RELATIONSHIP BETWEEN CORPORATE GOVERNANCE AND FINANCIAL PERFORMANCE OF FARMERS' COOPERATIVE SOCIETIES IN KERICHO COUNTY, KENYA

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DECLARATION AND APPROVAL

This thesis is my original work and has not been presented for the conferment of a degree or award of a diploma in this or any other university.

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DEDICATION

Dedicated to my husband Mr. Daniel and my sons Michael, Ian and Jayden

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ABSTRACT

The farmers' cooperative societies have contributed significantly to the agricultural sector by providing information on farmers' production, granting farmers' loans, advancing inputs necessary for farmers' production, bargaining on behalf of the farmers, and providing marketing and logistic services. However, despite the significant contribution of farmers' cooperative societies, they have yet to realize their full potential due to poor governance practices leading to poor financial performance in cooperative societies, raising severe concerns among stakeholders. Cooperatives ministry affirmed that, in Kericho County seven farmers' cooperative societies were dissolved between 2015 and 2020 due to poor financial performance. On this basis, the research sought to assess the relationship between corporate governance and the financial performance of farmers' cooperative societies in Kericho County, Kenya. The study specifically sought to evaluate the relationship between board composition, board independence and board responsibility on the financial performance of farmers' cooperative societies in Kericho County. Agency Theory, Stakeholder Theory, and Resource Dependency theory were used to support the study's variables. The study adopted a correlational research design with a target population of 1261 employees. A sample size of 303 participants was determined scientifically using Yamane's (1967) formula. A structured questionnaire was used to collect data. The validity of the research instrument was enhanced by consultation with the subject experts. Cronbach's alpha coefficient, which was used to measure the instrument's reliability, was found to be 0.8999 and was considered sufficient for the study. The study's pilot was done in Bomet County, where 10% of the study sample size was used to assess the reliability of the research instrument. Descriptive statistics such as mean and standard deviation were employed to analyze data and inferentially using correlation and multiple regressions. Charts and frequency tables were used to present the results. The study established that the predictor variables could explain 59.6% of the variation in the financial performance of the cooperative societies. In addition, all the variables that are board independence ($r=0.568$, $P<0.05$), board composition ($r=0.575$, $P<0.05$), and board responsibility ($r=0.671$, $P<0.05$), were statistically significant and positively influenced the financial performance of the cooperative societies. The study concluded that corporate governance positively influences the financial performance of cooperative societies. From the findings, it is recommended that farmers' cooperative societies need to take into consideration the diversity of boards of directors and have a fixed tenure the directors should serve. The executive directors should have the right to monitor and evaluate the operations of the cooperative societies. Policies should be developed to ensure that the nomination of board directors is done in line with the established framework of cooperative societies. Also, cooperative societies need to have effective and efficient resource management practices to minimize losses. Lastly, the board of management needs to review the existing policies to fit into the new business environment. The findings of this study would help farmers' cooperative society's management, farmers' cooperative society's policymakers, and other researchers and scholars.

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ABBREVIATIONS AND ACRONYMS

CEOs	Chief Executive Officers
CG	County government
EBIT	Earnings Before Interest and Taxes
EVA	Economic value added
CMA	Capital Markets Authority
FTSE	Financial Times Stock Exchange
GDP	Gross Domestic Product
GOK	Government of Kenya
KCSE	Kenya Secondary School Education
KITE	Kisumu Teachers
NACOSTI	National Commission for Science, Technology and Innovations
NSE	Nairobi Securities Exchange
RDT	Resource dependence theory
ROA	Return on Assets
ROE	Return on Equity
SPSS	Statistical Package for the Social Sciences
TSR	Total shareholder return
UK	United Kingdom

OPERATIONAL DEFINITION OF TERMS

Board composition According to Chbib and Page (2020) it is a mix of individual personalities and the manner in which they interact with each other. According to this study it mirrors a mix of tenure, director skills and experience, board size and board diversity that are meant to protect the interests of shareholders.

Board independence This is the concept that ensures that the board of directors of a company has a composition of independent members from shareholders and management of the company (Daghsni, Zouhayer&Mbarek, 2016). In relation to this study, it is when the directors exercise their management functions freely without interfering with the board members roles. This was determined by taking into consideration of executive directors, outside directors and nomination procedures.

Board responsibility As per McLeod, Shilbury and Ferkins (2021) it is a fiduciary responsibility to represent and protect the investors interests in an organization by making sure that the assets of the firm are protected and kept in good order. According to this study it is to strategize and plan goals and objectives for the short and long-term good of the society and to install mechanisms for progress monitoring against the objectives. The study also used management of resources, risk management and fiduciary duty as the key indicators.

Corporate governance According to Bhagat and Bolton (2019) it is collections of rules, practices and policies which dictates on how an organization's board of directors manages and oversee the daily operation of the organization. In relation to this study, it is the framework that aid in achieving farmers' cooperative society's objectives and this encompasses all the management levels, from formulating plans and internal controls to performance and farmers' cooperative societies' disclosure. This was determined by adopting board size, board independence and board responsibility as the variables of corporate governance.

Financial Performance Is an independent accountability measure of an organization for the outcome arising from its operations, activities and policies measured for a certain period of time and in financial terms, (Chbib& Page, 2020). According to this study, financial performance was used to measure the farmers' cooperative societies overall standing in relation to sales returns and return on assets.

CHAPTER ONE

INTRODUCTION

1.1 Overview

This chapter discusses on the background of study, statement of the problem, general objective, specific objectives, the research hypothesis, justification, significant, scope, limitations, and assumptions of the study.

1.2 Background of the Study

Corporate Governance (CG) is concerned with the framework and

process adopted in directing and managing affairs of the organization with the intention of improving the performance and corporate accounting to achieve the long-term values of the stakeholders while taking other stakeholders' interests into consideration (Capital Markets Authority Act, 2002). According to Yekini, Adelopo, Andrikopoulos, and Yekini (2015), Corporate Governance constitutes credibility, accountability, and transparency while having in place very efficient channels that will disclose information in a way that is most likely to enhance good corporate performance.

For organizations to leverage corporate governance as a competitive differentiator there is a need to incorporate the corporate governance practice as part of the overall organizational strategy. According to Warrada and Khaddam (2020), corporate governance has become a concern in the contemporary world due to its role in ensuring effectiveness and enhancing strategic relevance. A poorly instituted corporate governance results in a poor organizational strategy, which compromises the strategic brand positioning on the market, affecting overall corporate success. Commonly, Savings and Credit Cooperative Societies (SACCOs) comprise of managers who are also shareholders (members). SACCOS are inclined to have a less conspicuous demarcation between proprietorship and administration compared to larger firms. Since SACCOs are dependent on public funds, the matters surrounding accounting role towards the public sphere does not exist.

