INFLUENCE OF CORPORATE GOVERNANCE ON SUSTAINABLE PERFORMANCE OF DEPOSIT TAKINF SAVINGS & CREDIT COOPERATIVES IN KENYA

JSPM

JOURNAL OF STRATEGY & PERFORMANCE MANAGEMENT

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Citation: Kinyuira, D.K. (2017). Influence of Cooperative Governance on Sustainable Performance of Deposit Taking Savings and Credit Cooperatives in Kenya, 5(4), 118-135.

ABSTRACT

The ultimate goal of governance is to ensure sustainable performance of an organization through effective utilization of resources in ways consistent with the organization's purpose. It involves making key decisions and shareholders working together for common goals. Therefore, enterprises that understand influence of governance on their operations, have prudent governance that facilitate strategic management through their choice of management, provision of adequate resources and monitoring of progress, which lead to sustainable performance. However, most cooperatives have had unsustainable performance and consequent low survival rate due to inadequate information on the influence of their governance on sustainable performance. The specific objective of the study was to establish influence of corporate governance on sustainable performance by examining teaming/involvement of stakeholders, accountable empowerment, strategic leadership and democracy. The study was an explanatory cross-sectional survey targeting all the deposit taking savings and credit co-operative societies (SACCOs) in Kenya. From the descriptive analysis, 68.91% of the respondents agreed that SACCO governance positively influence sustainable performance of Saccos. Further, the predictor variable was found to be positively correlated with sustainable performance of Saccos at 78.3% and to explain 69.4% of variation (i.e. R^2*) in Saccos performance. Likewise, the regression results revealed that governance had a significant positive coefficient (B= 0.293, p =0.000) which imply that a unit change in governance would enhance sustainable performance of Saccos by 0.293 units. The study then recommends that to enhance sustainable performance through corporate governance, members should be empowered to participate by way education and information.*

Key words: Savings & Credit Co-operatives; Sustainable Performance; Corporate Governance.

INTRODUCTION

Background

Strategy continue to dominate research on enterprise performance with the critical concern being how strategy can help an enterprise to survive and sustain performance in perpetuity, not just in the short term or through good economic periods (Talaja, 2012). According to Gibcus and Kemp (2003) a strategy can perceived as a an integrative pattern of decisions that determine and reveal organizational purpose, objectives or goals, action plans (processes) and resource allocation – aimed at achieving superior performance. Therefore, strategic management scholars agree that strategy is managerial decisions that determine performance of an entity by mobilizing resources using governance and management processes (Mazzarol et al., 2011; Wheleen & Hunger, 2008; Johnson et al., 2011; Talaja, 2012). Based on the assertion cooperative could be viewed as a purposive and entrepreneurial entity with specialized unique corporate governance and management that interacts with its environment to maintain long-term viability. Hence, corporate governance plays an important role in sustainable performance by providing purpose and direction to an enterprise (Bennett, 1999, p 3).

Nevertheless, cooperatives like in other SMEs, are usually argued are too busy dealing with operational problems and events on a day-to-day basis and devote no time to strategic management (Birchall, 2010; Mazzarol et al., 2011; Hanlon and Scott, 1993). This is supported by Kobia (2011), who argue that despite significant progress that has been made in the establishment of cooperatives performance and sustainability has been a great challenge for majority of them. This has resulted to unsustainable performance and low survival rate of cooperative enterprises (Kobia, 2011). The scenario is reflected in numerous cases where cooperative enterprises have failed to meet their stated objectives, at times even leaving their members worse off (Mude, 2006; RoK, 2012). Surprisingly, even with the entry of SACCO societies regulatory authority (SASRA), as well as improved supervision by county governments, the number of dormant cooperatives in Kenya have been increasing with time, while performance of the active ones have been inconsistent and below potential (Okeyo, 2010). According to Wanyama (2009), over 35% of registered cooperatives are either dormant, deregistered or have already collapsed. A further analysis by SASRA (2014) and Kenya bureau of statistics, KNBS (2015) indicate that out of the 8592 SACCOs registered as at 31st December 2014 only 1995 were active. The worst scenario is where cooperatives are unprepared to react to developments that affect their business or threaten their ability to remain relevant to members.

