Influence of Corporate Governance on Performance of Deposit Taking Saccos in Kenya

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Abstract

The Kenyan Sacco Sub Sector has witnessed rapid growth, contributing to financial access reaching 13% of the population. Apart from the commercial banking sector, Deposit Taking Saccos remain the single largest formal financial credit service provider to household economies in Kenya. This is attributed to fact that the members' savings can be treated as collateral for borrowing at the same time earn interest from the surplus made by the SACCO. Despite their contribution, Saccos are riddled with poor governance issues resulting to gross mismanagement, financial scandals, management problems which has led to low performance and collapse of some. Guidelines on governance of Saccos have been enacted as an approach to improve the performance of Saccos. The increasing importance in corporate governance in Saccos for higher firm performance was the basis of this study. The research objective was to investigate the influence of corporate governance on the performance of Deposit Taking SACCOs in Kenya. The scope of the study was the licensed Deposit Taking Saccos in Kenya which were in operational between 2014 to 2018. This study was anchored on the Resource Dependence Theory, Agency Theory and Upper Echelons Theory. The research study was guided by pragmatic paradigm. Descriptive cross-sectional survey and correlational research designs were adopted. A sample size of 108 licensed Deposit Taking Saccos in Kenya was drawn from a target population of 150. Proportionate stratified and simple random sampling technique was used to select sample size. A semi structured questionnaire was used to collect primary data from CEOs, Managers and Sacco employees. Secondary data collection sheet was used to collect secondary data from published annual financial reports. The pilot study of the questionnaire covered 11 licensed Saccos to test the validity and reliability. Out of the 108 questionnaires administered, 105 questionnaires were dully filled and returned representing a response rate of 97.2% percent. Data was analyzed using descriptive statistics, Pearson's correlation, hypotheses testing and regression analysis. The study findings suggest that the overall correlation coefficient for influence of Corporate Governance on performance of deposit taking SACCOs in Kenya was not significant with an overall correlation coefficient of 0.225 with a *P- value* of 0.201>0.05, hence failing to reject the null hypothesis. The study concludes that corporate governance may not ensure the desired performance. However, the study recommends adoption of the corporate governance practices as a mechanism to protect owners' interests. Limitations of the study included contingencies, choice of study variable and measurement scale. Areas for further studies suggested are conducting studies in other contexts to corroborate these findings and consideration of other dimensions of corporate governance in their influence on performance of Deposit Taking Saccos in Kenya.

Keywords: Corporate Governance, Performance, Deposit Taking Saccos

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1. Background of the study

1.1 Introduction

The concept of corporate governance gained currency in 1980s which was necessitated by widespread financial crisis and corporate failures. These corporate scandals of various nature and forms catalyzed public and political interest in the advancement of corporate governance regulations across the globe. The interest in corporate governance partly emits from many high-profile corporate failures, crisis and scandals; for instance, in USA, we have the now well-publicized cases of Enron Corporation, Adelphia, Health South, Tyco, Global Crossing, Cendant and WorldCom. In Europe, we find cases of Bremer Vulkan and Metallgesellschaft in Germany, Banesto and Seat in Spain, Ferruzzi in Italy and Navigation Mixte and Suez in France. Further, Asian financial crisis, global “governance revolution”, globalization and economic liberalization and realization that good governance has economic payoff also contributed to renewed interest in Corporate Governance (Reed, 2002). Particularly, in the last two decades there has been public outrage over financial misdeeds around the world due to the sudden failure of major corporate institutions in both the developed countries and developing economies (Abdul-Qadir and Kwanbo, 2012). Issues of corporate governance have gained increased prominence in countries around the globe (Reed, 2002). There has been a renewed interest on the need to strengthen mechanisms to ensure that the board and/or management take measures to protect the interest of a firm’s stakeholders (Babatunde and Olaniran, 2009).

Corporate governance mechanisms were devised to arrest the widespread financial crisis and corporate failures. These mechanisms were aimed at ensuring active participation of shareholders in the direct and indirect management of their organizations through their respective Boards. Hence, the need for corporate governance follows the necessity to mitigate conflicts of interests between stakeholders. Bart, Marieke and Sandra (2019) explain that organizations face multiple principal problem of balancing the (competing) interests of multiple stakeholders. Conflicts of interests appear due to diverging wants by different corporate shareholders (Bart, Marieke and Sandra, 2019). In principle, corporate governance involves balancing the interests of a company's many stakeholders, such as shareholders, management, customers, suppliers, financiers, government, and the community. An effective corporate governance framework ensures the board sets the values of the company, whereas the full-time executives are engaged in the day-to-day operational management of the company. Good corporate governance helps to build an environment of trust, transparency, and accountability necessary for fostering long-term investment, financial stability, and business integrity, thereby supporting stronger growth and more inclusive societies (OECD, 2004). Previous studies (Reed, 2002; Meredith and Robyn, 2005; Miring’u and Muoria, 2011 and Mbalwa, Kombo, Chepkoech, Koech and Shavulimo, 2014) have pointed out that well governed companies perform better.