Good Corporate Governance is considered the heart of any successful organization (Harvey, Maclean & Price, 2020). CG is a system of policies, rules, and practices dictating how organization’s board of directors manage and oversee operations of the organizations through transparency, accountability, responsibility, the rule of law, and moral integrity (Adeyemi & Oraegbunam, 2021).

All organizations, especially commercial businesses, are concerned with having good corporate Governance and its benefits (Melkamu, 2016). According to Iqbal, Haider and Khan (2015), incorporating Governance in Pakistan is concerned with the interest of the stakeholders in an organization. Good corporate Governance is also meant to ensure that the main interest of the investors, that is, profit maximization, has been taken care of and this enhances the organization's worthiness.

As per Warrada and Khaddam (2020), a well working corporate administration framework encourages a firm to pull in speculation, raise reserves and fortify the establishment for firm money related execution. Corporate governance of any corporate substance influences the capacity of organizations to react to outside factors that make them bear on their monetary presentation. For organizations to leverage corporate governance as a competitive differentiator there is a need to incorporate the corporate governance practice as part of the overall organizational strategy.

Kyere and Ausloos (2021) recapped that, changes in share ownership across the United States and the UK led to an increased concentration of institutional shareholders such as insurance companies and pension funds also necessitated the institutionalization of stricter controls to curb fraud. External funding from the capital market from local and overseas markets led to the need for legitimacy in acquiring funds at the lowest risk. These have led to the increase in internal controls as an element of corporate governance.

Handriani, Ghozali, and Hersugodo (2021) believe that having good corporate Governance shields an organization from financial vulnerability. An appropriate governance structure in Indonesia's organizations makes it possible to respond to external forces which negatively influence financial performance. A good governance structure generates goodwill and confidence in investors, making it easy to pull resources and push for the common benefit of the members. However, a study by Rashid (2018) which sought to determine the relationship existing between board's independence and the performance of corporations listed in Bangladesh indicated that board independence had negative effect on listed firms' performance in Bangladesh.

Yekini et al., (2015) carried a study on board independence and quality disclosure of annual report in the United Kingdom. The study showed that there was a positive and significant relationship between board independence and quality disclosure of annual report. The study revealed that non-executive directors were most likely to disclose information on transparency, which is essential in enhancing the organization's financial performance. Naseem, Xiaoming, Riaz, and Rehman (2017) supported these findings, establishing that independent directors promoted transparency and boosted the shareholders' confidence in the organization. Shareholders can also evaluate and make informed decisions on their investment plans. However, Martín and Herrero, (2018) revealed that boards' independence had a negative significant impact on performance of an organization.

In South Africa, Dzingai and Fakoya (2017) examined the effects of corporate governance on listed mining firms' financial performance, and it was established that board size had a negative influence on financial performance. Abubakar, Sulaiman, and Haruna (2018) in Nigeria on listed insurance firms' financial performance indicated that CG positively and significantly contributed to the financial performance of the insurance firms. Corporate Governance has been considered a key pillar of good financial performance in most establishments. The statistics indicated that 60 percent of the listed insurance companies in the Nigerian stock exchange were attributed to good Corporate Governance.

In Malawi, Chisi and Gondwe (2017) investigated the role of corporate governance in the performance of Saccos. The results indicated that efficient corporate governance enhances profitability and growth. This posts a good image of the Saccos and thus fosters investors' confidence. Ndiwalana, Ssekakubo and Lwanga (2017) performed an examination on the influence of Sacco’scorporate governance on financial performance in Uganda. The results showed that there was a positive but insignificant relationship between board independence and the Saccos financial performance.

Odek and Anyira (2017) studied on the effects of corporate governance on the financial performance of KITE Saving and Credit Co-operative Societies in Kenya. The study found that non-executive directors had a positive impact on financial performance. In another research, Mutuku (2016) examined on the role of effective Corporate Governance on Athi River town financial performance in Machakos County. It was found that board composition showed a significantly and positively relationship with Sacco's financial performance. Sanni (2019) indicated that risks management had a negative significant influence on the banks’ financial performance. On the other hand, Emmanuel (2021) reported that risk management had a positive significant influence on financial performance of cooperative societies.

Therefore, there is no clear indication that corporate governance supports farmers' cooperative society's financial performance. Some studies have indicated a negative significant relationship, while others have indicated a positive significant relationship with farmers' cooperative society. This mixed outcome contributed to the need to conduct a study that sought to assess the relationship between corporate governance and the financial performance of farmers' cooperative societies in Kericho County, Kenya.

1.2.1 Farmers’ Cooperative Societies

Farmers' cooperative societies were first established several years ago in European countries. The primary purpose of forming farmers' cooperative societies was to make farmers strong in the market, enabling them to generate high profits (Cook & Burress, 2013). The main characteristics of cooperative societies are their independence, autonomy in management, members' participation, democracy in leadership, and voluntary membership. Cooperatives are financed by their members, who combine available resources to increase the members' livelihood, improve production efficiency, and create a market to enhance financial performance (Ratner, 2015).

The agriculture sector performs a critical role in the establishment of a nation. In Bangladesh, the sector contributes around 35 percent of gross domestic product and creates employment of 60 percent. The farmers have formed cooperative societies that aid in wealth creation, leading to economic development. A high level of economic activities has led to the formation of cooperative societies (Kimetto, 2018). In Sweden, farmers’ cooperative societies have enhanced the development of the economy where the farmers’ sector has created approximately 57,000 employment opportunities. The sector ranges from wheat farming, barley, milk production, and pig production. To achieve the best out of this sector, the farmers have formed farmers' cooperatives societies (Talmaciu, Dobay, & Apetroaie, 2017).

According to Odetola, Awoyemi, and Ajijola (2015), cooperative societies in Nigeria significantly reduce poverty and contribute to capital formation. Despite cooperatives' contributions, rural farmers do not get financial services from the financial institution because of bureaucratic procedures. Therefore, farmers who have joined cooperative societies are better placed because they get recommendations from their cooperatives for financial assistance from the financial institutions.

Rwandan government recognizes cooperatives as among the main means of eradicating poverty. The national administration has pumped financial resources into the farmers' cooperative societies to assist their operations (Emmanuel, 2021). The cooperatives' corporate governance advocates for their members' interests, which has aided the performance of the cooperatives (Musuya, 2014). However, some of the cooperatives have poorly performed, which has been linked to poor corporate governance (Mubirigi, Shukla & Mbeche, 2016). A study by Twimukye (2017) reported that proper corporate governance in Uganda contributes to the economic development. The study affirmed that where there is vibrant corporate governance, it enhances cooperatives societies' financial performance. However, it is observed that failures of cooperative societies could be associated with poor corporate governance.

In Tanzania, cooperative societies are guided by cooperative development policies despite the challenges of determining to what extent policies influences development of cooperatives. The country's cooperative societies promote equality in access of goods and services. However, the cooperatives have underperformed in promoting equality with control, ownership, and benefits gained from the cooperative business (Rwekaza & Mhihi., 2016).