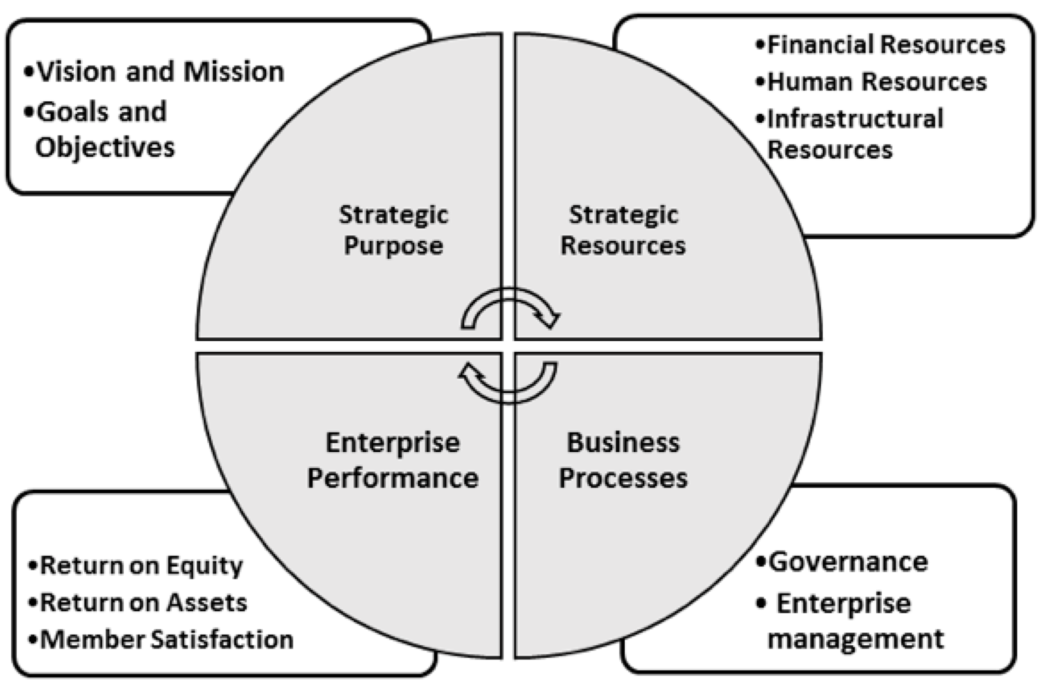
According Griffiths (2004) and Galor (2004) to address performance instability in cooperatives, one would require clear understanding of corporate governance among other factors that influence their success or failure. The researcher believes that "Until this is done, the movement is likely to remain weak and lack visibility at the national and international levels" (Wanyama, 2009 p. 29). The study examined influence of SACCO governance in terms of Teaming/involvement, Accountable Empowerment, Strategic and Democracy. The specific objective was to assess the influence of SACCO governance on sustainable performance of Saccos in Kenya, while study hypothesized that SACCO governance does not significantly influence sustainable performance of Saccos in Kenya.

LITERATURE REVIEW

Theoretical Framework

Considering cooperatives unique social-economic orientation, to perform a holistic analysis, the study adopted a multi-theoretical approach (Mazzarol et al, 2011 a, Co-operatives UK, 2013). The approaches included the theory of co-operative governance and the Dynamic theory of cooperatives. First, the theory of co-operative governance will be used to evaluate patronage cohesiveness, governance effectiveness, and operating effectiveness. The holds that the board should choose an appropriate purpose central to members, and then make sure it can achieve it, should build and sustain competitive advantage by developing new ways of organising business and serving members, ensure patronage cohesive governance, and to secure, retain and continually nurture member allegiance. Secondly, the dynamic theory of cooperatives will be used to explain how cooperative enterprise strategy can be used to achieve economic efficiency and competitiveness in cooperatives (Evans & Guthrie, 2006).