The many high-profile corporate failures, crisis and scandals brought to the fore, the need for the practice of good corporate governance. It all started in UK in early 1990’s by the development of corporate governance, which was started with Cadbury Committee Report of 1992 (Owen, Kirchmaier and Grant, 2006), to address the collapse of several large corporations and hostile takeovers. Hence, corporate governance was formalized in UK (Gupta and Sharma, 2014), which had a significant impact on subsequent developments in corporate governance worldwide. Later in 1999, Organization for Economic Co-operation and Development (OECD) issued the Principles of Corporate Governance with the purpose of assisting governments in their efforts to evaluate and improve their frameworks for corporate governance, and providing guidance for regulators and, more broadly, respondents in financial markets (OECD, 1999; Jesover and Kirkpatrick, 2005). Later in 2004, the OECD Principles were reviewed in response to the numerous high-profile cases of corporate governance failure. The objective being primarily to address the weaknesses in corporate governance systems and the associated threat posed to the integrity of financial markets (Jesover and Kirkpatrick, 2005). Since then, the OECD Principles have played a critical role in the development of corporate governance practices across the globe.

In Africa, Gatamah (2008) observed that the promotion of corporate governance has not been effectively adapted to the context and needs of the continent but has a way to attract foreign investment, especially through privatization. In Kenya, corporate governance has gained prominence partly because of corporate failure or poor performance of public and private companies (Barako, Hancock and Izan, 2006); largely attributed to poor governance. Corporate failures such as Uchumi-super market, Blue Shield insurance and Mugoya Construction Company are publicized cases that justify corporate governance reform and need for new mechanisms to counter the perceived abuse of power by top management (Ongore and K’Obonyo, 2011). Still in Kenya, the need for reforms led to launch of the Private Sector Initiative for Corporate Governance Trust to spearhead the promotion of good corporate governance. The Center for Corporate Governance Kenya is an affiliate of the Commonwealth Association for Corporate Governance. In 1999, the Center for Corporate Governance Kenya developed a framework, which was voluntary for companies to adopt. Later, Capital Markets Authority (CMA) took up that framework as draft corporate governance practices for listed companies in Kenya. In later years, CMA made it mandatory for the listed companies to adopt those corporate governance practices.

In 2015, SACCO Societies Regulatory Authority (SASRA) publicized corporate governance guidelines for Deposit-Taking Sacco Societies (DTSs) which are only applicable to registered SACCOs by SASRA. It is notable that these corporate governance practices mainly deal with the issues of the board such as board composition, role of audit committee, separation of the role of Chief Executive Officer (CEO) and the chairperson of the board. In 2019, the Sacco Societies (Non-Deposit taking Business) Regulations were drafted ready for gazettement that is likely to bring in the supervision and regulation of the Non-DT-SACCO segment of the SACCO subsector under SASRA (SASRA, 2019).

Generally, good corporate governance is recognized as essential for maintaining attractive investment climate that is characteristic of highly competitive companies and efficient financial markets (Cedomir and Gordana, 2008). In its narrowest sense, corporate governance is about how an organization is directed and controlled. It is about the structures and processes in place to facilitate and monitor effective management of an organization, including mechanisms to ensure legal compliance and prevent improper or unlawful behavior (Meredith and Clough, 2005). The constituents of corporate governance vary from country to country since the business environment is not uniform in all countries (Mulili and Wong, 2011). In this study, the insights to dimensions of corporate governance were provided by the Cadbury Report (1992), Republic of Kenya (2002), Australian Stock Exchange Corporate Governance Council (2003), Sarbanes-Oxley Act of 2002 (United States., 2002), The Business Roundtable (2002), Combined Code (2008), Capital Markets Authority (CMA), 2015 and Republic of Kenya (2015), which enlist various guidelines and principles of governance. The main dimensions of corporate governance with relevancy to Saccos include Board structure, powers, functions, practices and processes; the constitution and composition of various board committees; Internal controls and risk management; member representation and participation and the separation of the oversight roles of the board of directors and management. This study focused on board of directors, audit committee and management as the key elements of governance in Saccos that can enhance the level of accountability and transparency, operational efficiency, internal control measures and regulatory compliance (Republic of Kenya, 2015).