Cooperative societies are independent associations of individuals who willingly gather to pursue their cultural and social-economic desires which are through joint owned and managed democratically (International Cooperatives Alliance, 2010; as cited by Mwebia (2020). They have immensely contributed to the economic development and growth of many countries worldwide, specifically through providing employment to its members and helping to achieve their common goals (Kimetto, 2018). Cooperative societies have unique advantages for their members depending on the relationship among their members. They occupy various sectors comprising of finance, housing, and agriculture.

Farmers’ cooperative societies are considered the most prominent in Kenya compared to other cooperative societies. These cooperative societies assist farmers in collecting, processing, storing, and selling the product of their members. The cooperative sector in Kenya contributes to 51 percent of gross domestic product. It is reported that 26 percent is directly linked to GDP while 25 percent contributes indirectly. The cooperative sector exports over 65 percent of its product, creating job opportunities for almost 40 percent of the total population (GOK, 2019). However, according to Kenya cooperative society's yearbook (2020), farmers' cooperative societies in Kericho County have posted a 10 percent drop in financial performance from 2018.

Due to the role played by cooperative societies in the social and economic development of a country, its financial performance and sustainability are of great concern to both scholars and the nation. According to Tripathi and Mishra (2017), Co-operatives may underperform financially due to poor governance, inadequate managerial skills, and poor internal control systems. However, several studies have linked the poor financial performance of farmers' cooperative societies to inefficient corporate governance systems

(Adeyemi & Oraegbunam, 2021; Handriani, Ghozali & Hersugodo, 2021; Mwebia, 2020; Chbib & Page, 2020).

1.2.2 Corporate Governance and Financial Performance

Governance is a system in which corporations are directed and controlled by the influence of members of the management committee who are selected so as to provide assurance and attainment of organizations intentions in terms of efficiency and effectiveness of operations, financial reporting reliability with regards to regulations and laws (Adeyemi & Oraegbunam, 2021).

Good corporate governance shields a firm from vulnerability to future financial distress (Payne, Benson & Finegold, 2017). It is generally believed that the governance structure of any corporate entity affects its ability to respond to external factors which have some bearing on its financial performance (Majeed, Jun, Zia-ur-rehman, Mohsin & Rafiq 2020). More so, good governance generates investor goodwill and confidence, which lead to better financial performance and more favourable treatment of all stakeholders (Mlay, Temu & Mataba, 2022).

In the Kenyan context corporate governance can be traced to the consultative Corporate Sector Seminar held in 1998 and 1999 that gave rise to code for best practices for corporate governance. Through these seminars a private body on corporate governance was established to coordinate corporate governance issues, events and practices locally, regionally and globally (Owalo, 2020). These initiatives were formalized with the promulgation of Guidelines on Principles of Corporate Governance for Public Listed Companies in 2002 by the Capital Market Authority (CMA) in 2012.

The dairy Co-operative in Kenya could be traced to the first dairy Co-operative society that was formed in 1908. The main predecessor to the Dairy Co-operative movement was the Kenya Co-operative Creameries that was formed in 1925 (Emmanuel, 2021). There has been new developments and diversification from milk consolidators and distributors to inclusion of savings and credit services as witnessed by Co-operative societies like Githunguri and Meru Dairy Co-operative Societies. These Co-operative societies have continued to act as reservoirs of capital providing credit to dairy farmers in order for them to meet their needs. Dairy farmers Co-operative Societies have given rise to credit societies formed as investment SACCOs for the members. The Co-operative Societies Act of 2004 which was an amendment to Dairy Co-operative Societies Act of 1994 regulates the Kenyan Dairy Sector (Mwebia, 2020).

Kyere and Ausloos (2021) assessed corporate governance and financial performance of firms in the United States. It revealed that financial performance was not affected by corporate governance. However, it was observed that with good corporate governance, the financial position of the firms is improved. Examining the effect of board independence, Rashid (2018) affirmed that board independence had negative effect on firms listed in Bangladesh stock exchange.

According to Sanni (2019), it is significant for companies in Nigeria to address the issue of increasing poor financial performance. This can be addressed by adhering to corporate governance practices. Abubakar, Sulaiman and Haruna (2018) opined that corporate governance contributed positively to the financial performance of insurance companies. In contrast, Ndiwalana, Ssekakubo and Lwanga (2017) affirmed that the activities of CG showed a positive and insignificant impact on Sacco's financial performance.

Otieno, Mugo, Njeje and Kimathi (2015) asserted that good corporate governance assists an organization to attain better financial performance, and safeguard shareholders' interests. Emmanuel (2021) observed that corporate governance in dairy cooperative societies in Meru County enhanced financial performance. Chemweno (2016) study indicated that firms listed in NSE were not affected by board diversity.

There has been a great concern on the financial performance of farmer cooperative societies in Kericho County over the last decade. The main economic activity in the county is small scale farming activities. The county is also recognized as the home of several multinational tea farms with several other small scale tea farming business. This has led to the growth of farmers' cooperatives societies in the region with a sole aim of striving to enhance the interests and livelihoods of their members. However, according to the cooperatives ministry in Kericho County (2021), seven farmer cooperative societies were dissolved between 2015 and 2020 due to poor financial performance associated with mismanagement of funds and poor leadership.

1.3 Statement of the Problem

Farmers' cooperative societies play a vital role in the agricultural sector of Kenya, by providing essential services such as credit facilities, marketing support, and access to inputs. However, many of these cooperative societies face challenges related to financial performance, which threatens their sustainability and ability to serve their members effectively. A report from the Ministry of Cooperatives, indicates that over the last five years in Kericho County, the return on assets for the cooperatives has dropped from 25.6% in 2018 to 15% in 2022, while the net profit margin has decreased from 36.10% in 2018 to 21.3% in 2022. This decline has led to members leaving and some societies closing down. Corporate governance, which involves the structures and processes for directing and controlling organizations, is widely recognized as a critical factor influencing the financial performance of organizations. Despite the importance of corporate governance, there is limited empirical evidence on how governance practices specifically board independence, board composition, and board responsibility are related to the financial performance of farmers' cooperative societies in Kericho County. This gap in knowledge hinders the development of effective strategies to enhance the financial health and sustainability of these cooperatives. Therefore, this study seeks to examine the relationship between corporate governance practices such as board composition, board independence, and board responsibility and the financial performance of farmers' cooperative societies in Kericho County, Kenya.

1.4 Objectives of the Study

1.4.1 General Objective of the Study

The main objective of the study was to assess the relationship between corporate governance and financial performance of farmers' cooperative societies in Kericho County, Kenya

1.4.2 Specific Objectives of the Study

The study sought to:

i. Establish the relationship between board composition and financial performance of farmers' cooperative societies in Kericho County, Kenya.

ii. Determine the relationship between board independence and financial performance of farmers' cooperative societies in Kericho County, Kenya.

iii. Determine the relationship between board's responsibility and financial performance of farmers' cooperative societies in County of Kericho, Kenya.