Figure 2.1: Elements of Cooperative Enterprise Strategy



(Adopted from Mazzarol et al., 2011 a)

Conceptual Framework

Rankin and Russell (2005) definition of cooperative sustainability was adopted, which is a cooperative being economically successful and being able to maintain this position. From review of a broad range of literature, the study hypothesized that Sacco governance influence sustainable performance of Saccos in Kenya. Sacco performance measures included member satisfaction and return on assets, while Sacco governance was defined as teaming/involvement of stakeholders, accountable empowerment, strategic leadership and democracy (Scholl & Sherwood, 2014).

Empirical Review

SACCO Governance: Governance is a key component in sustainable performance of co-operatives. The word governance has its root in the Latin verb “Goubernare” derived from the Greek “Kybernan”, meaning, “to lead, to steer, to be the head of, to set rules, to be in charge of the power” (Novkovic & Miner, 2015 p. 10). Governance is related to vision, decision-making processes, power dynamics and accountability practices. The ultimate goal of governance is to ensure sustainable performance of an organization through effectively utilization of resources in ways consistent with the organization’s purpose (Birchall, 2014).

According to RoK (2010) and SASRA (2012), Sacco regulations require those charged with governance to exercise prudence and diligence of ordinary men of business. They are to ensure the cooperative is competitive and perform sustainably through strategic management. This agrees with Co-operatives UK (2013) on the UK corporate governance code that found boards and committees should have an appropriate balance of skills and education to enable them discharge their respective duties and responsibilities effectively. According to Njuguna (2012), governance affects all aspects of an organization and therefore success of governance could be evaluated on the basis of increases in dividend rates, incomes, quality and easily accessible products.

In cooperative governance, the constitution of a fully empowered general meeting of members, the periodic election of board of directors, the democratic powers and duties of the cooperative are firmly established on the members. These features define the good governance structure of the cooperative and are an essential component of cooperative enterprise strategy. This enhances good managerial practices such as transparency, whereby management displays an open attitude towards cooperative members; representativeness which ensures all categories of members are represented in the board of directors, and broader participation of all members in cooperative activities. As a competitive advantage, these practices lead to the cooperative gaining a clearer vision of its organization and to developing an enhanced ability to make more enlightened decisions. To members, these practices enhance the sense of belonging, and they become more inclined to involve themselves in the cooperative.

According to Birchall (2014) in an increasingly regulated, complex, and inter-dependent global economy, where market pressures are high, reference on the basic tenets of co-operative governance is required more than ever before. In addition, the co-operative values and principles call for an open, voluntary, and democratic process of decision-making, and co-operative governance is an essential tool in applying and safeguarding those values and principles (Marienga, 2015). Moreover, co-operatives being member owned and democratically controlled organizations, their governance has to meet co-operative's objectives, protect member interests and maintain member control. Thus for an effective cooperative governance, there should be a balance of member involvement, representation and expertise (Novkovic & Miner, 2015).

In Kenya, cooperative governance significantly influences success or failure of Saccos (Marienga, 2015). In practice, cooperative governance constitute the 'active voice of members' through the general meeting, board of directors and supervisory committee (Mazzarol, 2009; Mazzarol et al., 2011 b; Cracogna, 2002). The 'active voice' SACCO governance system is a competitive advantage that keep SACCO governance costs low and minimizes risk of business failure, since members as owners, suppliers and users "are often willing to share profits and losses in order to maintain the long term sustainability of the cooperative" (Mazzarol et al., 2012, p. 7; Hettiarachchi, 2013). In his study, Palmer (2002) who examined marketing co-operatives in UK tourism sector found that participatory governance influenced performance, because members identified with the strategic purpose and viewed the cooperative as beneficial to them (Ole-Borgen, 2001). Reinforcing the view, Cornforth (2004) asserts that cooperative governance significantly influence performance through involvement of members in strategic planning and operational decision-making.

