THE EFFECT OF CORPORATE GOVERNANCE ON FINANCIAL PERFORMANCE OF LARGE TIER SAVINGS AND CREDIT COOPERATIVE SOCIETIES IN KENYA

BY

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DECLARATION

This research project is my original work and has not been presented for a degree at any other university for examination.

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This research project has been submitted for analysis with my approval as the University supervisor.

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DEDICATION

This study is dedicated to Almighty God for giving me the strength and encouragement to reach this far and all who made this dream a reality.

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ABBREVIATIONS AND SYNONYMS

CEO	-	Chief Executive Officer
EPS	-	Earnings per Share
OECD	-	Organization for Economic Co-operation and Development
PM	-	Profit Margin
RDT	-	Resource Dependency Theory
ROA	-	Return on Assets
ROE	-	Return on Equity
ROS	-	Return on Sales
SACCOs	-	Savings and Credit Cooperative Societies
SASRA	-	Sacco Societies Regulatory Authority

ABSTRACT

Corporate governance entails accountability, transparency and credibility, as well as being able to put in place effective channels that can disclosure information in a manner that will foster good corporate performance. Corporate governance takes place within the firm and mostly depends on the firm's shareholders, the board of management and the company executives its successful realization. This study sought to answer the question of what is the effect of corporate governance on financial performance of SACCOs in Kenya. This research employed a descriptive research design and the 15-large tier deposit taking Sacco's in Kenya made up the study population. The study used secondary data which covered a period of five years from 2012 to 2016. To determine the relationship between the variables the multiple linear regression model was used. The study found that board size, CEO duality and firm size had a negative and significant relationship with financial performance of SACCOs in Kenya. However, the findings revealed that board structure had an insignificant positive relationship with financial performance of SACCOs in Kenya while board diversity and audit committee size had an insignificant negative relationship with financial performance of SACCOs in Kenya. The research concluded that financial performance is influence by the board size, CEO duality, size while board composition and diversity and audit committee size do not have a significant effect on financial performance of Sacco's in Kenya.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Corporate governance entails accountability, transparency and credibility, as well as being able to put in place effective channels that can disclosure information in a manner that will foster good corporate performance (Gadi, Ebelechukwu & Yakubu, 2015). All firms especially the commercial ones, not for profit making firms and corporate bodies are all concerned about good corporate governance and its importance (Melkamu, 2016). Good corporate governance is crucial to all firms or institutions regardless of industry, firm's growth level or even the firm's size (Mwangi, Obonyo & Cheruyoit, 2015). Corporate governance ensures that the interest of all stakeholders in a firm is cater for, be it the investors or the firm's clients. It also ensures that the investor's main interest which is profit maximization is taken care of. Stable mechanism of corporate governance is vital since it ensures that the firm's worth is not tempered with. It focuses on increasing the firm's worthiness (Haider, Khan & Iqbal, 2015).

Theoretically, the agency theory suggests that corporate governance is mainly meant to protect the shareholders interest in a firm. That is to ensure that managers work towards maximization of owner's wealth. It also safeguards against misuse of firm's resources for selfish interests of managers and firm's employees in general (Melkamu, 2016). The resource dependency theory supports that business performance can be evaluated by the effectiveness of the network and communication between parties privy the contract of firms (Afza & Nazir, 2014). The stakeholder theory supports that the corporate governance should be able to recognize the importance and the rights and the needs of the firm's

stakeholders and ensure that a cooperation of both the stakeholders within a firm is forged a head to work towards wealth creation for a sound enterprise (Tosuni, 2013). The stewardship theory supports that better performance serves as a source of motivation for firm's managers who work as firm's stewards and consider the organizational objective and goals as their own (Afza & Nazir, 2014).

Savings and Credit Cooperative Societies are critical avenues for economic growth for both develop and developing countries are the globe (Amenya & Ombui, 2016). SACCOs are a crucial source of financing for firms mostly in developing countries in the world (Odera, 2012). Saccos' are actively involved in financial intermediation activities, particularly mediating be lower income savers and borrowers (Karagu & Okibo, 2014).Thus, a better performance of the SACCO business as far as financial is concerned is crucial for SACCO survival. Successful performance in the SACCO as far as financial is concerned has a positive relation with the capacity to effectively manage financial issues (Okumu & Oyugi, 2016).The Sacco business, thrive on confidence and trust of savers or depositors of fund and borrowers of funds, same like banks hence the need of an effective corporate governance is vital (Oluoch, 2016).

1.1.1 Corporate Governance

Corporate governance refers to a situation where the firm's management is encouraged to adopt the stakeholders' goals and objective, which is usually wealth maximization (Tosuni, 2013). Corporate governance also refers to a process where the firm's management are directed, controlled and held responsible for their action or decisions within the firm. Corporate governance involves a corporation of accountability, authority, direction,

stewardship and control (Mwanja et al., 2014). Corporate governance has a big spectrum which incorporates a combination of regulations, rules as well as laws that enable a firm not only for efficient performance but also to attract capital to attract capital, income generation (Shafi, 2004).

Corporate governance deals with resolution or reconciliation of numerous action difficulties that may exist between firms' stakeholders (Becht, Bolton & Röell, 2005). The corporate governance structure addresses duties and rights among different parties within the firm. The Corporate Governance has one major goal, which is to ensure safety and wellbeing of the firms' stakeholders (Iqbal, 2016). Good corporate governance involves competitiveness of the firm within a society. It also crucial since it ensures that a firm achieves its objectives and goals as well as attracting investors. It emphasizes on efficient use of resources as well as preserving the environment and being socially responsible (Wanyoike, 2013).

The major dimensions of corporate governance include an effective board of directors, reasonable board size, CEO duality, efficient market, board diversity, government and regulatory authority (Anyanga, 2014). According to Bonazzi and Sardar (2007), part-time directors have been more resourceful in monitoring the firm's managers as well as in ensuring protection of shareholders' interests. The size of the board also influences its ability to oversee corporate governance. A small board is assumed to be more effective as compared to larger boards in carrying out governance and oversight related responsibilities. Duality is a situation where the CEO doubles up as the Chair of the board (COB). Board independence specifies that all members of audit committee board must be outsiders, that is, those directors who are not involved on the daily activities of the firm (Ness, Miesing

& Kang, 2010). Board diversity refers to mixture of people based on gender, age brackets, race or ethnical groups (Kimunguyi, Memba & Njeru, 2015).

1.1.2 Financial Performance

Financial performance is the extent to which the business's financial goals and objectives are met or achieved. Financial performance refers to how effective a firm uses its resources especially the assets to generate revenue in its daily business. It is a measure of organization's financial strength (Kiaritha, 2015). Performance of a firm is a more subjective evaluation on how effective an organization uses its resources especially the assets to generate income. It's also an appraisal of the firm's financial strength at a given time and can easily be used for comparison purposes for firms within the industry or the sector (Ene & Bello, 2016). Financial performance is a vital measure of the firm's management especially for profit making firms. It's essential, since it's based on the outcome achieved by the management of the firm (Hansen & Mowen, 2005)

Financial performance is a vital measure of what the firm's management has achieved over a given period both individually and collectively (Hansen & Mowen, 2005). Financial performance of companies is an important measure in both financial and economy world especially in capital markets. Shareholders of a well performing firm in terms of financially are rewarded for their investment; as such the shareholders are able to increase their investment which in turn brings about economic growth. Poor financial performance can lead to institutional crisis and failure; this has a negative effect on economic growth (Okumu & Oyugi, 2016). Performance measurement is vital as far as effective management of a firm is concerned. The major ratios of financial performance measurement include

Return on Equity, Earnings per Share, Return on Assets, Tobin-Q, Profit Margin among others (Al-Matari, Al-Swidi & Fadzil, 2014).