1.5 Research Hypothesis

$H_0$1: There is no significant relationship between board composition and financial performance of farmers' cooperative societies in Kericho County, Kenya.

$H_0$2: There is no significant relationship between board independence and financial performance of farmers' cooperative societies in Kericho County, Kenya.

$H_0$3: There is no significant relationship between board responsibility and financial performance of farmers' cooperative societies in Kericho County, Kenya.

1.6 Justification of the study

Agricultural sector in Kenya has been the backbone of the economy. This sector is estimated to contribute an estimated 51 percent to Kenya's GDP. The sector has given rise to farmers' cooperative societies. The farmers' cooperative societies have supported the farmers by granting them loans, farm inputs, transportation services, and equipping them with new knowledge on farming through training and marketing their farm produce. However, farmers' cooperative societies in Kericho County have been experiencing a drop in performance of almost 10 percent since 2018. This decline in profits has affected the performance of farmers' cooperatives societies to a great extent.

Also, there is scanty literature on the relationship between corporate governance and financial performance of cooperative societies. Therefore, there is an urgency to conduct a further study to discover the source of the poor performance of the farmers' cooperative societies and find a solution that may help the government, stakeholders, and management of farmers' cooperative societies improve performance. On this note, the study sought to establish the relationship between corporate governance (CG) and the financial performance of farmers' cooperative societies, Kericho County, Kenya

1.7 Significance of the Study

The findings of this study will be of importance to several parties, for instance, the findings of this study would help the management of cooperative societies improve service delivery to the farmers. The management may also learn to enhance the financial performance of the cooperative societies by adopting proper governance practices.

Policymakers such as the government through the Ministry of Cooperatives and other shareholders may benefit from the study. They may use the results in making proper decisions and policies to enhance the performance of cooperative societies country-wide.

The findings would benefit all the stakeholders of farmers' cooperative societies, such as the management, board of directors, farmers, and financial institutions, in understanding the effects of various governance practices understudy on the financial performance of the societies.

Lastly, the findings will be of great importance to the scholars because new knowledge will be added to the existing literature. The information can expand the understanding of corporate governance with farmers' cooperative societies' performance.

Further, the study would benefit individuals interested in carrying out research related to cooperative societies. For starters, the study will act as reference material, providing an insight into various governance practices.

1.8 Scope of the Study

The main focus of this study was to assess the relationship between corporate governance and the financial performance of farmers’ cooperative societies in Kericho County, Kenya. The study's specific objectives were to evaluate the influence of board independence, board composition, and board responsibility on the financial performance of farmers’ cooperative societies. The study targeted all the registered farmers’ cooperative societies in Kericho County and was conducted between September 2022 and July 2023.

1.9 Limitations of the Study

During the study, some respondents were unwilling to give complete information as requested by the researcher or avoided giving any information because they feared being victimized for revealing important society information to a third party without permission. However, to overcome this limitation, the selected respondents were guaranteed confidentiality, anonymity and prudent use of the obtained information. Also, the researcher provided the respondents with a clearance letter of data collection from the university to assure them that the study was for academic purposes and, therefore, the information obtained would only be used for the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section presents an empirical literature review from past studies and scholarly works, a theoretical framework, the conceptual framework indicating the diagrammatic relationship between the study variables, and a summary of the knowledge gap the study sought to fill.

2.2 Theoretical Review

A theoretical review helps a researcher establish existing theories that can describe a phenomenon or support a research study (Varpio, Paradis, Uijtdehaage & Young, 2020). In this case, various theories will help the researcher to describe corporate governance from the view of the financial performance of farmers' corporative societies. Therefore, the study will use Agency Theory, Stakeholder Theory and Resource Dependency theory in backing the study's variables.

2.2.1 Agency theory

Agency theory is a theory introduced by Barry Mitnick in 1975 and advanced by Jensen and Meckling (1976). The theory elaborates the relationship between managers who act as agents and the shareholders who act as the principal. The theory was developed on the assumption that a company's governance is grounded on the conflict of interest between the corporation’s stakeholders, the administrators, and the third party who mainly provides debt to finance the company's operations. Jensen and Meckling (1976) argue that the theory seeks to manage divergent interest that arises between the management of the cooperative society and the owners (farmers) by describing how such conflicts can be resolved. This means delegating the role of decision-making to the agents who govern the day-to-day activities of the society.

According to Foreman, Bendickson, and Cowden (2020), directors act as agents and have a fiduciary duty anchored on trust. The directors are expected to act in good faith and must put their interests after that of the cooperative society. The cooperative society can increase its financial performance by minimizing costs arising from the agency relationship. The shareholders consider these costs a loss of value because of the interests' divergence between the owners and the administration (Cowden, Bendickson, Bungcayao & Womack, 2020). Furthermore, agency costs are recorded in the stock market, which directly influences the firms' share prices.

The essential members are administration, shareholders and the sheets of executives; however other key players whose interests are influenced by the company are workers, suppliers, clients, accomplices and the general group. In this way, corporate administration, comprehended in these widening social settings, guarantees that the top managerial staff is responsible to shareholders as well as to non-shareholder partners, including the individuals who have a personal stake in seeing that the enterprise is very much represented. Some corporate administration researchers (Taylor, 2023) additionally contend that at the heart of good corporate administration is not board structure which gets a great deal of consideration in the present directions, however rather board process particularly thought of how board individuals cooperate as a gathering and the skills and practices both at the board level and the level of individual chiefs.

Therefore, the current academic examine about the way of corporate administration has come to mirror this assemblage of exploration. This partition is be that as it may, connected and administered through legal relationship at different levels, for instance stakeholders, group of executives, senior administration, senior and subordinate levels of administration (Cikaliuk, Eraković, Jackson, Noonan & Watson, 2020). In such an essential relationship, there is constantly potential misunderstanding inside a firm on the grounds that the financial motivating forces confronted by the operators are frequently unique in relation to those experienced by owners of capital.

In accordance to Cikaliuk, et al., (2020) all organizations are presented to office issues, and to some degree create activity arrangements to manage them. These incorporate setting up such measures as: controls on the performance of operators, checking the activities of specialists, budgetary impetuses to urge operators to act in light of a legitimate concern for the principals, and division of danger taking capacities from control capacities.

Under agency theory, issues on management of a corporation under Corporate governance is defined as a process by which the senior management and board of directors function as monitors and try to resolve issues that arise from the principal-agent relationship. The major purpose of corporate governance standards, according to Mohan and Chandramohan (2018), is to reduce the likelihood of managers acting against shareholders' interests. The annual general meeting is the highest decision-making body in the credit societies and the meeting is the backbone of the internal governance system. Elshahoubi (2019) revealed that there has to be separation of ownership between the board members and management as the principal-agent relationship needs this. For management purposes, good corporate governance practices must be encouraged and cultivated. In most cases, principals are in desperate need of funds, while agents are anxious about wage increases (Chigudu, 2018).