Further, cooperative governance being the act of steering cooperatively owned enterprises toward economic, social, and cultural success, it involves making key decisions and shareholders working together for common goals. To support and drive forward the success of cooperatives, the International Cooperative Alliance (ICA) in 2012 outlined a strategic model of cooperative governance (Scholl & Sherwood, 2014). The model comprise of four constructs namely: Teaming/involvement meaning working together to achieve common purpose. Accountable Empowerment that is empowering people while at the same time holding them accountable for the power granted. Strategic Leadership referring to the articulating the cooperative's strategic direction or purpose and stewarding the organization to that direction. Democracy denoting practicing, protecting, promoting, and perpetuating inclusiveness.

First, in Teaming, the board work together with members and employees with clear expectations of members. Working together creates and maintains a group culture that enhances cooperative principles and values. Secondly, in Accountable empowerment, the AGM delegates power to the board with clear expectations and responsibilities, and monitors performance through reports. In addition, governance through policies ensures role clarity, focus and accountability. Thirdly, in Democracy, the board is required practice, protect, promote, and perpetuate the democratic nature of the cooperative, which is about more than voting. Co-operative democracy gives members opportunities to meaningfully participate in reflection and strategic change in their organization regardless of their wealth, investment, patronage, or values and beliefs (Scholl & Sherwood, 2014). Members are also entitled to information, voice, and representation to ensure democracy. Such a democracy builds alignment and shared understanding among members about the strategic choices the co-operative needs to make.

Fourthly, Strategic leadership is about defining purpose and setting direction. In particular, how the cooperative can effectively meet needs of members, how the co-operative can distinguish itself in the marketplace and what should the co-operative achieve (Scholl & Sherwood (2014). In practice, the board in liaison with members and employees has a responsibility to establish the strategic direction and to facilitate movement toward the desired direction through their choice of management, ensuring adequate resources, and monitoring progress (Scholl & Sherwood (2014). The study used the four constructs to examine influence of co-operative governance on sustainable performance of Saccos.

Sacco Performance: Enterprise performance refers to total social-economic outcomes resulting from the interactions of organizational factors in the course of operations (Wheelen et al., 2008; Barney & Clark, 2007). It is generally perceived as the ability to meet organizational goals (effectiveness); utilize organizational resources (efficiency); and satisfy the stakeholders (relevancy) through corporate governance and management processes, exercised within certain regulations (Jenatabadi, 2015). Thus, it is the most important goal and a strategic measure of output in every organization (Porter, 2004) because it is only through performance that an organization is able to grow and progress. Despite its importance, defining, measuring and its source has been contentious among researchers (Abu-Jarad, Yusof & Nikbin, 2010). However, most authors agree performance is a multidimensional concept comprising of financial results, client satisfaction, internal processes and organizational learning (Johnson et al., 2011). The concept appears to favour financial aspects since financial performance is considered the result and evaluation of the other three dimensions of the enterprise (Louis-Antoine et al., 2011). In this consideration, Louis-Antoine et al. (2011) suggest that RoA, and customer satisfaction as measures that could comprehensively evaluate sustainable performance in cooperatives.

In Saccos, objective measures of performance such as the rate of dividends and the rate of interest on deposits (RoA) are regarded appropriate because they account for the cost of using members' funds in financing a cooperative's operations (Makori et al., 2013). Therefore, the study will use RoA to measure performance. In addition RoA, Sacco performance could be evaluated on member satisfaction. Satisfaction is a customer's evaluation of the overall performance of an offering. It is a basic source of competitive advantage that implies customers are provided with what they perceive to be of superior value worth paying for (Wanyama, 2009).

METHODOLOGY

Research Design

An explanatory research design was used to establish causal relationships between vision, mission, goals/objectives and performance of Saccos. Further, the research adopted across-sectional sample survey in which questionnaires and document reviews was used to collect both quantitative and qualitative data for analysis using correlational, and regression methods (Cooper & Shindler, 2011). Questionnaires used a five-point Likert scale on the level of agreement ranging from 1 (= strongly disagree) to 5 (= strongly agree) to various statements. Control variables included respondents’ characteristics and enterprise features.