1.1.3 Corporate Governance and Financial Performance

Corporate governance allows the firm to come up with a structure in which the firms can set up its objectives, implement them, and monitor at the same time (OECD, 2015). According to Yilmaz and Buyuklu (2016), the corporate governance theory suggests a connection between business performance and company governance. Thus, the promotion of good corporate governance attracts more investors who brings more capital to the firm as well as reducing the operational risks to improve performance (Ahmed & Hamdan, 2015). From the agency perspective, corporate governance enhances the firm's performance through resolution of agency problems by monitoring the management activities, controlling management behaviors as well as inspection of financial reporting process (Melkamu, 2016).

Corporate governance ensures credibility, transparency and accountability at the same time maintaining an effective information channels of communication that help in fostering good corporate performance (Gadi, Ebelechukwu & Yakubu, 2015). An effectual corporate governance also safeguards against possible monetary difficulties and enhances a significant growth and thus, corporate governance plays a critical role as far as firm's growth is concerned (Al-Matari, Al-Swidi & Fadzil, 2014). Additionally, effectual practices of corporate governance are effective to gain proceeds, while the company with week practices of governance get less monetary benefits. Businesses having poor structures of governance delivered less value to business people, equally companies with effectual

governance processes gave much (Ahmed & Hamdan, 2015). Good corporate governance makes it possible for managers to focus at firm's performance improvement. When managers fail to improve the firm's performance, they are replaced more likely that manager's concentrate on improving company performance at the same time they are replaced when they fail to do so (Shafi, 2004).

A study by Kang, Miesing and Ness (2010) assessed the impact of company boards on the company performance in financial perspective in a new era of Sarbanes-Oxley. The study established that board size, duality, occupational expertise, and the tenure of the board significantly influence the firm's performance in financial terms. Rizwan et al (2016) studied the corporate governance on corporate performance of quoted corporations in Pakistan and established that inside ownership, board size, presence of independent directors, dividend payout ratio and presence of audit committee had significant impact on organization's financial performance. Buyuklu and Yilmaz (2016) examined corporate governance variables and their influence on performance of firms in Turkey and concluded that firms' performance is influence by corporate governance variables.

In their study, Mugisha et al (2015) examined corporate governance effect on firm performance of Rwandese banks and revealed that firms' profitability is not significantly influence by corporate governance variables. Tosuni (2013) also investigated the relation between corporate governance on financial institutions performance. The study revealed a direct relation between performance and financial institutions corporate governance in Kosova and Montenegro. In Kenya, Mwangi, Obonyo and Cheruyoit (2015) examined the corporate governance practices on monetary performance effect of Kericho SACCOs Municipality, found a connection between performance and corporate governance in

financial perspective, and concluded that poor practices of in terms of governance lead to poor performance of firms.

1.1.4 SACCOs in Kenya

A SACCO is considered to be a co-operative society, with an aim of encouraging its members to save, in this way are accruing capital, which can then be lent to members at an affordable rate of interest (Makhokha, 2013). SACCOs are community association predicated on monetary institutions possessed by their members in promoting the economic status of members (Cheruiyot, Kimeli & Ogendo, 2012). SACCOs are categorized by numerous aims and are hence different in their not only structural forms as well as profit seeking behavior (Wanyoike, 2013). SACCOs are predicated on seven principles: community concern, cooperation amongst cooperatives, training as well as information, education, independence and autonomy, democratic member control, member economic participation, voluntary and open membership (Tsuma et al., 2015).

SACCOs are a leading source of the co-operative credit for economic and social growth in Kenya. They have developed fast in the last twenty years in Kenya (Muchilwa, 2013). The SACCO industry encompasses both non-deposit and deposit-taking SACCOs. Deposits taking saving and cooperative societies are accredited and controlled by the Sacco Regulatory Authority while non-deposit taking SACCOs are under the supervisions of the Commissioner for Cooperatives (Kiaritha, 2015).

The Sacco movement is part and parcel of the cooperative societies in Kenya, that has changed the lives of several people in Kenya (Oluoch, 2016). Most Sacco's in Kenya have registered a high growth and since 1970s and a number of SACCOs have attained the

average growth rate of twenty-five percent annually in assets and deposits. SACCOS have up surged and presently have about 3.7 million members (Cheruiyot, Kimeli & Ogendo, 2012). By 2013 December there were over 6,000 listed non-deposit taking Saccos in Kenya, 1,995 of which were operational (Oluoch, 2016). SACCOs in Kenya are have adopted corporate governance mechanism due to the the rapid changes in the business environment and regulations (Kiaritha, 2015).

1.2 Research Problem

Corporate governance takes place within the firm and mostly depends on the firm's shareholders, the board of management and the company executives its successful realization (Shafi, 2004). The structure of corporate governance normally encompasses components of business practices, voluntary commitments, regulation and legislation that are the outcome of a nation's specific situations, tradition and history. Thus, the effective voluntary standards, self-regulation, legislation as well as regulation vary from one nation to the other (OECD, 2015). Many mechanisms of governance have been advanced comprising supervision by regulatory entities, executive compensation, proper market compensation as well as market for corporate regulation. However, developing an optimal corporate governance mechanism remains a major concern (Bonazzi & Sardar, 2007). Additionally, corporate governance is quite complicated in SACCOs administration structures because of their autonomous principle for decision-making (Odera, 2012).

SACCOs in Kenya have recorded an upward trend since the year 2010 and have directly employed more than 300,000 employees. However, despite the great prospective of cooperative societies as agents for nationwide development in Kenya, they have performed

poorly (Anyanga, 2014). According to Kiaritha (2015) despite various government initiatives to improve Sacco's operating environment, a significant number of them have not been operating efficiently. Most savings and credit cooperative societies in Kenya lag behind other financial institutions by performing below their members' expectations therefore causing dissatisfaction among the members (Amenya & Ombui, 2016). According to Mwangi, Obonyo and Cheruyoit (2015) many challenges bedeviling Sacco's occur from poor management of finances and bad governance as some of these Sacco's have not been practicing corporate governance (Otieno et al., 2015). This necessitates a research on the corporate governance effects on financial performance of SACCOs in Kenya.

The connection between company governance and company performance has been extensively studied in different industries and countries across the world. In their study Buallay, Hamdan and Zureigat (2017) examined corporate governance effects on performance of quoted companies in Saudi stock exchange and found an insignificant effect between firm performance and corporate governance mechanism however, the study focused on listed firms. Ahmed and Hamdan (2015) examined corporate governance effects on corporate performance in Bahrain Stock Exchange and observed that corporate governance practices significantly affect firms' financial performance. The studies by Buallay, Hamdan and Zureigat (2017) and Ahmed and Hamdan (2015) and many other across the world focus more on listed firms and commercial banks.

Kigotho (2014) in Kenya studied financial performance and corporate governance of the 62 firms registered at the NSE and found a direct effect between corporate governance and performance of firms however the study focus was quoted firms. Mwangi (2013) also

researched corporate governance effects on profitability of listed companies and concluded that a strong connection exists between profitability and corporate governance but the focus was also listed firms in Kenya. In addition, despite the abundance of past studies on corporate governance and performance of firms most studies focus more on firms listed at the NSE as opposed to Sacco's hence their findings may not be applicable to Sacco's since practices of corporate governance vary across countries and industries because of structures ownership, competitive conditions and business. This leads to the research question, What is the effect of corporate governance on financial performance of large tier SACCOs in Kenya?