A study by Rashid (2018) sought to explore the relationship existing between a board's independence and the performance of quoted firms in Bangladesh was anchored on agency theory. Therefore, proper management of agency costs can help improve the market share and overall financial performance of the firm (Jensen & Meckling1976)

Agency cost is measured as monitoring costs, residual costs, and bonding costs. To reduce the agency's fees, the management, through the corporate governance mechanism, should identify the causes of agency conflicts. Effective governance mechanisms and framework guarantee that the management act in principal's best interest and thus improve the firm's financial performance. This notion is therefore crucial in this study as it explains how the financial performance of the farmers' cooperative societies can be improved. Hence, it supports the dependent variable of the research and the second objective of board independence. Also, it is important because it will explain the importance of the agency relationship between directors and the shareholders.

2.2.2 Stakeholder Theory

Stakeholder theory was first described by Dr. F. Edward Freeman in 1984. The stakeholder theory postulates that the main responsibility of managers, including the board of directors, is to oblige to the stakeholders' interest in the best way possible, using the resources of the cooperative societies to increase the stakeholders' wealth through the enhancement of profits. In addition, the theorists assert that upholding such behavior within the constraints of the legal frameworks and without fraud will be helpful for society as a whole. Freeman, Wicks, and Parmar (2004) noted that through stakeholder's theory, there were expectations that firms would make efforts meant to mitigate conflicts among board members. Further, the theory incorporates all the interests of other parties that depend on the firm.

The stakeholder theory is premised on four things, the firm has relationship with many groups who affect and are affected by its decisions, the processes and outcomes of these relationships are necessary for the growth and survival of the firm, interests of all legitimate stakeholders have intrinsic value and none of the group or individual is assumed to supersede the other, and managerial decision making within the firm is vital (Solomon, 2020). The theory does acknowledge that these relationships do change over time and it is upon the management to shape and influence these relationships for value creation. When conflict arise with a group of stakeholders the management is called upon to rethink the issue and make decisions that addresses the needs of a broad group as well as make tradeoffs when need be (Freudenreich, Lüdeke-Freund & Schaltegger, 2020).

Stakeholder theory emphasizes the importance of considering the interests and impacts of all stakeholders but not just shareholders when making business decisions. This perspective has significant implications for the board composition. The theory factors in the dimension of diversity by incorporating members with varied backgrounds and experiences. This will foster the boards in better understanding and addressing the needs of different stakeholder groups, including employees, customers, suppliers, and the community at large (Stoelhorst, & Vishwanathan, 2024).

This theory tends to address the concerns of board independence, board responsibility and board responsibility which are principle to this study. The information sharing with the stakeholders and especially on its performance is vital as it allays fears and uncertainty. The co-opting of the boards and boards committee takes care of those affected and affecting the organizational decisions thus giving them an opportunity to share their ideas on strategy development and an opportunity to utilize their technical skills (Garas & ElMassah, 2018).

Mutuku (2016) adopted the theory while conducting an examination on the effects of effective corporate governance (CG) on Sacco's financial performance at Athi River in Machakos County. According to the research study, good corporate governance is meant to maximize the creation of wealth for the whole corporation. Stakeholders are individuals or any group who affects the achievement of organizational objectives. Therefore, organizations are affected by a set of interest groups, such as organizations that are board members. The board composition is core to the organization's performance or success of the corporation.

Stakeholder theory has been criticized by some scholars, such as Blattberg and Charles (2004), who noted that stakeholder theory assumes the interest of several stakeholders who can be at best balanced against one another or compromised. Donaldson and Preston (1995) also argued that the theory failed to differentiate between various stakeholders and their essential contributions to the firm. Further, the theory is critiqued for being too imprecise both in descriptive capacity and its instrumental utility. The high number of stakeholders inhibits the ability of the organization to incorporate all the views, opinions and advisories given by them such that an idea may be proposed and however good may not be implemented if the stakeholder occupies a lower position in the power matrix

Despite this criticism, various scholars have supported the theory of stakeholders by asserting that inside directors are more trustworthy to the firm's resources, thus leading to improvement of a firm's performance because of information asymmetry (Nicholson & Kiel, 2007). In contrast, other scholars argued that internal directors have in-depth understanding of the firm, which creates awareness more on the valuable materials that can be put into use to improve the firm's performance (Donaldson, 1990). Therefore, this theory supported the second objective on the relationship between boards' independence and financial performance of farmers' cooperatives societies' financial performance.

2.2.3 Resource Dependency Theory.

Resource dependence theory (RDT) was founded by Salancikin and Pfeffer in 1978. RDT is grounded on the corporation's principle that it engages in transactions with other firms or actors to obtain resources. Such transaction may have advantages to the organization; however, specific resources that the organization may need could be scarce and hence not readily obtainable. The proponents of RDT believe that organizations depend on resources that originate from the organizations' environment. These resources act as a source of power, and therefore legally independent organizations can rely on each other. Some of the resources the organizations rely on include labour, raw materials, and capital. However, these resources are inherently considered scarce, and therefore, they are supposed to move through the principle of scarcity and criticality. Thus, decision-making in the organization should be based on the organization's priorities, which greatly influence performance.

The Resource Dependency Theory plays a critical role in mobilizing the resources and managing them efficiently. The board of farmer's cooperative society also ensures that they have identified and managed risks which help in safeguarding the financial performance (Kessy, 2018). According to Rubino and Napoli (2020) Resource Dependency Theory emphasizes the importance of effective board governance in navigating resource dependencies. For farmers' cooperative societies, a responsible and proactive board can significantly enhance financial performance by securing resources, making strategic decisions, and engaging stakeholders effectively. This interplay will tend to ultimately influence the cooperative's ability to thrive in a competitive business environment.

The significant implication of resource dependency theory is establishing the organization's optimum structure in terms of the number of board members and the number of workers to be employed, production strategies and external links that the organization can use to reduce overdependence. The organization should also develop a broad strategy, including reliable internal structures, to enhance the firms' bargaining power in resource-related transactions to avoid such dependencies. In this case, it is the board's responsibility to ensure that the cooperative societies mobilize sufficient resources and develop structures and strategies to enable society to achieve its long-term goals. Such strategies include diversifying product lines, which will reduce society's dependence on other organizations and enhances its leverage and power.

This resource dependency theory underpinned the study by Sanni (2019). The RDT places emphasis on the responsibilities and role of the board of directors, and the management in creating synergies to reduce over-dependency, improve internal efficiencies and enhance the firms' financial performance. Therefore, this theory supports the objective on the relationship between board responsibility and the financial performance of farmers' cooperative societies.

2.3 Empirical Review

The previous studies conducted by different scholars on corporate governance, board composition, board independence, board responsibility, and financial performance are outlined in this section.

2.3.1 Board Composition and Financial Performance

The Board of directors in an organization plays an important role in ensuring there is effective corporate governance. Therefore, its formation needs to be responsive to prime functions such as supervisory and monitoring, preventing opportunistic behaviours from the executives, and providing advice to those involved in decision-making to improve firms' performance (Madhani, 2017).