Target Population

The target population was 215 deposit-taking SACCOs in Kenya because they comprise an important and vibrant segment of SACCOs. The study respondents were Sacco managers and general members. Managers are the legally recognized individuals involved in actual management of SACCOs, while general members are the owners and experience greatest impact of Sacco performance. A trial survey was conducted on 10 SACCOs, a 10% of the 100 SACCOs to be surveyed. The pilot sample size was based on arguments by Hertzog (2008) that if the pilot study is not aimed at providing statistical estimates for the full study, a 10% of the final study sample size is sufficient. To determine the study sample size, Cochran formula for calculating sample size was used (Israel, 2013).

Data Processing and Analysis

Credibility and reliability of data analysed was tested using the Cronbach alpha, where a coefficient of 0.7 or higher was considered sufficient (Sekaran and Bourgie, 2009). In data processing and analyses, the study used descriptive statistics, correlation, regression analyses and ANOVA. The use of regression analysis was preferred due to its ability to show relationships between variables and has been used in related studies by Kahuthu (2016) and Olando (2013).

Descriptive analysis

Statement	SD	D	N	A	SA	Mean
Our Sacco's governance consist of members working together with the board of directors and employees	1	2	5	27	63	4.520
General meetings of members are involved in making corporate decisions e.g. the distribution of surplus, budgeting	2	7	3	39	47	4.245
Our members know their rights and obligations	4	19	32	29	14	3.306
The roles, responsibilities and expectations of the Board and management staff are clearly segregated	16	49	23	7	3	2.306
All the members of this Sacco have equal voting rights of one member one vote	0	2	7	22	67	4.571
Members are regularly informed on the Sacco operations	7	9	11	47	24	3.735
The Sacco board is structured into technical committees such as finance, credit, education, audit etc	0	0	0	41	57	4.581
Our board of directors have the appropriate capacity for guiding strategic direction of this Sacco	32	48	11	4	3	1.959
Our governance structure is suitable for strategic decision-making	37	49	9	2	1	1.786

Table 1: Questionnaire responses on Sacco governance Statement

Cooperative Governance is a set of mechanisms and controls that enable the members to define and attain objectives that enhance sustainability of their co-operatives as well as advance the co-operative philosophy. To facilitate further examination of the influence of co-operative governance on sustainable performance of Saccos, the study sought respondents' opinions on various statements about the four key pillars of co-operative governance, namely: teaming, accountable empowerment, democracy and strategic direction. On teamwork, 91.84% respondents agreed; while 3.06% of the respondents disagreed their Sacco's governance consist of members working together with the board of directors and employees. This corresponds with ICA (2012) assertion that co-operatives being autonomous, self-help organizations controlled by members, their governance should consist of members working together with the board of directors and employees. A further examination on member involvement found that 87.76% of the respondents agreed, while 9.18% of the respondents disagreed their Saccos General meetings of members are involved in making corporate decisions such as the distribution of surplus and budgeting. The finding is similar to a research by Mwanja et al. (2014) where 92.2 % of the respondents agreed that members are involved in making important decisions in SACCOs, 5.6 % disagreed with this statement, and 2.2 % were neutral. The finding also agree with Bwana and Mwakujonga (2013) who found that important decisions such as change in interest rates, introduction of new products and services have to await approval by the Annual General Meeting. The finding extends research results by Karagu and Okibo (2014) that members were involved in funds appropriation and investment decisions which consequently improved trust and loyalty.

Further, according to Kinyuira (2016), Palmer (2002) and Ole-Borgen (2001) participatory governance influence performance, because members identify with the strategic purpose and view the cooperative as beneficial to them. However, in providing new insights why some members may only be moderately involved in Sacco governance, Gicheru (2015) argues that most members perceive themselves as mere customers, therefore as long as they get standard services, they may not be interested in the governance of co-operative affairs or even participate General meetings in which all members have the right to vote to approve the annual budget, major investment decisions and strategy.