1.3 Research Objective

To examine the effect of corporate governance on financial performance of large tier SACCOs in Kenya, whereas the specific objectives were to find out the effects of the (predictor variables) taken into consideration at this study on the financial performance of large tier SACCOs in Kenya. The objectives were; to found out the effect of board size on financial performance of large tier SACCOs in Kenya, to establish the effect of board composition as measured by the number of independent directors on the financial performance of large tier SACCOs in Kenya, to establish effect of board diversity as measured by the ratio of female directors in the board on financial performance of large tier SACCOs in Kenya, to establish the effect of CEO duality on financial performance of large tier SACCOs in Kenya, to establish the effect of audit committee size measured using the number of independent directors on financial performance of large tier SACCOs in Kenya and to determine effect of firm size on financial performance of large tier SACCOs in Kenya proxied by the asset base

1.4 Value of the Study

The results of this research will be of significance to managers and directors of Savings and Credit Cooperative Societies (SACCOs) as they may use the findings of the study improve the various corporate governance mechanisms in their institutions. The management of Sacco's can also use the findings to develop strategic policies and plan to enhance corporate governance in their institutions.

The findings of the study will be of significance to policy and regulatory authorities like the Sacco Societies Regulatory Authority (SASRA) who may use the findings to develop and initiate strategic policies on corporate governance of SACCOs in Kenya. Finally, scholars and other academic researchers may use their findings as a basis for additional research.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter highlights the theoretical review, which explores agency theory, shareholders' theory, stewardship theory and the resource dependency theory. Additionally, the chapter examines the determinants of Sacco's financial performance and presents a review on past studies under empirical literature review. Finally, the chapter presents the conceptual diagram and a summary of the literature reviewed.

2.2 Theoretical Framework

This study will explore the agency theory, the stakeholders theory, the stewardship theory and the resource dependency theory as the key theories for the study.

2.2.1 Agency Theory

Berle and Means (1932) introduced the agency model but Jensen and Meckling (1976) advanced the wide-ranging philosophy of the company under agency problem (Bonazzi & Sardar, 2007). The agency theory associates itself with circumstances in which one individual an agent is contracted by a principal to perform specified duties on his/her behalf based on a specified payment plan (Namazi, 2013). In agency model, an agent might engage in devious conduct thus falling short of goal of shareholders' wealth maximization. The major assumption of agency theory is that the shareholder of firm cannot observe the actions of the firm's managers without incurring cost (Laiho, 2011). This signifies that at the agency problem is based on the separation of control and ownership (Tosuni, 2013).

The agency model presupposes the agency problems arise from ownership separation and regulation (Yilmaz & Buyuklu, 2016). The agency theory is one of the theoretical foundations of corporate governance mechanism. The theory identifies the basic conflict between owners as well as self-interested managers, the last one has the control of the company but the first one bear a lot of wealth effects (Laiho, 2011). At an overall level business governance, can be is defined as a dilemma comprising the corporation's CEO, an agent, and numerous stakeholders – the employees, clients and principals as well as other individuals who interacts with the Chief Executive Officer to carry out the activities of the organization (Becht, Bolton & Röell, 2005). This study supports that good corporate governance is capable of mitigating agency problems in SACCOs through lining up the welfare of stakeholders and those of the management by adopting a variety of corporate governance mechanisms in addition to monitoring the Saccos management

2.2.2 Stakeholders Theory

The stakeholder model was pioneered by Freeman (1984) and suggest that corporations must plan their corporate plans considering the stakeholder's interests of their stakeholders 'groups and persons who can are affected by the company purpose (Ayuso & Argandoña, 2007). Stakeholder theory articulates the concept that businesses rely on success of stakeholders and shareholders have some stake in the company (Saint & Tripathi, 2006). The stakeholder approach proposes that administrators should execute procedures that satisfy groups that have a stake in the company. The theory also holds that the firms management must make choices that consider the interests of all the shareholders in a company (Fontaine, Haarman & Schmid, 2006).

The stakeholder model explains that the company itself ought to be thought of as a group of shareholders and the drive of the company must manage their opinions, needs and interests. This stakeholder theory to corporate governance recommends a modification in the customary role of the firm's board as protectors of the welfare of shareholders. As the highest body of governance, directors deal with setting the standards and principles within a firm through their decisions regarding control internal systems policy and incentives (Ayuso & Argandoña, 2007). Stakeholder model also proposes the purpose of the company is to serve wider social interests beyond shareholder's economic value (Saint & Tripathi, 2006). For this study, the stakeholder's model if the SACCOs management treats shareholders based on the assumptions of the stakeholder model the SACCOs will be more effective in the long-term

2.2.3 Stewardship Theory

The stewardship theory emanated from the seminal work of Davis, Schoorman and Donaldson (1997). The theory stipulates that the aim of firm management is first to exploit the business's performance since a manager's requirements of accomplishment are attained when the company is performing well (Otieno et al., 2015). The stewardship model assumes that administrators and executive's main responsibility is exploiting business performance, while operating under the building as so; both stewards and principal can be benefited from firm performance (AlMamun, Yasser & Rahman, 2013).

Stewardship theory explains that firm management are employed for managing the business's tasks effectively and an accomplishment by managers are measured by satisfaction he gets from the businesses' function; hence the administrator's primary aim

is to exploit the organization acknowledges the significance of systems that endow the agent and provides maximum sovereignty created on belief (Abdullah & Valentine, 2009). The stewardship theory suggests that managers choose pro-organizational conduct that is associated with the shareholder's wealth instead of their personal objectives and aims (Afza & Nazir, 2014). In this study, the stewardship model authorizes the SACCOS management to have information as well as the equipment that they will make choices in the SACCOs best interest

2.2.4 Resource Dependency Theory

The resource dependence model (RDT) emanated from Pfeffer (1972). The resource dependence model evaluates firms in based on their capability to obtain numerous resources from outside environment. Therefore, corporate boards bring a stream of resource because they bring a lot of professional contacts, ideas, experience and knowledge (Ness, Miesing & Kang, 2010). The resource dependency model focuses on role of board to obtain the critical resources of the company by the external business environment (Tachiwou, 2016). Through external connections formed by the firm's management, it helps to bring in numerous resources, like skills and information access to key elements such as supplies of social groups, public policy makers, purchaser outputs and raw materials (Afza & Nazir, 2014).

The basic proposal of resource dependence model is the necessity for connections between the company management and eternal environment. Thus, executives serve to link the company with outsiders by to obtain resources which are required to survival (Yusoff & Alhaji, 2012).The theory presupposes that the main function of the BOD is to bring funds

to the business. Thus, the directors are taken as a significant resource to the company (Tachiwou, 2016). Through the resource dependency model, SACCOS can achieve success by relying on managers and board of directors to bring particular resources, which are essential for running smooth processes of the SACCO.

2.3 Determinants of Financial Performance of Sacco's in Kenya

The study will explore financial innovations, corporate governance, liquidity management capital adequacy and SACCO size as the key determinants of financial performance of large tier SACCOs in Kenya

2.3.1 Corporate Governance

Corporate governance significantly affects performance of a firm and if the tasks are correctly established for the structure of corporate governance, it helps to attract investment and in exploiting the businesses 'moneys, fortifying the corporation's pillars and this will lead to the projected upsurge in business performance (Al-Matari, Al-Swidi & Fadzil, 2014). The adoption of good corporate governance mechanisms help to enhance SACCOs financial performance and ensures that it's a going concern. The adoption of rules and regulations, incorporating all the firms shareholders in decision making are some of the SACCOs corporate governance practices (Odera, 2012).

2.3.2 Financial Innovations

Financial innovation refers to as the structural and product invention, that permits risk or cost reduction for a financial institution and development of the services for the monetary structure as a whole (Arnaboldi & Rossignoli, 2015). Invention is the production of a new

product that decreases the cost of manufacturing existing monetary services. Invention encourages the company that is new in the industry and the successive spread to others. Firms that are capable of protecting their financial invention will prosper in producing a higher percentage of inventive sales (Heffernan, Fu & Fu, 2008). Financial improvements or lead to an increase in production and effective service delivery through innovative systems (Tsuma et al., 2015).