According to Al-Shammari and Al-Saidi (2013), board composition is characterized by different indicators among them board diversity, board experience and board size. Further, Al-Shammari et al., (2013) noted that a properly constituted board is critical in achieving the firms' goals and objectives. It also enables the firm to achieve effectiveness and efficiencies in its operations. Moreover, a well-constituted board enhances the firm's image, thus attracting stakeholders' confidence and goodwill.

Majeed, Jun, Zia-ur-rehman, Mohsin and Rafiq (2020) examined on the effect of board composition and board size on the Bank’s financial performance in Chinese and Pakistani. The study focused on banks that were listed in China and Pakistan countries respectively. The study used financial statements and annual reports that were posted between the years 2009 and 2018. The study employed regression model to determine the relationship between independent and dependent variables, while the performance was measured using Return on Equity and Return on Asset.

From the analyzed data, it was revealed that board size coefficient value had a positive significant with Return on Asset and it had a negative significant on Return on Equity for the Pakistan’s banks. However, the findings revealed insignificant behaviour for banks listed in Pakistan. On the other hand, board size coefficient value indicated a positive relationship with Return on Asset and Return on Equity which was at 10 percent level. Further, board composition indicated a negative significant relationship with Return on Asset but insignificant relation with Return on Equity for listed banks in Pakistan.

However, the findings showed that board composition had insignificant relationship with Return on Equity and return On Asset on banks listed in China. The study used board size as an independent variable but the current study adopted it as an indicator of board composition.

Mlay, Temu and Mataba (2022) examined how board attributes influence Sacco's performance in Tanzania. The study mainly focused on the influence of gender diversity, board size, and board skills as the independent variables. The study employed an exploratory research design. The sample size comprised 225 respondents, and only 198 responded. In order to obtain data for analysis, structured questionnaires were administered to the respondents. The data was analyzed using factor analysis and further subjected to a multi-linear regression model. The findings from the analyzed data indicated that board size had a negative and insignificant relationship with performance, gender diversity revealed a positive and insignificant relationship with performance, and lastly, board skills positively and significantly influenced performance. The study focused on Saccos and adopted an exploratory research design. Therefore, the same research study is needed on farmers' cooperative societies and adopts a correlational research design.

Martín and Herrero (2018) studied the boards of director’s composition and its influence on performance of a business, estimated by Tobin's Q ratio and economic profitability. The study focused on three basic aspects of board composition; diversity, board size, and experience. Descriptive research design is employed in the research. The research period was between 2010 and 2015, and the sample was 49 respondents. Analysis of data was performed using multiple regression techniques. Regarding the firm's performance, it was indicated that board experience had an insignificant influence on its performance. In the other perspective, board size and diversity had positive influence on performance. The research study used 49 as sample size which is a small number and it might have not given accurate results and therefore, this study increased the sample size to 303 respondents.

George and Muiruri (2022) investigated the influence of corporate governance on micro finance institutions financial performance Inkingi limited, Rwanda. The study specifically focused on diversity, board size and chief executive officer duality. The study adopted correlational research design. The target population was comprised of 35 employees and 11 board members. Face to face and self-administered questionnaires were used to collect primary data. To analyze data descriptive and inferential statistics were employed and where board size indicated a positive correlation with financial performance. While diversity had insignificant relationship with performance. The study concluded that board size is important factor that need to be considered for better improvement of corporate governance. The study was conducted in financial institution while this study was conducted in farmers' cooperative societies.

Chemweno (2016) explored on the relationship between board diversity and performance of firms quoted in NSE. Specifically, the research focused on board age, cultural diversity, and gender diversity while performance was evaluated using return on asset. The research study employed a quantitative research design, and data were obtained from 42 firms. Secondary data was obtained from the annual financial report. This was analysed using panel data estimation methods. The findings concluded that board diversity had a statistically insignificant correlation with firms' performance. The study's unit of analysis was firms listed in NSE, while this study used farmers' cooperative societies.

A study by Mutuku (2016) explored on the relationship between Corporate Governance and Athi River town financial performance in the County of Machakos, Kenya. The study was anchored on shareholders, stakeholders, and agency theory. The descriptive research design was adopted in the examination and the population target comprised of 101 cooperative societies. A size sample of 33 was selected from the population target using stratified random. Primary information was obtained by administering the semi-structured questionnaire. The obtained data were statistically and descriptively analyzed. Study findings showed that board composition strongly correlated with Sacco's financial performance. The study was conducted in Saccos and adopted a descriptive research design; however, this study was carried out in farmers' cooperative societies and it adopted a correlational research design.

2.3.2 Board Independence and Financial Performance

Board independence refers to a situation where board members have no any other linkage with the firm apart from playing the roles of mere directors. Independent directors must exercise management which is free fair without interference from other quarters. This will help board members to exercise their roles freely (Ferrero-Ferrero, Maria & Munoz-Torres, 2016). According to Daghsni, Zouhayer and Mbarek (2016) board independence is a factor that influences the effectiveness of board to minimize the discretionary of managers and chief executive officers.

According to Hamid and Purbawangsa (2022) board independence refers to the degree to which a company's board of directors is composed of members who do not have a material relationship with the company, its executives, or its major shareholders. This independence is crucial for ensuring that the board can effectively oversee management and act in the best interests of shareholders. Pearse, Langa and Clinton (2022) the board requires the combination of executive and non-executive directors to pursue the shareholders' interest. The non-executive directors on the board will not be able to exercise their duties effectively, unless they are independence from management and ensure they provides unbiased business judgment.

A study by Rashid (2018) sought to explore the relationship between board independence and performance of listed corporations in Bangladesh. The study was anchored on agency theory. Cross-sectional research design was implemented where the samples size was 857 respondents who were selected from 135 firms. Secondary fact was obtained from annual financial report between the years 2000-2011. Data was analyzed using simultaneous equation method. The outcomes established that board independence had negative influence on listed firms' performance. As the study concluded, board independence has proved to be a crucial aspect of corporate governance in developing countries; however, it is still a delusion in Bangladesh. This study focused on performance of firms listed in Bangladesh while this study focused on financial performance of Kenya's farmers' cooperative societies.

A study by Khan, Saleem, Ud Din and Yar Khan (2024) sought to establish nexus between boardroom independence and listed non financial company's financial performance in Pakistan. The study adopted sample size of 152 firms listed at the Pakistan Stock Exchange between the period 2003 and 2018. Independent variables were determined by the proportion of no-executive directors while dependent variable was measured using Return on Asset, Return on Equity, Tobin's Q and market to book ratio. The Dynamic GMM approach was adopted to determine the possibility of endogeneity. It was revealed that there was a significant negative relationship between boardroom independence and financial performance of non financial companies listed in Pakistan Stock Exchange. This was due to close connections with outside directors who were non executive directors. The study focused on Return on Asset, Return on Equity, Tobin's Q and market to book ratio as the indicators determining performance whiel this study used sales growth and Return on Assets.