On accountable empowerment of members, the study found that 43.88% of the respondents agreed; while 23.47% respondents disagreed Sacco members know their rights and obligations. The finding extends Kirkman (1993) contention that from conception the cooperative and throughout its life, members are responsible for understanding their cooperative purpose, objectives, benefits, limitations, operations, finances, and its long-range plans (Kirkman, 1993). In particular, since the purpose of a cooperative is to serve the member-users, members are obligated to a legally binding contract between members and their association to patronize its specific offerings such as share subscriptions. In addition, Kahuthu (2016) and Alukwe (2015) note that the members also have a right of access to product and services of their organization.

On clarity of roles, majority of the respondents 66.33% disagreed, while only 10.20%respondents agreed that the roles, responsibilities and expectations of the Board and management staff are clearly segregated in their Saccos. The finding is similar to Mudibo (2006) on who found that Saccos lacked adequate guidelines on various stakeholders' roles, for example, where the authority of Credit Committee ends, where the Executive Committee begins and what is the C.E.O's and staff authority, which negatively impacted on their performance. Likewise, Ademba (2012) report that lack of documented clear guidelines on governance with no clear distinction between executive functions and non-executive cause poor performance of SACCOs in Kenya. Similarly, Co-operatives UK (2013) study on the UK corporate governance code found lack of distinction between the leadership of the chairman and the C.E.O as a key challenge in corporate governance. The finding also agrees with SASCCO (2010) report which found that Saccos and co-operatives in general fail to clearly distinguish the roles of directors and management staff posing a considerable challenge on good governance efforts. The findings further support Owen (2007) who argues that governance in Kenyan SACCOs is typically weak because of their "Management Board" system lack a clear division between roles of the board and management staff.

While discussing "SACCOs for sustainable development" during the 2nd Annual SACCO Leaders' Convention, in Nairobi Kenya, on 22nd-24th March 2017, Muhamed (2017) notes that better differentiation of roles of directors, shareholders and independent officers such as auditors is key if members are to continue entrusting Saccos with deposits. On representative democracy, 90.82% of the respondents agreed, while 2.04% disagreed that all the members of their Sacco have equal voting rights of one member one vote. The finding agree with Scholl & Sherwood (2014) that in most co-operatives, members have equal voting rights of one member one vote regardless of their wealth, investment, patronage, or values and beliefs. Kinyuira (2017) support the finding by suggesting that members being the Sacco owners and stakeholders who experience greatest impact of co-operative performance, they ensure an appropriate governance structure is in place by electing the board of directors (Mazarrol, 2009; Birchall, 2010).

On information, 72.45% of the respondents agreed, while 16.33% of the respondents disagreed their Sacco Members are regularly informed on the Sacco operations. The report extends Scholl & Sherwood (2014) assertion that members are also entitled to information, voice, and representation to ensure democracy. Such a democracy builds alignment and shared understanding among members about the strategic choices the co-operative needs to make. The finding also confirms Gijselinckx (2009) findings that giving sufficient, clear and transparent information is a crucial in member involvement and participation.

On strategic direction, 100.00% of the respondents agreed, while no respondent disagreed their Sacco board is structured into technical committees such as finance, credit, education, audit etc. The finding is similar to Mwanja et al. (2014) who indicate that the boards of co-operatives are structured into committees to facilitate supervision of management decisions in an efficient manner. Such committees include finance, accounting, marketing, information systems, legal issues and other related areas to the strategic decision making process. In support, Novkovic and Miner (2015) add that good governance structure of the cooperative is an essential component of cooperative enterprise strategy, because it enhances good managerial practices such as transparency and representativeness in the board of directors and cooperative activities. Cyriacus (2009) who researched on the influence of governance on the performance of SACCOs established that good corporate governance practices positively influence the performance of SACCOs. However according to Otieno et al. (2015) the historical practice where the board of directors (B.O.D) comprising of elected officers are involved in the operational affairs of the SACCO limit efficiency of such Saccos.

On strategic leadership ability, 7.14% of the respondents agreed; while 81.63% respondents disagreed their Sacco board of directors have the appropriate capacity for guiding strategic direction of this Sacco. The finding is consistent with Sacco regulation 59 (3) that "the board of directors shall consist of elected non-executive directors".