1.2. Statement of the Problem

The Kenya's financial sector consists of the Deposit-taking institutions, the non-deposit-taking institutions, the financial market infrastructure, the informal financial service providers and the financial sector regulatory agencies and bodies (SASRA, 2020). SACCO subsector is an integral part of the deposit-taking institutions represented by DTSs (Kenya National Bureau of Statistics, 2021). This segment is mainly dominated by the commercial banking institutions, closely followed by DTSs. For the period 2016 to 2020, key performance indicators of the DTSs namely Assets, Deposits, Loans and Advances have increased by 13.5 per cent, 13.1 per cent and 12.2 per cent respectively, on the contrary, capital reserves decreased by 18.9 per cent (SASRA, 2020, Kenya National Bureau of Statistics, 2021). The comparative proportion of the financial sectors total assets to the national Gross Domestic Product (GDP), indicates that the DTSs total assets accounted for 6.11% of the national Gross Domestic Product in 2020. The SACCO Sub Sector makes an important contribution to financial access reaching 13 per cent of the population (Republic of Kenya, 2007). However, the sub sector remains confronted with a host of challenges stemming from a dynamic and demanding environment. They include but not limited to gross mismanagement, financial scandals and management problems which has resulted to low performance and collapse of some Saccos (Ngumo, 2006). Sacco Societies Regulations 2010 was enacted as a fundamental change to address these challenges and respond to the evolving and changing needs of Kenyan society. The purpose of SACCO Societies Regulations 2010 and development of corporate governance guidelines for the Deposit Taking Saccos was to address bad corporate governance among other issues. Bad governance is increasingly regarded as one of the root causes of all-evil within the business environment (Yap, 2009). The link between corporate governance and firm performance lies in the multi-dimensional nature of (good) governance (Meredith and Robyn, 2005). Babatunde and Olaniran (2009) and Ruparelia (2016) observes that the type of governance environment a firm operates has implications for its overall performance. Previous empirical studies on this topic by Miring'u and Muoria (2011), Chenuos, Mohamed and Bitok (2014), Mbalwa, Kombo, Chepkoech, Koech and Shavulimo (2014), Ruparelia (2016), Kinyuira (2017), Onyim, Wanjare, Ook and Oluoch (2017) and Kanyi, Kimani and Kariuki, (2018) among others conceptualized the study variables differently and in different contexts. Hence, this study investigates the influence of corporate governance on the performance of Deposit Taking SACCOs in Kenya given that we have limited studies on this context.

1.3 Research Objective

The study objective was to investigate the relationship between corporate governance and performance of Deposit Taking SACCOs in Kenya.

1.4 Hypothesis for the Study

The study null hypothesis was: H_0: There is no significant relationship between corporate governance and performance of Deposit Taking SACCOs in Kenya.

2. Literature Review

2.1 Theoretical Framework

Resource Dependence Theory was propounded by Pfeffer and Salancik in the 1970s, with their publication of The External Control of Organizations: A Resource Dependence Perspective in 1978. The theory explains the critical resources that organization must have in place for its survival. Pfeffer and Salancik (2003) observed that the key to organizational survival is the ability to acquire and maintain resources. Central to this theory is the role of boards of directors. Resource Dependence Theory aids in understanding the role of boards in enhancing the performance of their organizations. The assertion is that boards enable firms to minimize dependence or gain resources. The board of directors' act as a link with the external environment in supporting the management in the achievement of organizational goals. Pfeffer (1972) asserts that boards enable firms to minimize dependence or gain resources. Boards of directors provide expertise, skills, information, and potential linkage with environment for firms (Ayuso and Argandona, 2007, Abdullah and Valentine, 2009) for their sustained performance. Kor and Misangyi (2008) notes that resource provision by board is much highly valued and supplementary to the experience provided by top management teams. With the perception that directors are considered as resource providers, various dimensions of director diversity clearly become important during the constitution of boards. The theory's major limitation is its assumption that organizations are shaped primarily by materialistic forces; it fails to delineate the relationship shared between the environment and organization (Johnson, 1995). The theory fails to focus on other internal and external forces that can shape the direction of an organization. This study concurs with Pfeffer and Salancik's (1978) and Hillman et al. (2009) that resource dependency postulations are important basis for the conceptualization of board diversity as an independent variable in this study.