2.3.3 Liquidity Management

Liquidity management denotes making sure that the organizations maintains adequate cash and liquid moneys to gratify customer demand for savings and loans withdrawals and to pay the organization's expenditures. Liquidity mirrors on the organization's capability to finance assets and meet its obligations. Liquidity is vital in all SACCOs to meet customer withdrawals, compensate for fluctuations of balance sheet, and provide finance for growth (Githaka, Kimani & Gachora, 2017). Mwangi, Obonyo and Cheruyoit (2015) points out that inherent liquidity problem of many SACCOs has led a small number of them beginning to raise additional voluntary but more liquid savings deposits from members and even some non-members.

2.3.4 Capital Adequacy

Capital acts as a cushion to earnings volatility, which enables banking institutions, to continue their operations in loss making periods or during low turnover. Capital strength provides assurance to members that are capable of offering financial services. Capital offers assurance to the memberships that the company shall continue to offer monetary services. Capital supports the growth as a free source of finance and safeguards the firm

against liquidation. Whilst meeting constitutional capital necessities is the main aspect in determining capital capability, the company functions as well as risk position might warrant extra capital beyond the legal requirements. Maintaining a satisfactory level of capital is a serious element in any banking institution (Karagu & Okibo, 2014). Satisfactory level of liquidity is certainly linked to productivity. The most common monetary ratios that proxy position of liquidity of a SACCO is the proportion of total deposit to total assets as well as the ratio of total loan to total deposits (Okumu & Oyugi, 2016).

2.3.5 Firm Size

Firm size has become such a routine to use as a control variable in empirical corporate finance studies that it receives little to no discussion in most research papers even though not uncommonly it is among the most significant variables. Firms of different size distinguish themselves along different observable and unobservable dimensions. SASRA uses financial data to define size bands. SACCOS with asset base over 5 billion are classified as large tier SACCOs. Firms with less than 5 billion asset base and greater than 2 billion are regarded as medium tier SACCOs and other are below 2 billion.

Organizational size effects have been the focus of many prior studies. The benefits of organizational size may accrue to the financial performance of the organization. Larger organizations seem able to generate stronger competitive capability than their smaller rivals as a result of their superior access to resources, greater market power, and economies of scale and scope (Glen et al, 2003). However, organizational size effects are mixed, since some studies confirm them (e.g. Tarawneh, 2006; Sarkaria and Shergill, 2000), while

others find either mixed effects or no effects at all (e.g. Goddard et al, 2006; Mariuzzo et al, 2003).

2.4 Empirical Review

A study by Ene and Bello (2016) investigated corporate governance effect on financial performance of Nigerian banks. The study sampled ten commercial banks and obtained data for the period between 2004 to 2013. The study adopted the ordinary least square method to establish the connection between the study variables. The findings of the research discovered that the association between performance of banks and corporate governance in Nigeria was statistically substantial. The paper concluded that that appropriate arrangement of the shareholders in a corporate governance group is vital to the recurrent banking problem witnessed throughout in Nigeria.

Iqbal (2016) investigated the impact of corporate governance and performance of pharmacological firms in Pakistan. The paper examined corporate governance scopes in terms of CEO duality, board experience, board education, board size and board composition, while monetary performance was calculated in terms of ROS and ROA. The findings of the research discovered that board experience, board education, and composition of board, is strongly related to company performance. The research also discovered that division of the CEO is negatively connected with return on asset as well as return on sales of the companies while, size of the board, board composition and experience of board positively affects performance of the pharmacological companies in Pakistan

Melkamu (2016) analyzed the corporate governance practices and their effect on Ethiopians MFIs financial performance. The research obtained secondary data from

audited monetary statements of 34 Microfinance institutions from 2005 to year 2014. The collected data was examined using numerous linear regression and the results established that gender diversity, board size, as well as audit committee size have adverse and substantial link with MFIs performance. The study also found that business particular educational qualification and experience of the board have constructive connection; and the business administration experience effect of executives on performance is indecisive. The research recommended that audit committee and audit sizes must be small where as the board's gender multiplicity must as properly upheld and consideration given to female directors.

Tachiwou (2016) examined corporate governance effects on corporation performance using registered corporations from West African Economic Union. The study examined board composition, CEO status, board size, board members as well as ownership concentration and their effect on financial performance from a sample of 39 firms. The ordinary least square regression results established an important and positive connection between board member's composition and size of board and business performance while CEO status positively affected the performance of the sampled corporations. The authors also revealed a negative relationship between ownership concentration and the return on assets (ROA) but positive correlation with the net profit margin.

A study by Mutuku (2016) examined corporate governance effects on corporate performance of het SACCOs located in Machakos and Athi-river sub-counties using a descriptive research design. The study used self-administered questionnaires to collect data. The study findings discovered a strong positive connection between board composition and monetary performance of SACCOs. The study also established the

existence of a strong negative impact between board size, board leadership and SACCO's financial performance but a positive correlation between transparency/disclosure and SACCO's financial performance. The study also found that board composition, board size, leadership, transparency and disclosure significantly affect financial performance of SACCOs.

In Nigeria, Gadi, Ebelechukwu and Yakubu (2015) assessed the corporate governance effect on MF bank's monetary performance. The study exploited secondary data from the yearly accounts and reports of the 23 microfinance banks and analyzed the data using ordinary least square regression and Pearson correlation coefficient. The correlation analysis results established that a significant effect exists between board composition and earnings per share as well as the board committee's composition. The regression examination discovered that no significant effect between bank's performance and corporate governance.

Kimunguyi, Memba & Njeru (2015) studied corporate governance effect on corporate performance of NGOs in health division in Kenya, applying agency theory. The study adopted time series research design and applied stratified sampling technique on a sample size of 270 NGOs. Using the regression model, the authors found that corporate governance had significant impact on NGOs financial performance. The study also found that embracing corporate governance practices positively influence performance of NGOs in health division in Kenya. The investigation recommended that both management of NGOs and the Government must discover and execute sustainable regulations that are geared towards refining, corporate governance.

Haider, Khanand Iqbal (2015) correlated corporate governance mechanisms and Islamic banks performance. The study focused on audit committee size, board size, number of meeting, as well as firm monetary performance in terms of return on assets, return on equity and earnings per share. The results of the research established that corporate governance mechanism affect Islamic banks financial performance. The research also established that there is a strong relationship between large size of board and financial performance of firms in third world countries like Pakistan.

Gicheru (2014) researched the corporate governance effects on performance of transport SACCOs within Nairobi County. Specifically, the authors focused on supervisory role of BODs, autonomy of subcommittees of the board, board size, regularity of meetings by the board, manager's duality, disclosure of information, board diversity and financial performance using a sample of 88 registered SACCOs. The study used a questionnaire to gather primary data while secondary data. Using multiple regression to analyze the collected data, the study found a strong and positive correlation between corporate governance and financial performance. The paper made the conclusion that the mechanisms of corporate governance influences financial performance of the registered transport SACCOs.

Anyanga (2014) examined corporate governance practices by SACCOs in Kakamega Municipality using a descriptive research design. The study revealed that all SACCOs have two types of boards; the supervisory board and the management board. However, their composition ignored the aspect of gender where men were the majority. The SACCOs had also subcommittees but most of them ignored the importance of an audit committee as stipulated by the Sacco Societies Act2008. The study also revealed that it was not clear as

to who should set the agenda of the board meetings and who should also call for these meetings, is it the secretary or the chairman. This study suggests that further research study making comparison between the corporate governance practices and SACCOs monetary performance should be done.

Mwanja, Marangu, Wanjere and Thuo (2014) also assessed the impact of corporate governance on SACCOs performance in Kakamega County. The investigation targeted 33 Savings and Credit Co-operative Societies and collected data using questionnaires from administrative board members, CEO from the experimented SACCOs and ordinary members. The results of the research revealed that corporate governance has a significant and positive impact on SACCOs financial performance. The research recommended that the management of SACCOs should embrace corporate governance since it improves performance.