The finding also agrees with SASCCO (2010) report that Saccos use volunteer credit committees instead of a technical loan committee is a challenge on Saccos performance and sustainability. A similar view is shared by Mudibo (2006) that through the board members are non-professional elected officers; they undertake highly technical issues such as loan analysis and disbursement, budgeting and financial expenditure control. Gicheru (2015) also support the finding by indicating that most elected leaders lack knowledge and skills in co-operative matters and thus often unable to guide co-operatives strategically. Since providing strategic leadership requires information, knowledge and wisdom, thus boards that lack capacity to develop foresight; strategic thinking and make informed decisions can have negative affects performance (Otieno et al., 2015).

On the effectiveness of co-operative governance structure, 3.06% of the respondents agreed, while 87.76% respondents disagreed their Sacco governance structure is suitable for strategic decision-making. The finding extends and Alukwe (2015) assertion that the current governance structure of Saccos and co-operative in general is not suitable for strategic decision making in the prevailing highly dynamic and competitive environment. A similar view is shared by Bwana and Mwakujonga (2013); Mudibo (2006) who found that important decisions such as change in interest rates, introduction of new products in response to the market demand and services have to await approval by the Annual General Meeting.

<u>Saccos Performance</u>

	SD	D	N	A	SA	Mean
The Sacco grew its assets in the last 4 years	5	18	9	38	28	3.673
The Sacco did not grow its incomes in the last 4 years	26	49	9	11	3	2.143
The Sacco grew its loans in the last 4 years	13	7	11	41	26	3.612
The Sacco grew its deposits in the last 4 years	10	16	2	44	26	3.612
Sacco membership increased between 2010-2013	23	31	1	19	24	2.898
Our returns to members did not improve between 2010-2013	38	13	7	21	19	2.694

Table 2: Questionnaire responses on Sacco Performance

From the data analysis, 52.04% of the respondents agreed, while 40.82% disagreed that their Saccos returns to members improved between 2010-2014. This is an indication that Saccos interests on deposits and dividend rates improved in the period. The finding is consistent with SASRA (2016 p 22) report that the average interest on deposits and dividend rates paid by DT-SACCOs improved from 6.6% to 8.08% and 3.97% to 5.04% in the years 2014 and 2015 respectively. These relatively good returns on savings deposits together with the use of saving deposits (non-withdrawable) as security for credit continues to be a competitive advantage for DT-SACCOs in the mobilization of savings, and access to affordable credit facilities. However, this aspect can be a source of financial risk to a DT-SACCO where the lending rates are insensitive to upward movement of interest rate on deposits.

Further, 67.35% of the respondents agreed, while 23.47% disagreed that their Saccos grew their assets in the last 4 years. Alongside that, 68.37% of the respondents agreed and 20.41% disagreed that their Saccos grew their loans in the last 4 years. Subsequently, 71.43% of the respondents agreed, while 26.53% disagreed that their Saccos grew their deposits in the last 4 years. The finding corresponds SASRA (2016 p 28) report that the total assets of the DT-SACCOs grew by 13.7% to stand at Kshs 342.84 Billion in 2015 from Kshs 301.53 Billion recorded in 2014; with the total loans growing by 13% from Kshs 228.52 Billion in 2014 to stand at Kshs 258.18 Billion in 2015. On the other hand, the report indicates that the total deposits grew by 15.3% to Kshs 237.44 Billion in 2015 from Kshs 205.97 Billion registered in 2014.

On revenues, 76.53% of the respondents agreed, while 14.29% disagreed their Saccos grew its incomes in the last 4 years. The finding is similar to Kahuthu (2016) who report that 85% of the respondents indicated their Saccos increased their incomes between 2010-2013. The author also reveals that the reduced investments in non earning assets, reduction in loan default, as well as efforts to comply with liquidity and capital ratios implied that more funds were available for loaning, leading to increased incomes. In addition, the finding is consistent with Manyara (2013) and Kobia (2011) who asserted that increase membership led to increased incomes due to increased volume of business.