Agency Theory was propounded by Stephen Ross and Barry Mitnick in 1973, independently and roughly concurrently (Mitnick, 2019). Agency theory argues that in the modern corporation, in which share ownership is widely held, managerial actions depart from those required to maximize shareholder returns (Berle and Means, 1932). The domain of agency theory is relationships that mirror the basic agency structure of a principal and an agent who are engaged in cooperative behavior (Jensen and Meckling 1976; Eisenhardt, 1989), but have differing goals and differing attitudes toward risk (Eisenhardt, 1989). In agency theory terms, the owners are principals, the managers are agents, and there is an agency loss, which is the extent to which returns to the residual claimants, the owners, fall below what they would be if the principals, the owners, exercised direct control of the corporation (Jensen and Meckling 1976). Eisenhardt (1989) opined those two agency problems arises when the desires or goals of the principal and agent conflict and it is difficult or expensive for the principal to verify what the agent is doing. Agency theory specifies mechanisms, which reduce agency loss (Eisenhardt, 1989). One such mechanism is imposition of internal controls through constitution of audit committee. Primarily, the audit mechanism as a key internal dimension of corporate governance, provides an independent review of the financial position of the organization (Ebrahim, Abdullah and Faudziah, 2014). This implies that the principals have to minimize the agency costs by imposing internal controls (Jensen and Meckling, 1976; Davis, Schoorman and Donaldson, 1997). For Saccos they are required by law to constitute an audit committee. In this case, the audit committee act as agents to principals when performing an audit. Audit mechanism limits the agent's self-serving behavior. The audit autonomy and independence help in making of the right decision without any restriction or condition. In this study, this theory aids in providing an explanation of the role of the Audit committee in the corporate governance debate.

Upper Echelons Theory was propounded by Hambrick and Mason (1984) in their classic paper, that associated managerial characteristics with organizational outcomes. The central premise of upper echelons theory is that executives' experiences, values, and personalities greatly influence their interpretations of the situations they face and, in turn, affect their choices (Hambrick, 2007). They suggest that this occurs because demographic characteristics are associated with the many cognitive bases, values, and perceptions that influence the decision making of managers. That is the characteristics of senior management can influence the decisions made and practices adopted by an organization. Essentially, managers see the world through lenses created by their personal histories, experiences, knowledge, values, and other biases (Hambrick, 2005). Management decisions and ultimate strategic choices are consistent with the top executives' cognitive base or orientation. Executives' background characteristics could be a predictor executives' strategic choices (Hambrick, 2005). As organizations are becoming increasingly complex in terms of the diversity of Top Management Team and the extent to which they shape performance outcomes is important (Juravich, 2012). Upper Echelons Theory lays foundation for the assessment of the select individual managerial characteristics as they relate to decision-making and performance (Cannella, Finklestein and Hambrick, 2009).

2.2 Empirical Review of Corporate Governance and Performance of Deposit Taking SACCOs

Past empirical studies on corporate governance and performance relevant to this study revealed different findings and their respective recommendations. For instance, in a study of over 2,106 firms, Larcker, Richardson and Tuna (2005) examined the relation between corporate governance, managerial decision making and organizational performance. The study used principal components analysis to distill 39 structural measures of corporate governance (board characteristics, stock ownership, institutional ownership, activist stock ownership, existence of debt-holders, mix of executive compensation, and anti-takeover variables) into 14 governance constructs. The study reveals a weak or no relationship between conventional governance measures and organizational performance. The finding was attributed to variable conceptualization, research methodology; insufficient attention to group dynamics and that there is no one prescription for all organizations.

Ongore and K'Obonyo (2011) investigated the effects of selected corporate characteristics on firm performance of 42 firms listed at the Nairobi Stock Exchange. The governance characteristics studied were ownership concentration, ownership identity, board effectiveness and managerial discretion. Firm performance is measured using ROA, ROE and Dividend Yield (DY). The study was anchored on agency theory. A census approach was used. The response rate is 78 percent. The study used Pearson Product Moment Correlation, Logistic Regression and Stepwise Regression for data analysis. The study reveals significant positive relationship between diverse ownership forms, managerial discretion, and firm performance. Ownership concentration had a significantly negative relationship with firm performance was. Further, the study found that the role of boards was of very little value due to lack of adherence to board member selection criteria.

Hussin and Othman (2012) studied the impact of good corporate governance mechanism and Malaysian Code of Corporate Governance on corporate performance of 77 Malaysian listed companies for the years ending 2007 to 2009. This study finds a significant positive result for the association of independent Chairman with ROA and ROE. Although contradictory to the prediction of the agency theory, the results show that a higher proportion of independent non-Executive Directors are negatively associated with the firm's performances. The result of this study indicates that an elected independent chairman is an important factor for a company's financial performance as well as an important aspect to attract social investors and consequently will increase shareholder's wealth

Wanyama and Olweny (2013) investigated the effects of Corporate Governance on the financial performance of listed insurance companies in Kenya for the period 2007 to 2011. Corporate governance was measured by board size, board composition, CEO duality and leverage while financial performance was measured using ROA and ROE. The agency theory and the stakeholder theory guided the study as the main theories underlying the concept of Corporate Governance. They adopted a descriptive research design and stratified random sampling technique. The population consisted of all 45 insurance Companies registered under the Insurance Act Chapter 487 Laws of Kenya but only two firms with a total of 396 employees were used in the determination of sample size. Stratified random sampling technique was adopted in arriving at 40 employees for administration of questionnaire. Secondary data were collected from Company annual accounts. Reliability test was carried out. Data was analyzed using descriptive and inferential statistics and multiple linear regression model. Wanyama and Olweny (2013) found a strong relationship exist between the Corporate Governance practices and the firms' financial performance. Specifically, board composition, leverage, and separation of the role of CEO and Chair had a positive relationship with firm financial performance while board size had a negative effect on the financial performance of insurance companies listed at the NSE.