2.5 Conceptual Framework

This research seeks to investigate the corporate governance effects on financial performance of SACCOs in Kenya. The independent variables of the research comprised of the board composition, board size, board diversity, CEO duality and audit committee size while the dependent variable was financial performance. Size of the firm was incorporated as the control variable proxied using the total asset base. It was integrated in the multiple linear regression equation and analyzed in combination with independent variables of the research.

Figure 2.1 shows the study's conceptual framework

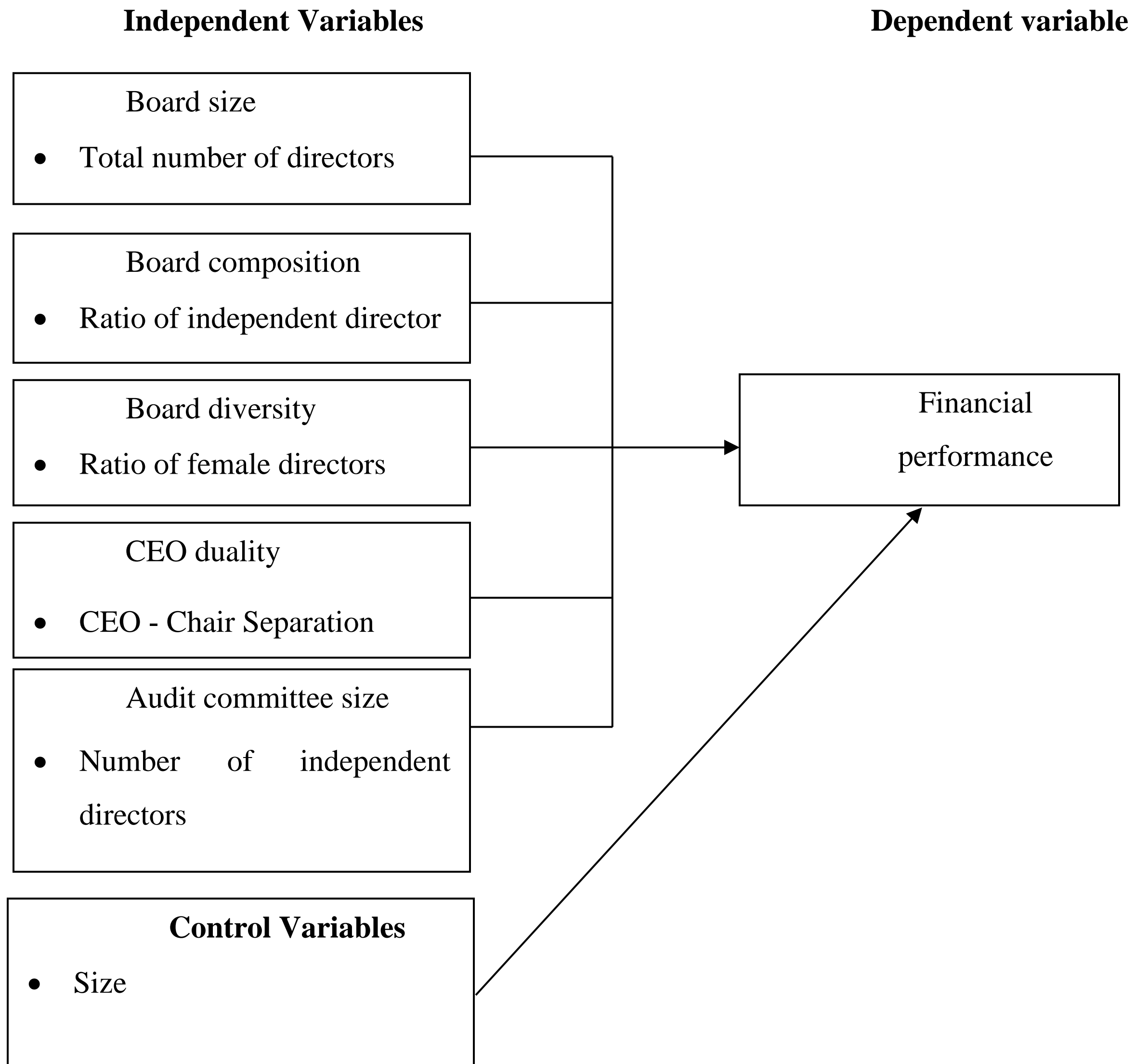

Figure 2.1 Conceptual Model

Source: Researcher

2.6 Summary of the Literature Review

The chapter reviewed the agency theory, the stakeholders' theory, the stewardship theory and the resource dependency theory to assess the concept of corporate and governance and its relations with firm's performance. A review of several studies on corporate governance

and firm performance for instance; Ene and Bello (2016) & Haider, Khan and Iqbal (2015) concentrated on the banking sector while Ebelechukwu and Yakubu (2015) & (2016) focused on the microfinance sector whereas Tachiwou (2016) focused on listed firms. In Kenya, Kimunguyi, Memba & Njeru (2015) focused on NGOs while Gicheru (2014) focused on transport Sacco's. Most of the reviewed studies focus on different industries and business sectors including listed firms, commercial banks and micro finances. This creates a literature gap on corporate governance and financial performance in the Sacco's sector.

CHAPTER THREE: STUDY METHODOLOGY

3.1 Introduction

This chapter presents the study design, the study's population and the sample design. The chapter also presents the data gathering procedure and the data examination technique.

3.2 Research Design

A research design is a general plan for carrying out a research study to assess specific testable study questions of interest (Coopers & Schindler, 2011). This research employed a descriptive research design. According to Sekaran and Bougie (2011), a descriptive design deals with particular predictions, with description of facts and features about a group, individuals or circumstances. A descriptive design also deals with determining the frequency with which a phenomenon occurs or the association among variables. A descriptive design was adopted for this study to enable comprehensive data collection on the population under study to provide relevant and specific information

3.3 Population of the study

The population of this study was made up the larger tier deposit taking SACCOs in Kenya. According to the Sacco Societies Regulatory Authority as at 31 December 2016, there were 15 large tier deposit taking Sacco's in Kenya. Therefore, the 15-large tier deposit taking Sacco's in Kenya made up the study population. The tier deposit taking Sacco's are those with total assets above Ksh 5 billion and larger tier SACCOS were selected since they since they have the highest market share and they adhere to most of the corporate governance

practices in addition to publishing the annual financial statements. The study therefore collected data from all the 15 larger tier deposit taking Sacco's in Kenya.

3.4 Data Collection

This study used secondary data. The data was sourced from the annual financial statements and annual reports of the sampled Sacco's, which are available from the individual Sacco's website and the Sacco Societies Regulatory Authority website. The data covered a period of five years from 2012 to 2016.

3.5 Data Analysis

The data collected was edited and tabulated into an understandable summary and then analyzed using descriptive and inferential statistics. Descriptive statistics was used to summarize the collected data using the mean, standard deviation, maximum and minimum values. Inferential statistics were used to make inferences and predictions about a population based on the collected data. Data was analyzed through the statistical package of social sciences (SPSS) version 22.

3.5.1 Analytical Model

To determine the relationship between the variables the multiple linear regression model was used. The model was formulated as follows

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \varepsilon$$

Where,

Y = Financial performance measured using Return on Assets (ROA)

X_1= Size of the Board proxied using the total number of directors

X_2 = Board structure measured using the ratio of independent/outsider director to the total number of directors

X_3 = Board diversity determined using the ratio of female directors in the board

X_4 = CEO duality measured using a dummy variable: 1 if CEO and the chairperson are different person, 0 if CEO and chairperson are same.