Again, from the data analysis, 43.88% of the respondents agreed, while 55.10% disagreed that their Saccos membership increased between 2010-2014. A further data analysis indicates membership in the sampled Saccos grew by an average of 7.42% between 2013-2015, higher than the growth in the entire DT- Sacco system of 4.6% (SASRA, 2016). A similar view is shared by Kahuthu (2016) who assert that in between 2010-2015 Sacco membership mildly grew as new members joined to reap benefits of the newly organized financial market. Though consistent with the finding, KNBS (2017) indicate that access to financial services through DT-Saccos grew slowly by only 1.9% in the years 2013 to 2015, compared to commercial banks usage which grew by 9.2% in the same period.

Correlation analysis

Variable		Sustainable Performance of Saccos	SACCO Governance
Sustainable Performance Of Saccos	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	**98**	
SACCO Governance	Pearson Correlation	.783	1
	Sig. (2-tailed)	.000	
	N	**98**	**98**

Table 3: Correlation between SACCO Governance and Sustainable Performance

The study found a strong correlation coefficient between sustainable performance of Saccos and SACCO governance as shown by correlation factor of 0.783. This strong relationship was found to be statistically significant as the significant value was 0.000 which is less than 0.05, and this reveals that any positive change in SACCO governance would enhance sustainable performance of Saccos. Therefore the null hypothesis which stated that there is no significant influence of Sacco governance on sustainable performance of Saccos in Kenya was rejected.

Regression analysis

(a) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.708	0.501	0.694	1.58202

a. Predictors: (constant) SACCO governance
b. Dependent: Variable: sustainable performance of Saccos

(b) ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	43.535	1	43.535	16.933	.000b
	Residual	246.816	96	2.571		
	Total	290.351	97			

a. Dependent Variable: sustainable performance of Saccos

(c) Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
1		B	Std. Error	Beta		
	Constant	1.712	.376		4.553	.000
	SACCO governance	0.293	0.074	.291	3.959	.000

b. Dependent: variable: sustainable performance of Saccos

Table 4: SACCO governance and sustainable performance of Saccos

The regression equation obtained from this output was:- Sustainable performance of Saccos = 1.712 + 0.293 SACCO governance + e…………………..equation (3).

The beta un-standardized coefficient for intellectual capital is 0.293 is also significant at $p < 0.000$, which means that when SACCO governance change by one unit in the measurement scale, sustainable performance of Saccos change by 0.293 units. From the findings as shown on table above, the adjusted R square for the regression of sustainable performance of Saccos on SACCO governance is 0.694 which mean that SACCO governance explains 69.4% of variation on sustainable performance of Saccos. From the ANOVA results the F-ration F-ratio (1, 96) = 43.535) for this relationship is significant at p <0.000, which indicates that the model significantly predicts the outcome of the relationship between SACCO governance and sustainable performance of Saccos.

CONCLUSIONS

The extant literature reviewed demonstrates that enterprises with a clear strategy outperform those without (Porter, 2004). From the data analysis, governance was found to explain 69.4% of variation in sustainable performance and could be concluded that SACCO governance play a major role enhances key performance measures such growth in membership, savings/deposits, incomes, loans/advances, and dividend rates. Thus, SACCO governance gives the Saccos a completive advantage and consequent better performance (Porter, 2004).

The findings also established that good corporate governance positively influenced the performance of SACCOs. Based on the findings, it was therefore concluded that a balanced and well constituted governance structure could enhance attainment of sustainable performance of SACCOs. By annual general meetings (AGMs) having great influence on strategic direction of Saccos, the study also concluded that AGMs play a very great role in motivating growth in membership, income generation, investments, savings mobilization and growth in loans. From the high mean score, it could also be concluded that members of surveyed Saccos have high sense of ownership and experience the greatest impact of performance, thus they are bound to greatly determine the strategic direction of the Saccos.

RECOMMENDATIONS

By annual general meetings (AGMs) being greatly involved in charting the strategic direction of Saccos, the study recommends that, for the great influence to proportionately affect sustainable performance, member attendance and participation in AGMs should be enhanced through education and information communication technologies.

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