Idris, Maryam and Wan (2013) undertook a quantitative investigation of the influence of corporate governance on firm performance (Return on Equity and Earnings per Share) of 813 companies in Malaysia. The data was collected from secondary source such as published in journals and Annual Reports of the companies. The study employed descriptive, parametric statistical analysis and two-tail significant tests. Findings reveal that the influence of independent non-executive directors on firm performance to be mixed at different significant levels. The small sample size and a special industry were cited as the study limitations.

Ebrahim *et al.* (2014) examined the association between corporate governance practice and firm performance of non-financial companies listed in Muscat Security Market through 2011 and 2012. The two important committees of corporate governance practice namely, audit committee characteristics and executive committee characteristics were investigated. The study findings revealed a positive but not significant relationship between audit committee size, audit committee independence and executive committee size and firm performance. The association between audit committee meeting, executive committee independence and executive committee meeting and firm performance was found to be negative but not significant. The study recommended further examination of the effect of audit committee, executive committee, board director's characteristics on performance. Further, they recommended future research on moderating and mediating effects of some variables such as board diversity. The study's data was limited to two years' period.

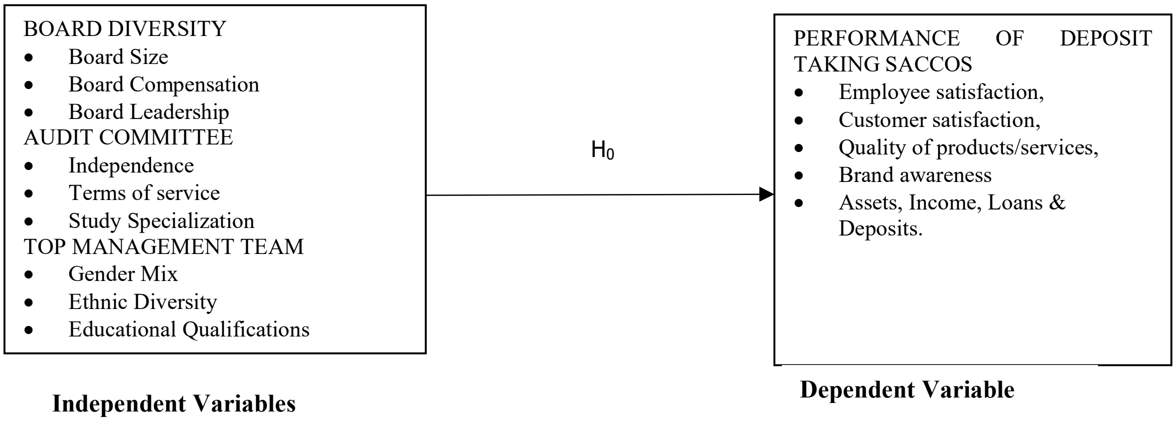
Mbalwa *et al.* (2014) sought to determine the effect of corporate governance on organizational performance of 11 sugar-manufacturing firms in western Kenya. This study was based on the shareholder model and stakeholder model. The research employed correlation survey design. Primary data was collected using structured questionnaire. Descriptive statistics, Pearson's correlation coefficient and multiple regression analysis were used. The study findings reveal a weak but significant positive relationship between corporate governance practices and the performance of sugar manufacturing firms in western Kenya. The result indicated Stakeholder communication and disclosure had greater influence, followed by Top Management while Board characteristics had the lowest influence.

Ngwenze and Kariuki (2017) sought to determine the influence of corporate governance practices on financial performance of 7 listed agricultural companies in Kenya in the period 2012-2016. The corporate governance practices were measured by board of directors' composition and size, independence of board and audit committees. ROE, ROE and debt equity ratio were used to measure the financial performance. The study adopted descriptive correlation research design and census methodology. Secondary data was collected from annual reports. Descriptive statistics, correlation and multiple regression analysis were used. Study findings indicate that corporate governance practices have insignificant effect on ROE and ROA but a significant effect on debt equity ratio.