X_5 = Audit committee size measured using the number of independent directors in the audit committee

X_6 = Firm Size proxied using the total asset base

β_0= Constant

β_1- β_6= Regression coefficients

ε = Error term

3.5.2 Test of Significance

To test the significance the F and the t-test were used respectively. The F test was used to test the significance of the multiple linear regression model while the t test was used to test the significance of the individual independent variables. The significance tests was carried out at 95% confidence level. Additionally, the coefficient of determination (R square) was used to test the fitness of the regression model.

3.5.3 Diagnostic Tests

This study carried out a test on multicollinearity, normality, test of independence of observations (serial correlation), test of homogeneity of variances and finally test of stationarity and the Durbin Watson statistic was used to tests for serial correlation or autocorrelation while the variance inflation factors and tolerance levels was used to test for multicollinearity.

Finally, normality was tested using measures of skewness and kurtosis. In addition, the Levene test was used to test for homogeneity of variances while the Augmented Dickey Fuller test was used to test for stationarity.

3.5.3.1 Criteria

Multicollinearity was tested using Variance inflation factors (VIF) and tolerance levels i.e.

Tolerance = 1- R Squared and VIF = 1/ Tolerance

Where R Squared is the Coefficient of determination. The VIF was less than 10 among the research variables for non-multicollinearity.

Normality was tested using measures of skewness and kurtosis, where skewness is the measure of symmetry or lack of symmetry and Kurtosis is the measure of whether the data is heavy tailed or light tailed relative to normal distribution i.e. dataset with high kurtosis tend to be have heavy tails or outliers and data sets with low kurtosis tend to have light tails, or lack of outliers. The value for both skewness and kurtosis less than 2.

Serial Correlation was measured using Durbin Watson statistic, this being a measure of the relationship between values of the same variables and the recommended values lie between 1.25 and 2.5

Levene's test was used to test homogeneity of variances i.e. equal variances. Levene test is less sensitive to departures from normality and therefore was chosen. Therefore, the testing was that the group variances are equal at 0.05 significance level.

Lastly, Augmented Dickey Fuller test was used to test for stationarity, that is its statistical properties does not vary with time (mean, variance and autocorrelation). Therefore, the testing was that the p-value is 5% or less to conclude that the variable is stationary.

3.5.3.2 Solution to Failure

The following were the solution to failures of the tests in meeting the criteria;

- Dropping the variables
- Differentiating the values of the variables

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter entails the response rate, the summary statistics, the results of correlation and the regression model. The chapter also gives an interpretation of the research findings.

4.2 Response Rate

This study targeted the 15 large tier deposit taking Savings and Credit Cooperative Societies in Kenya as at 31 December 2016. The study obtained complete data from all the 15 large tier deposit taking Sacco's in Kenya thus a 100% response rate.

4.3 Descriptive Statistics

Table 4.1 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Dev	Skewness	Kurtosis
ROA	75	0.03	0.29	0.12556	0.04168	0.744	2.858
Board size	75	8	13	9.76	1.29281	1.157	0.62
Board structure	75	0.667	0.846	0.77544	0.038046	-0.91	2.007
Board diversity	75	0	5	0.73733	1.177881	1.026	1.123
CEO duality	75	1	1	1	0	0	0
Audit committee size	75	2	4	3.2	0.54525	0.103	-0.035
Size	75	7.998	10.529	9.0574	0.608	0.472	-0.605

Source: Research findings

Table 4.1 indicates that the average value of return on assets is 0.12556 with minimum and maximum ROA being 0.030 and 0.290 respectively while the average size of the SACCOs

board is 9.76 with the minimum and maximum number of board member being 8 and 13 respectively. The mean value of the board structure as measured by the ratio of independent/outsider director to the total number of directors is 0.77544 with minimum and maximum values of 0.667 and 0.846 respectively. The mean value of board diversity measured the ratio of female directors in the board is 0.73733 with the minimum value being 0.00 which indicates that some boards have no female directors while other have up to five directors as indicated by the maximum value of 5.

The average value of CEO is 1 with the maximum and minimum values being 1 which is indication that in all the 15 SACCOs the CEO and chairman are different people. Further, the results indicate that average Audit committee size of the SACCOs board is 3.2 with some boards have a minimum of two members while other have a maximum of four members. Finally, the average size of the Sacco's is 9.0574 with minimum and maximum values of 7.998 and 10.529 respectively. The kurtosis and skewness values are less than two hence and indication that the data was normally distributed.

4.4 Correlation Analysis

Table 4.2 Correlation Matrix

	ROA	Board size	Board structure	Board diversity	CEO duality	Audit committee size	Size
ROA	1						
Board size	0.058	1					
Board structure	0.189	.391**	1				
Board diversity	-0.183	.256*	-.427**	1			
CEO duality	0.147	-0.091	0.017	0.067	1		
Audit committee size	-0.17	-.314**	-.355**	0.079	0.088	1	
Size	-.278*	0.051	-0.1	0.188	0.08	0.259*	1

Source: Research findings

Table 4.2 indicates that the return on assets has a weak and positive correlation with board size, board structure, CEO duality and size of the Sacco's. The results also that return on assets has a weak and negative correlation with board diversity and audit size committee.

4.5 Regression Analysis

4.5.1 Model Summary

Table 4.3 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.478[a]	.229	.161	.33267	1.587

a. Predictors: (Constant), Size, CEO duality, Audit committee size, Board diversity, Board structure, Board size

b. Dependent Variable: ROA

Source: Research findings

Table 4.3 shows that the R square value, which is the coefficient of determination is 0.229 while R-value, which is the correlation coefficient is 0.478. The R square indicates that 22.9% of the variation in financial performance of SACCOs in Kenya is explained by the independent variables. The R-value indicates that there is a week correlation between the considered research variables. The Durbin Watson value shows that there is no autocorrelation since the statistic lie between the recommended values of 1 and 3 respectively.

4.5.2 Analysis of Variance

Table 4.4 Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.234	6	.372	3.365	.006[b]
	Residual	7.525	68	.111		
	Total	9.760	74			

a. Dependent Variable: ROA

b. Predictors: (Constant), Size, CEO duality, Audit committee size, Board diversity, Board structure, Board size

Source: Research findings

Table 4.4 indicates that the F statistic is 3.365 and the p value is 0.006<0.05. This finding shows that the regression model is fit and significant to explain the relationship that exists between the dependent and independent variables.

4.5.3 Regression Coefficients

Table 4.5 Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-0.408	1.011		-0.404	0.688		
	Board size	-0.987	0.213	-0.284	-4.634	.000	0.65	1.5384
	Board structure	1.758	0.987	0.731	1.78	0.079	0.671	1.49
	Board diversity	0.044	0.046	0.115	0.959	0.341	0.783	1.278
	CEO duality	-0.507	0.207	-0.264	-2.452	0.017	0.975	1.026
	Audit committee size	-0.397	0.242	-0.193	-1.644	0.105	0.827	1.21
	Size	-0.202	0.095	-0.247	-2.137	0.036	0.846	1.182

a. Dependent Variable: ROA

Source: Research findings

Table 4.5 shows that board size has a negative and significant relationship with financial performance of SACCOs in Kenya as indicated by B=-.987 and P value of .000 respectively. The results however show that board structure and board diversity have an insignificant positive relationship with financial performance of SACCOs in Kenya while the audit committee size has an insignificant negative relationship with financial performance of SACCOs in Kenya. The results further show that CEO duality and size of the firm has a significant and negative relationship with financial performance of Sacco's in Kenya. All the variance inflation factors are less than the recommended value of 10, which means that there is no multicollinearity among the research variables.