Yekini et al., (2015) studied the effect of board independence on the quality of disclosure of annual financial reports by UK FTSE 350 companies. The research study adopted an ex post facto research design. The examination was performed by adopting both panel data and content analysis. The analyzed data established that boards' independence and disclosure of information had a significant relationship with non-executive directors. According to these findings, non-executive directors are most likely to disclose knowledge that can support the improvement of the firms' performance. The study was carried out in a more developed country and focused on FTSE 350 countries. In contrast, this study was carried out in Kenya and focus on farmers' cooperative societies.

Asare, Muah, Frimpong and Anyass (2023) sought to explore the effect of board structure and banks' financial performance in Africa. The study specifically focused on board independence, board size, and board diversity. The 366 banks, which were picked from 26 countries in Africa, formed the sample size for the study. Data obtained was between 2007 and 2015. The study used moment and ordinary least square panels to estimate the panel regression. The results indicated that board independence negatively and significantly had a relationship with the financial performance of banks. Board diversity and board size indicated an insignificant relationship with banks' financial performance. The current study will focus on farmers' cooperative societies and will rely on primary data, unlike this study, which was conducted in banks and mainly adopted secondary data.

Oludele, Margret and Tobiah (2016) investigated the relationship between board independence and the financial performance of listed manufacturing companies in Nigeria was investigated in this study. The study target population comprised 74 companies in Nigerian manufacturing sector. The study adopted purposive sampling to sample 34 companies which represented the study population. Primary and secondary data were used in the research. Secondary data were obtained from the chosen companies ' published financial statements while primary data were obtained from the 170 participants from the chosen 34 firms using the questionnaire. The results of the research indicated that the board independence and economic results of listed manufacturing firms in Nigeria have an important favourable linear connection.

Ndiwalana, Ssekakubo and Lwanga (2017) carried a study to access the impacts of board independence on Sacco's financial performance in Uganda. The study used external directors as one of the measurements of corporate governance. The research adopted cross-sectional design. 59 respondents were selected from a target population of 69 employees through simple random technique. Semi structured questionnaires were deployed to obtain primary data. Analysis of data was done using factor analysis, correlation and multiple regression analyses. The study findings on external directors indicated weak significant relationship with performance. In general, the findings revealed that board independence had insignificant influence on financial performance of Saccos. The research adopted cross-sectional research design while this study adopted a correlational research design.

A study by Wangui (2019) assessed the relationship that existed between corporate governance, and savings credit co-operative society performance in the county of Nairobi. The independent variable for the study included; board structure, members' participation and board committees' nomination. The study adopted descriptive research design targeting 40 savings and credit co-operative society in Nairobi County. Questionnaires were administered to collect primary data. Both descriptive and inferential statistics were employed to analyze data. To determine the relationship between the independent and depend variable, multiple regression analysis was used. The study finding illustrated that nomination committee procedure had positive insignificant relationship with performance. The study was conducted in Nairobi County which is also the capital city of Kenya while this study was carried in Kericho County which is predominantly farmers' region.

Odek and Anyira (2017) conducted a study to determine the influence of corporate governance on KITE Savings and Credit Co-operative Society financial performance, Kisumu County, Kenya. The researcher adopted stakeholder's theory to guide the study. The research study employed causal examination approach and the sample size of 19 respondents were used. Content analysis was employed to gather secondary data while open and closed ended questionnaire was employed to obtain primary fact. Analysis of data was established by employing inferential and descriptive statistics. It was discovered that non-executive directors had a positive influence on financial performance. The study recommended that societies need to have non-executive directors who can carry their roles and functions freely. However, despite the study findings, this study focused on financial performance of farmers' cooperative societies in Kenya.

2.3.3 Board Responsibility and Financial Performance

The primary role and responsibility of the board are to make plans and strategies for the short and long-term objectives of organizations (Kyere & Ausloos, 2021). According to McLeod, Shilbury and Ferkins (2021), the board ought to have a mechanism that will monitor the organization's progress against its objectives. The board should also develop a conducive working environment with the managers to guarantee that activities are carried out efficiently. Organizations run efficiently when the senior management holds a similar perspective to the board of directors on strategy, risk management and priorities.

Previous studies on the relationship between corporate governance have suggested several ways in which boards influence the financial performance of SACCOS, and other organizations (Payne, Benson & Finegold, 2017).

The role of the board responsibility towards financial performance of cooperative societies has been identified as; offering strategic direction, establishing external resources networks, monitoring function and maintaining positive corporate image (Ahmed & Rugami, 2019). The board has been considered as the mechanism that drives internal corporate governance within the organization thus playing the crucial role of supporting and providing direction on the internal control systems as well as a functional monitoring role (Solomon, 2020). This therefore means that all the boards of dairy societies are elected by members to spearhead the affairs of the organizations, thus it belies on them to shepherd the organization towards financial success.

Salin, Ismail and Smith (2024) explored the influence of board responsibility on corporate performance in Malaysia. The study picked the 500 top companies quoted on the Stock Exchange in Malaysia in the year 2013. However, some companies were not considered in this study, such as those companies from the finance and banking sector, delisted companies and newly quoted companies. Therefore, only 437 companies were used in the study. The data was collected in the years 2013 and 2014. Secondary data was employed to collect data from the annual reports of the quoted companies. The data was analyzed descriptively and inferentially.

The findings showed that sustainable policies positively and significantly influenced corporate performance. The results also revealed that board function, board charter, and information accessibility by the directors did not have any significant relationship with the company's performance. The study concluded that board responsibility did not influence the performance of the company. The study used policies, board charter, board function and board information accessibility as the indicators of board responsibility. In contrast, the current study used management resources, risk management and fiduciary duty as the main indicators of board responsibility.

A study conducted in Ethiopia by Abebe Zelalem, Ali Abebe and Wodajo Bezabih (2022) sought to examine the impact of corporate governance on insurance companies' performance. Financial disclosure, board remuneration, board size, and management soundness were used as dimensions of corporate governance. The study relied on exploratory design. Nine companies were used to obtain secondary data between 2012 and 2020. Further, the study employed random effects estimation techniques to determine the significance of the variables. The outcome indicated that management soundness, financial disclosure, board remuneration and board size positively and significantly influenced the financial performance of the insurance companies. The study used financial disclosure and management soundness as fiduciary duty. In contrast, the current study used fiduciary duty as a dimension of board responsibility to determine its relationship with the financial performance of farmers' cooperative societies in Kericho County, Kenya.