A study by Kamau, Machuki and Aosa (2018) sought to determine the influence of corporate governance to the performance of financial institutions in Kenya. The study adopted cross sectional descriptive research design. A sample of 162 was drawn from a target population of 271 financial institutions. Structured questionnaire was distributed to 162 Chief Executive Officers (CEO), the company secretary or other senior officers playing similar roles, and 108 responded with analysable data representing a response rate of 66.7%. The data was analysed using regression analysis. Kamau, Aosa and Machuki (2018) found that corporate governance has a statistically significant influence on the performance of financial institutions. Even though board skills and board committees were found to be important predictors of the firms' performance; board skills had a positive influence while board committees had a negative influence on performance.

Kapil and Mishra (2019) explored the link between corporate governance system and firm performance of Indian companies listed at National Stock exchange for 2013-2018. The corporate governance system variables are board of directors and ownership. The target population was 391 top management executives. The data was analyzed through descriptive and correlation analysis. The study found that corporate governance variables had greater impact on market-based performance measures (Tobin's Q) than the impact on accounting-based performance measures (ROA and ROE). Specifically, ownership is found positively and significantly affecting Tobin's Q and ROA and not impacting ROE. Board of directors is found positively and significantly affecting Tobin's Q, ROA and ROE.

2.3 Conceptual Framework



BOARD DIVERSITY
- Board Size
- Board Compensation
- Board Leadership

AUDIT COMMITTEE
- Independence
- Terms of service
- Study Specialization

TOP MANAGEMENT TEAM
- Gender Mix
- Ethnic Diversity
- Educational Qualifications

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PERFORMANCE OF DEPOSIT TAKING SACCOS
- Employee satisfaction,
- Customer satisfaction,
- Quality of products/services,
- Brand awareness
- Assets, Income, Loans & Deposits.

Independent Variables

Dependent Variable

Fig 1: Conceptual Framework of the relationship between Corporate Governance and Performance of Deposit Taking Saccos in Kenya

Figure 1 shows the visualization of interactions between the independent and dependent variables of this study. The dimensions of corporate governance under review were board diversity, audit committee and top management team, whereas the constructs of dependent variable (performance of deposit taking Saccos) were the Employee satisfaction, customer satisfaction, quality of products/services, brand awareness, assets, income, loans, and deposits.

3. Methodology

The research study was guided by pragmatic paradigm while adopting a descriptive cross-sectional survey and correlational research designs. This type of descriptive cross-sectional research has been used by several researchers such as Wanyama and Olweny (2013), Munyasia (2016), Onyim, Wanjare, Ook and Oluoch (2017), Mugwang'a, Awino, Ogutu and Maalu (2018), Kamau, Machuki and Aosa (2018) and Murage, Muya and Mogwambo (2018). The target population of this study was 175 Deposit Taking SACCOs which are licensed to undertake deposit-taking Sacco business in accordance with the Sacco Societies Act (SASRA, 2019). 25 DTSs were eliminated since they didn't meet the requirements for this study. As a result, 150 DTS were eligible to participate in the study thereby constituting the targeted population. There were 10 key informants that were subjected to interview; this made the target population to be 160. Hyper-geometric distribution was used in accordance with Krejcie and Morgan (1970) to determine a sample size of 108. Proportionate stratified and simple random sampling techniques was opted.

A semi structured questionnaire was used to collect primary data. Interview guide was used to collect additional information while secondary data collection sheet was used to collect secondary data. The questionnaire was piloted to 11 respondents from Deposit Taking Saccos who were identified through random sample. The results of the pilot test study were used to make the required adjustments to the questionnaire. Content validity was determined using expert judgment from Practitioners in the SACCO sub-Sector and research supervisors as research experts. Reliability of the study instrument was conducted using Cronbach's Alpha. The Statistical Package for Social Sciences (SPSS) version 25.0 was used to estimate the reliability coefficient. Questionnaire was administered by three Research Assistants who were trained adequately before commencement of the data collection exercise. Data was analyzed using both descriptive and inferential statistic. The results of the statistical analysis were presented using tables. Discussions, conclusions, and recommendations were derived from the results and the entire study.

4. Results and Discussion

4.1 Questionnaire Rate Return

105 questionnaires out of 108 were dully filled and returned and found to be usable. This represented a response rate of 97.2% percent. Mugenda and Mugenda (2003) and Kothari (2004) noted that a response rate of above 50% is adequate for descriptive survey studies. Hence, the high return rate was considered very good for the study, it is considered adequate for the analysis and acceptable as it compared well to similar study (Munyasia, 2016) which achieved a questionnaire response rate of 100%. The high return rate was achieved due to pre-test, format, and administer the questionnaires through emails, drop and pick and phone calls and regular follow-up through phone calls and office visits [Frohlich (as cited in Kamau, 2018)] and use of reminders (Harrison, Henderson, Alderdice and Quigley, 2019).