4.5.4 Test of Homogeneity of Variances

The Levene statistic was used to test for Homogeneity of Variances. The Levene statistic results were as follows

Table 4.6 Test of Homogeneity of Variances

	Levene Statistic	df1	df2	Sig.
Board size	.375	10	59	.213
Board structure	.354	10	59	.292
Board diversity	.061	10	59	.136
CEO duality	.404	10	59	.552
Audit committee size	.763	10	59	.651
Size	.375	10	59	.400

Source: Research Findings

Table 4.6 shows the Levene test statistics. According to the results all, the p values greater than the significance level of 0.05 (P values>0.05) hence an indication that the variances are equal hence there is no heteroscedasticity.

4.5.5 Test for Stationarity

The Augmented Dickey-Fuller (ADF) Unit root test was used to test the stationary and non-stationary trend of data for all research variables. Table 4.5 shows the Stationarity tests.

Table 4.5 Test for Stationarity

Augmented Dickey-Fuller (ADF) - Constant with Trend		
Variable	Test statistic	P value*
ROA	-6.713	0.000
Board size	-8.696	0.000
Board structure	-8.317	0.000
Board diversity	-10.489	0.000
CEO duality	-7.177	0.000
Audit committee size	-8.480	0.000
Size	-10.129	0.000

*MacKinnon approximate p-value

Table 4.5 shows the augmented dickey fuller test results with a constant and trend and 5% critical value. According to the results, all the test statistics values are significant hence, an indication that the data has a unit root hence stationary.

4.6 Discussion of the Findings

The findings revealed that board size had a significant and negative relationship with large tier SACCOs in Kenya financial performance. This is an indication that the board size has an inverse and significant effect of the financial performance of large tier SACCOs in Kenya. A study by Tachiwou (2016) found a significant connection between board member's composition and size of board and business performance while CEO status positively affected the performance of the sampled corporations.

The research found that board structure had an insignificant positive relationship with the financial performance of large tier SACCOs in Kenya. This finding means that Sacco's financial performance is not significantly affected by the Sacco's board structure or composition. Mutuku (2016) however found that board composition, board size, leadership, transparency and disclosure significantly affect financial performance of SACCOs.

The research found that board diversity had an insignificant positive relationship with the financial performance of large tier SACCOs in Kenya. This finding means that large tier Sacco's financial performance is not significantly affected by the Sacco's board diversity or by the number of female directors. Gadi, Ebelechukwu and Yakubu (2015) found that a significant effect exists between board diversity and earnings per share as well as the board committee's composition.

The research found that CEO duality had significant negative relationship with the financial performance of large tier SACCOs in Kenya. This finding means that large tier Sacco's financial performance is significantly affected by the Sacco's CEO duality. A

study by Iqbal (2016) found that division of the CEO is negatively connected with return on asset as well as return on sales of the companies while, size of the board, board composition and experience of board positively affects performance of the pharmacological companies in Pakistan.

The research found that audit committee size had an insignificant negative relationship with the financial performance of large tier SACCOs in Kenya. This finding means that large tier Sacco's financial performance is not significantly affected by the Sacco's audit committee size. Melkamu (2016) however recommended that audit committee and audit sizes must be small where as the board's gender multiplicity must as properly upheld and consideration given to female directors.

Finally, the study found that the size of the large tier SACCO had a negative and significant effect on the SACCOs financial performance. This finding means that large tier SACCOs size significantly affects its performance. This finding is supported by Melkamu (2016) who posits that the size of a firm plays an important role in determining the kind of relationship the firm enjoys within and outside its operating environment, hence firm size has been proved to have influence on firm performance.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This section provides a summary of the results of the research, conclusions and the research recommendations. The section indicates the study limitations and recommends areas for additional study.

5.2 Summary

This study examined the effect of corporate governance on financial performance of large tier SACCOs in Kenya. The independent variables of the research comprised of the board composition, board size, board diversity, CEO duality and audit committee size while the dependent variable was large tier SACCOs financial performance and the control variable was the size of the firm. This research employed a descriptive research design and used secondary data. This study targeted the 15 large tier deposit taking Savings and Credit Cooperative Societies in Kenya as at 31 December 2016. The study obtained complete data from all the 15 large tier deposit taking Sacco's in Kenya thus a 100% response rate.

The descriptive statistical analysis results found that the average value of return on assets was 0.12556 while the average size of the SACCOs board is 9.76 with the minimum and maximum number of board member being 8 and 13 respectively. The mean value of the board structure was 0.77544 whereas the mean value of board diversity measured the ratio of female directors in the board was 0.73733. The average value of CEO is 1 with the maximum and minimum values being 1 which is indication that in all the 15 SACCOs the

CEO and chairman are different people while the average size of the SACCOs board is 3.2 with some boards have a minimum of two members while other have a maximum of four members respectively.

The findings of the correlation analysis established that Sacco's financial performance had a weak and positive correlation with board size, board structure and CEO duality but a weak and negative correlation with board diversity, audit size committee and firm size. The R square indicated that 15.8% of the variation in financial performance of large tier SACCOs in Kenya was explained by the independent variables and that the regression model was fit and significant.

The summary of the regression coefficients found that board size and firm size had a negative and significant relationship with financial performance of large tier SACCOs in Kenya. However, the findings revealed that board structure had an insignificant positive relationship with financial performance of SACCOs in Kenya while board diversity and audit committee size had an insignificant positive and negative relationship with financial performance of large tier SACCOs in Kenya respectively. The study also found that CEO duality had a significant and negative relationship with Sacco's financial performance.

5.3 Conclusions

The results of the research found that board size had a significant and negative relationship with large tier SACCOs in Kenya financial performance. This study therefore concludes that the board size has an inverse and significant effect of the financial performance of large tier SACCOs in Kenya.

The findings established that board structure had an insignificant positive relationship with the financial performance of large tier SACCOs in Kenya. This study therefore concludes that Sacco's financial performance is not significantly affected by the Sacco's board structure or composition

The research found that board diversity had an insignificant positive relationship with the financial performance of large tier SACCOs in Kenya. This study therefore concludes that Sacco's financial performance is not significantly affected by the Sacco's board diversity or by the number of female directors.

The study found that CEO duality had a significant negative relationship with the financial performance of SACCOs in Kenya. This study based on this finding concludes that CEO duality has an inverse and significant effect on Sacco's financial performance.

The research findings revealed that audit committee size had an insignificant negative relationship with the financial performance of SACCOs in Kenya. This study therefore concludes that Sacco's financial performance is not significantly affected by the Sacco's audit committee size.

The findings of the research further found that size of the Sacco had a negative and significant effect on financial performance of SACCOs in Kenya. The study therefore concludes that there is a significant connection between firm size and Sacco's performance in financial terms.

5.4 Recommendations

The study concluded that the board size has a direct and significant effect of the financial performance of large tier SACCOs in Kenya. The study therefore recommends that Sacco's should ensure that the size of their boards contains an adequate number of directors since the size of the board affects large tier Sacco's financial performance.

The research concluded that large tier Sacco's financial performance is not significantly affected by the Sacco's board structure or composition. The study however recommends that Sacco's should ensure that their board includes a good number of independent or outsider directors since they provide checks and controls to the Sacco's management.

The study concluded that large tier Sacco's financial performance is not significantly affected by the Sacco's board diversity or by the number of female directors. The study however recommends that Sacco's should incorporate women in their boards since they can bring new ideas on how to run the SACCO.

The study further concluded that Sacco's financial performance is significantly affected by the Sacco's CEO duality. The study however recommends that Sacco's should ensure that the position of CEO and Chairman should be separated to ensure that there are adequate checks and balances and there is separation of roles between the chair and the CEO.

The research concluded that Sacco's financial performance is not significantly affected by the Sacco's audit committee size. The study however recommends that Sacco's should ensure they have an independent audit committee in place to ensure that they check whether the firms internal control systems are adequate and the Sacco complies with all the instituted controls.

