
243	THIKA ROAD TRANSPORTERS SACCO LTD
244	THOMAT SAVINGS AND CREDIT COPPERATIVE SOCIETY LIMITED
245	TRANSNOMICS LIMITED
246	TRAVEL MART LIMITED
247	TRINITY TRANSPORTERS AND LOGISTICS LIMITED
248	TRIPLE S SERVICES COMPANY LIMITED
249	TUJIJENGE COUNTRY BUS SACCO
250	UGWE BUS SERVICES LIMITED
251	UMOINNER SACCO LTD
252	UMOJA INNERCORE TENA MATATU OWNERS SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LTD
253	UMOWA SACCO
254	UNGWANA SUCCESS SACCO
255	UNIFIED INTERNATIONAL LIMITED.
256	UTAWALA BY-PASS TRAVELLERS SACCO
257	WAKADEBA SACCO
258	WAKIMALI TRAVELLERS LTD
259	WALOKANA
260	WAMASAA TRAVELLERS LIMITED
261	WAPI WAPI THE CRAB SERVICES LIMITED
262	WENYA SAFARI LTD
263	WEST MADARAKA ROUTE 14 COOPERATIVE SACCO.
264	ZURI GENESIS SACCO LIMITED

Source: NTSA (2014)