4.2 Reliability Test of Research Instruments

Board diversity, audit committee, top management team and performance of deposit taking Saccos had a reliability coefficient of 0.813, 0.763, 0.738 and 0.896, respectively. The reliability coefficients of all the study variables were above 0.70, Hence all the study variables were found acceptable, and the measurement scale had a high level of internal consistency.

4.3 Basic Tests for Statistical Assumptions of Regression Analysis

4.3.1 Linearity Test

Scatter plots shown a linear of the relationship between each of Independent Variables and Dependent Variable.

4.3.2 Multicollinearity

The study checked presence of multicollinearity using Variance Inflation Factor (VIF) and Tolerance statistics. The results of Coefficients reveals that all the VIF values are less than 2 (VIF < 2.0) and all the Tolerance values are greater than 0.2 (Tolerance > 0.2). Hence, the assumption is met because the VIF scores are well below 10, and tolerance scores to be above 0.2, which indicate that Multicollinearity is not a problem for all the variables included in the regression model.

4.3.3 Homoscedasticity

To test this assumption, standardized values of the model were plotted against the predicted standardized residuals obtained. A random array of dots in the graph implies that the assumption has been met. The scatter plot generally appearing more random than funneled, thus the assumption on homoscedasticity is met.

4.3.4 Normality Test

This study assessed normality of distribution by looking at the distribution of residuals using a P-P Plot of the standardized residuals. The results shows that normal P-P Plot which illustrates that the majority of data points touch or are coalesced around the diagonal line. The closer the dots lie to the diagonal line, the closer to normal the residuals are distributed, indicating that normality assumption has been met.

4.4 Descriptive Statistics of Corporate Governance and Performance of Deposit Taking SACCOs

The study sought the opinion of the respondents on Corporate Governance attributes on performance of deposit taking SACCOs in Kenya and the summary of the result is presented in Table 1.

Table 1. Descriptive statistics of corporate governance and performance of deposit taking SACCOs

Corporate Governance	n	Mean	Standard deviation
Board diversity	105	3.92	1.198
Audit committee	105	3.53	1.018
Top Management Team	105	3.89	0.938
Composite mean & Composite Standard deviation		3.78	1.051

The mean for Board diversity, Audit committee and Top Management Team was 3.92, 3.53 and 3.89 respectively. The standard deviation for Board diversity, Audit committee and Top Management Team was 1.198, 1.018 and 0.938 respectively. The results show that when the Combined Corporate Governance attributes is done, the composite mean and composite standard deviation were 3.78 and 1.051 respectively; implying that the respondents agreed that the combined corporate governance moderately influence the Performance of Deposit Taking SACCOs. The results also revealed that board diversity had the highest individual contribution to performance of Deposit Taking SACCOs among all the three selected corporate governance dimensions. This was followed by Top Management Teams.

4.5 Correlation Analysis of Corporate Governance and Performance of Deposit Taking SACCOs

The study conducted Pearson correlation to test the relationship between combined Corporate Governance attributes on performance of deposit taking SACCOs in Kenya at α=0.05, based on the hypothesis; H0: There is no significance relationship between combined Corporate Governance attributes on performance of deposit taking SACCOs in Kenya. The results were shown in Table 2.

Table 2. Correlation analysis of corporate governance and performance of deposit taking SACCOs

Combined dimensions of corporate governance		
Board diversity	Pearson Correlation	0.229*
	Sig. (2-tailed)	0.019
	n	105
Audit committee	Pearson Correlation	0.144
	Sig. (2-tailed)	0.143
	n	105
Top management team	Pearson Correlation	0.076
	Sig. (2-tailed)	0.441
	n	105
Overall combined corporate governance	Pearson Correlation	0.225
	Sig. (2-tailed)	0.201
	n	105

*Correlation significant at 0.05 level (2-tailed)

The results in Table 2 indicated that board diversity had statistically significant correlation (P-value=0.019<0.05; r=0.229). However, audit committee (P-value=0.143>0.05; r= 0.144) and Top management Teams (P-value=0.441>0.05; r= 0.076) were not statistically having significant correlation respectively. The overall correlation coefficient based on the combined Corporate Governance attributes on performance of deposit taking SACCOs in Kenya was found to be 0.225 with a P- value = 0.201>0.05. The implication of the study finding is that there is no significant relationship between combined Corporate Governance on performance of deposit taking SACCOs in Kenya leading to non- rejection of the null hypothesis because the P-value of 0.201>0.05. The results support the findings by Larcker *et al.* (2005) who found that conventional governance measures had a weak or no relationship with organizational performance. Meanwhile, Mak and Kusnadi (2002) found little evidence of relationship between most corporate governance mechanisms and Tobin's Q. In addition, Mbalwa *et al.* (2014) who found a weak but significant positive relationship between corporate governance practices and the performance. In contrast, some previous studies such as those conducted by Wanyama and Olweny (2013), Ochoi and Memba (2015) and Kamau *et al.* (2018) in Kenya found a positive relationship between Corporate Governance Practices and Performance. Idris *et al.* (2013) found that good corporate governance practice influence firm performance. Similarly, Ruparelia (2016) found out that corporate governance affects financial performance; however, the degree of effect differs on the measure of financial measure used.