The study concluded that firm size significantly affects the Sacco's performance in financial terms. The study therefore recommends that SACCOs should invest in more assets to enhance their financial performance.

5.5 Limitations of the Study

This study obtained data only large tier deposit taking Sacco's in Kenya. The large tier deposit taking Sacco's are those Sacco's with total assets above Ksh 5 billion and therefore the findings are based on the sampled SACCOs. The findings therefore may not be generalized to second tier SACCOs and below.

The study also concentrated on deposit taking SACCOs, which are regulated by SASRA and did not cover Credit only Sacco's and other Sacco's which are not regulated by SASRA. The findings therefore are generalized to the sampled Sacco's over the considered study period.

The study considered only five corporate governance practices, which included board size, board structure or composition, board diversity, CEO duality and audit committee size. However, there are other corporate governance practices and principals like the number of meetings by directors, board experience, board education, leadership, transparency and disclosure which the study did not cover.

The study used the return on assets to measure the financial performance of the sampled SACCOs. However, there are other measures of performance in financial terms like return on equity, net interest margin and other profitability ratios.

5.6 Suggestion for Further Research

This study covered only the larger tier Sacco's in Kenya. The study therefore recommends a study on corporate governance practices adopted by medium and small tier Sacco's and their effect of the SACCOs profitability.

The study also covered deposit-taking SACCOs in Kenya however there are other types of SACCOs. Therefore, the study recommends a research on the relationship between corporate governance practices and profitability of credit only Sacco's in Kenya.

Additionally, this study used quantitative data, which was collected from the financial accounts and reports of the selected SACCOs. This study therefore recommends additional information using qualitative data, which can be collected using questionnaires or interviews on corporate governance effects.

Furthermore, the study considered only five corporate governance practices, which included board size, board structure or composition, board diversity, CEO duality and audit committee size. The study recommends a research on other corporate governance practices and principals like the number of meetings by directors, board experience, board education, leadership, transparency and disclosure which the study did not cover.

Finally, this study recommends an additional research on determinants of corporate governance among SACCOs in Kenya. This would help to help the factors influencing the adoption of corporate governance practices by SACCOs.

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APPENDICES

Appendix I: List of larger tier deposit taking SACCOs in Kenya

1. Mwalimu National Sacco Ltd
2. Harambee Sacco Ltd
3. Stima Sacco Ltd
4. Kenya Police Sacco Ltd
5. Afya Sacco Ltd
6. United Nations Sacco Ltd
7. Unaitas Sacco Ltd
8. Ukulima Sacco Ltd
9. Metropolitan Sacco Ltd
10. Imarisha Sacco Ltd
11. Kenya Bankers Sacco Ltd
12. Invest and Grow Sacco Ltd
13. Gusii Mwalimu Sacco Ltd
14. Bandari Sacco Ltd
15. Hazina Sacco Ltd

Appendix II: Data Collection Sheet

Year	Net income	Total assets	Board size	Independent directors	Female directors	CEO duality	Audit committee size
2016	4,972.21	37,410.25	9	7	3	1	4
2015	4,228.00	32,322.17	9	6	3	1	4
2014	2,211.46	28,600.61	9	6	2	1	4
2013	629.16	24,540.36	9	6	2	1	4
2012	788.8	22,007.93	9	6	1	1	4
2016	2,364.44	22,009.20	11	8	2	1	3
2015	2,065.01	20,378.28	11	9	3	1	3
2014	1,598.85	19,919.70	11	9	3	1	3
2013	1,671.00	17,633.00	11	9	2	1	3
2012	1,422.69	16,911.03	11	9	2	1	3
2016	3,404.20	24,481.93	11	8	4	1	3
2015	2,662.91	20,270.59	11	8	5	1	3
2014	1,377.09	16,354.49	11	8	4	1	3
2013	1,650.00	12,402.00	11	8	4	1	3
2012	1,321.82	9,402.40	11	8	3	1	3
2016	3,125.57	20,024.39	9	7	0	1	3
2015	2,589.13	17,536.02	9	7	0	1	3

Year	Net income	Total assets	Board size	Independent directors	Female directors	CEO duality	Audit committee size
2014	1,265.38	15,691.03	9	7	0	1	3
2013	1,578.00	11,523.00	9	7	1	1	3
2012	1,179.33	9,053.85	9	7	0	1	3
2016	2,161.48	14,820.43	9	7	1	1	4
2015	1,835.42	13,425.54	9	7	1	1	4
2014	1,005.12	12,682.65	9	7	1	1	4
2013	1,616.00	11,885.00	9	7	2	1	4
2012	1,384.78	10,848.42	9	7	2	1	4
2016	1,385.86	10,854.95	10	8	2	1	3
2015	1,458.68	10,087.48	12	9	2	1	3
2014	1,378.82	8,828.35	12	9	2	1	3
2013	1,102.00	7,569.00	12	9	3	1	3
2012	1,883.77	6,547.01	11	9	3	1	3
2016	1,455.37	10,739.25	8	6	2	1	4
2015	1,455.37	9,286.19	8	6	1	1	4
2014	504.98	6,881.25	8	6	1	1	4
2013	930	3,699.00	8	6	2	1	4
2012	706.13	3,918.86	8	6	2	1	4
2016	1,074.58	9,975.27	9	7	1	1	3

Year	Net income	Total assets	Board size	Independent directors	Female directors	CEO duality	Audit committee size
2015	1,092.06	9,212.28	9	7	2	1	3
2014	621.11	8,294.18	9	7	2	1	3
2013	798	7,321.00	9	7	1	1	3
2012	721.3	6,160.09	9	7	1	1	3
2016	1,920.26	11,008.83	9	7	2	1	3
2015	1,227.50	8,550.63	9	7	2	1	3
2014	569.63	6,706.44	9	7	2	1	3
2013	678	5,059.00	9	7	2	1	3
2012	534.79	3,928.43	9	7	1	1	3
2016	1,242.61	8,254.60	10	8	1	1	2
2015	1,082.39	7,241.05	10	8	1	1	2
2014	544.75	6,424.91	10	8	1	1	2
2013	746	5,219.00	10	8	2	1	2
2012	651.15	4,415.24	10	8	2	1	2
2016	771.47	10,050.05	10	8	2	1	4
2015	653.38	6,334.56	10	8	2	1	4
2014	365.86	5,530.68	10	8	2	1	4
2013	473	5,021.00	10	8	2	1	4
2012	408.56	4,849.10	10	8	2	1	4

Year	Net income	Total assets	Board size	Independent directors	Female directors	CEO duality	Audit committee size
2016	1,143.45	7,332.75	9	7	1	1	3
2015	957.72	6,103.39	9	7	1	1	3
2014	416.67	5,375.98	9	7	1	1	3
2013	701	4,199.00	9	7	1	1	3
2012	597.78	3,658.10	9	7	1	1	3
2016	1,098.85	6,750.68	13	11	1	1	3
2015	953.47	6,091.42	13	11	1	1	3
2014	471.4	5,514.43	13	11	1	1	3
2013	784	4,848.00	13	11	1	1	3
2012	639.85	4,243.63	13	11	2	1	3
2016	1,050.05	6,814.05	9	7	2	1	3
2015	918.36	6,036.10	9	7	2	1	3
2014	458.83	5,201.78	9	7	2	1	3
2013	665	4,496.00	9	7	2	1	3
2012	548.93	3,428.64	9	7	2	1	3
2016	700.29	5,779.74	9	7	3	1	3
2015	605.78	5,029.37	9	7	3	1	3
2014	357.17	4,317.91	9	7	3	1	3
2013	389	3,575.00	9	7	2	1	3

Year	**Net income**	**Total assets**	**Board size**	**Independent directors**	**Female directors**	**CEO duality**	**Audit committee size**
2012	308.07	2,977.96	9	7	2	1	3

Source: research findings