4.6 Regression Analysis of Corporate Governance and Performance of Deposit Taking SACCOs

A linear regression analysis was done to measure the relationship between the independent variable (corporate governance) and the dependent variables (performance of deposit taking SACCOs). The result of regression outputs is shown Tables 3, 4 and 5 as Model summary, ANOVA, and regression coefficients respectively.

Table 3. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.240[a]	0.057	0.029	0.55404
a. Predictors: (Constant), Top Management Team, Board Diversity, Audit Committee				

From the Model summary presented in Table 3, it was established that the combined Corporate Governance attributes of Board Diversity, Audit Committee and Top Management Team had a coefficient of determination, R^2 = 0.057 indicating that the three Corporate Governance attributes account for 5.7% of variance in Performance of Deposit Taking SACCOs while the remaining 94.3% is explained by the other factors outside this model.

Table 4. ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.887	3	0.629	2.049	0.112[b]
	Residual	31.003	101	0.307		
	Total	32.890	104			
a. Dependent Variable: Performance of Deposit Taking SACCOs						
b. Predictors: (Constant), Top Management, Board Diversity, Audit Committee						

The ANOVA results in Table 4 shows that regression fit the model for the data as F (3,101) = 2.049 with a *P value* = 0.112 (*P value* 0.112> 0.05). Hence, there is no statistically significant relationship between Board Diversity, Audit Committee, Top Management Team and Performance of Deposit Taking SACCOs thus the combined Corporate Governance practices do not significantly influence Performance of Deposit Taking SACCOs.

Table 5. Regression Coefficients

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	3.029	0.504		6.011	0.000
	Board Diversity	0.119	0.060	0.204	1.975	0.051
	Audit Committee	0.085	0.127	0.074	0.671	0.504
	Top Management Team	-0.001	0.126	-0.001	-0.011	0.991
a. Dependent Variable: Performance of Deposit Taking SACCOs						
b. Predictors: (Constant), Combined corporate governance (Top Management Team, Board Diversity, Audit Committee)						

Results on regression coefficients in Table 5 shows that only the coefficient of the constant term (β = 3.029; *p-value* < 0.001) was statistically significant with all having *p-value* <0.05. The coefficients of the combined corporate governance (Board diversity; β = 0.119; *p-value* = 0.051>0.05, Audit Committee; β = 0.085; *p-value* = 0.504 > 0.05 and Top Management Team; β = -0.001; *p-value* = 0.991 > 0.05 were however not statistically significant (*p-value* >0.05).

5. Conclusion

The objective of the study was to investigate the influence of corporate governance on the performance of Deposit Taking SACCOs in Kenya. Results illustrated a weak positive correlation on the relationship between combined Corporate Governance attributes on performance of deposit taking SACCOs in Kenya. However, this was not statistically significant. Hence the null hypothesis was accepted thus rejecting the alternative. It was established that board diversity is statistically significant to performance of Deposit Taking SACCOs in Kenya, while Audit Committee and Top Management Team do not. Overall, the combined Corporate Governance dimensions under study had no significant influence on performance of Deposit Taking SACCOs in Kenya, they accounted for 5.7% of variance. This implies that there could be other dimensions of corporate governance which could be key determinants of performance. It was concluded that corporate governance does not influence performance of the deposit taking Saccos in Kenya. This study finding provides basis for advancing the frontiers of knowledge in the exploration of other possible dimensions of corporate governance that could determine performance of Deposit Taking Saccos in Kenya.

6. Recommendations

The study recommends that SACCOs should continuously review their human resource development and training program and develop staff recruitment policies that will ensure their competitiveness. The management should understand that practicing good corporate governance alone cannot ensure their competitiveness. The board leadership should devise mechanisms on ensuring the degree of audit committee independence is not affected by business friendships and networks within the industry. The study recommends that board leadership to put in place a tenure service for the audit committee that will safeguard its independence. The SASRA as a matter of policy should strengthen and enforce adherence to the prescribed corporate governance guidelines. The government should enhance the capacity of the SASRA in terms of human resource development and infrastructure to ensure enforcement of the established regulations. The SASRA should develop regulations on multiple directorships to ensure that the SACCOs still need benefit from it inform of bringing on board wider experience and insights but at the same time, there is need to limit attendance to too many boards.

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