Sanni (2019) sought to establish the effects of board independence and risk management on listed banks' financial performance at the Nigeria stock exchange. The study was underpinned by resource dependency theory. The study used a correlational research design, and the study's population target was 14 listed banks. A size sample of 12 banks was reached using a three-point filter. Data were obtained from annual financial statements for the years between 2009 and 2018. The random effect multiple regression techniques were employed to evaluate data where the findings indicated that risk management had a negative significant influence on the bank's financial performance. It was recommended that banks employ qualified personnel who can analyze risks and come up with risk management strategies that will mitigate market risks. There is a need to carry out another study using the same research design but focusing on farmers' cooperative societies in Kenya. The study used both board independence and risk management. In contrast, the current study will adopt risk management as one of the indicators of board responsibility.

In Uganda, a study was conducted by Benon, Moses, Francisis, Mpora and Cliff (2024) sought to assess the impact of board risk management on selected Sacco's performance in Kiruhura District. A cross-sectional survey design was employed with a sample of 184 who were members and staff from 6 Saccos. Primary sources were used to collect primary data, and the research instrument for data collection was a questionnaire. Descriptive statistics and SEM were used to analyze data with the help of spss 20.0 and Jaffrey's amazing statistics program, respectively. The study findings revealed that board risk management positively and significantly influenced performance. The study used only 184 respondents from 6 Saccos, while the current study increased the sample size to 303 respondents from 51 farmers' cooperative societies in Kericho, Kenya.

Emmanuel (2021) sought to explore the governance factors influencing dairy cooperative society's financial performance in the county of Meru. The main variables under study included board responsibility, risk management, internal controls, transparency and disclosure. Risk management was one of the board responsibility indicators. The research study was guided the stakeholders and stewardship theory. A descriptive research design was utilized where purposive sampling was employed to generate a sample of seventy-two participants and semi structured questionnaires were used to collect primary data. Descriptive statistics and an ordinary linear regression model were adapted to analyze the data.

The findings showed that board responsibility, risk management, transparency and disclosure, and internal controls influenced dairy cooperatives societies' financial performance. It was recommended that dairy cooperative societies implement and adhere to risk management practices, internal controls, and transparency and disclosure regulations. This study considered board responsibility as an independent variable and risk management as its measuring indicator. Therefore, this study narrowed down to a specific corporate governance practice that was determined by various indicators.

The study by Wanjohi, Wanjohi and Ndambiri (2017) examined on the role of risk management on financial performance of Savings and Credit Co-operative Societies in Kenya. The study was anchored on a case study of Deposit Taking Savings and Credit Co-operative Societies in Kirinyaga County, Kenya. This study employed mixed research design where causal and descriptive research designs were adopted. The study used six Deposit Taking Savings and Credit Co-operative Societies which were registered by

Savings and Credit Co-operative Societies Regulatory Authority between the periods 2011 to 2014 in the county of Kirinyaga. Due to a small number of societies, census was suitable for the study. Primary and secondary data was collected where secondary data was accessed from published Savings and Credit Co-operative Societies Annual Financial Statements and Reports and from Savings and Credit Co-operative Societies Supervision Annual Reports. This study established that majority of Deposit Taking Savings and Credit Co-operative Societies were practicing good risk management practices and it also recommends the application of newer techniques for risk measurement like simulation techniques, risk adjusted techniques and value at risk.

Kamau, Aosa, Michuki and Pokhariyal (2018) performed a study in Kenya which focused on how corporate governance and the strategic choice influenced financial institutions' performance. The study used a cross-sectional research design where primary data was obtained from 108 executives of the financial institutions. Regression analysis was used for data evaluation, and the outcomes indicated that top executives and strategic choices significantly affected institutions' performance. The study affirmed that despite corporate governance being a core determinant of performance, appropriate strategic choice and executives' fiduciary duty enhances performance too.

2.3.4 Financial Performance

Financial performance is an independent indicator of accountability of an organization for the outcome arising from its operations, policies, and practices measured for a certain period and in financial terms (Chbib & Page, 2020). There are several perspectives on financial performance, and when considered together, they provide a comprehensive understanding of an organization's achievements with the expected accountability.

Organisational performance is a measure of organization results within a specified operational period often referred to as an accounting period. It’s basically a measure of overall financial or otherwise health of an institution over a given period of time (Gartenberg, Prat & Serafeim, 2019). Performance is generally viewed from two perspectives: financial and non-financial (Eccles, Ioannou & Serafeim, 2014). Non-financial measures focus on Non-financial 5 elements of the firm such as efficiency and effectiveness of the management in achieving organisational goals. These measures are often adopted by non-trading organisations such as Non-governmental organisations, trade unions, government entities and other social organisations such as schools and church. No financial measures include customer satisfaction, efficiency effectiveness and employee commitment (Nguyen, Ntim & Malagila, 2020).

Financial performance is a subjective measure of how effectively and efficiently a firm has used the assets at its disposal to generate revenue from its business activities. Financial measures include firm value, profitability return on assets, return on shareholders’ equity liquidity level and so on. These financial indicators measure the result of a farm’s policies and operations in monetary terms through operating income, earnings before interest and tax and net asset value. This performance could be evaluated from a short-term or long-term horizon (Onwuka, Okoro & Onodugo, 2019).

Kimetto (2018), assert that financial performance is a measure that indicates how an organization can well utilize assets from its indigenous nature to produce profits. The term is also employed to indicate the firm's general financial position over a period given. It can also be utilized to compare corporations, industries, or economic sectors (Otieno, Mugo, Njeje & Kimathi, 2015).

Al-ahdal et al., (2020) recognize several ways of determining and measuring the organizational financial performance. However, the entire indicator should be considered in aggregation. Chbib and Page (2020) indicate that line items comprising of cashflow, operating income from organization activities, revenue from operations, and aggregate sales can be used to show how well the organization is doing. In addition, the stakeholders may dig deeper into the financial records and examine the margin growth rates or any increase or decrease in debts.

Mohammed (2020) recommends using market-based measures of performance such as the market value of the firms' equity which is divided by the book value of equity and Tobin's Q. Pintea, Pop, Gavriletea, and Sechel (2020) studied the effects of CG on listed companies' financial performance in Romania. They relied on econometric analysis to estimate the influence of corporate governance indicators on financial performance. The examination used Tobin's Q, ROA, ROE, total shareholder returns (TSR) and economic value added (EVA). The regression models revealed an insignificant effect on ROE, ROA, TSR, and EVA. However, there was a note worth effect on the rate of Tobin's Q. This study measured financial performance using sales return, and return on assets.

Musuya (2014) studied the relationship between corporate governance techniques and coffee farmers' cooperative societies' financial performance in Kenya. The study adopted Return on asset Cash Coverage Ratio as an indicator for measuring financial performance. It was found that corporate governance resulted in a low Return on assets. This study measured financial performance using sales return and return on assets.

2.4 Conceptual Framework

This is a diagrammatic representation which helps to explain the relationship existing between the research variables. Figure 2.1 indicates the relationship between corporate governance (independent variables) and financial performance (dependent variable). The independent variables were board composition, board independence and board responsibility. Board composition was measured using diversity, experience and board size indicators. Board independence variable was measured by executive directors, outside directors and nomination procedure indicators. Management of resources, risk management and fiduciary duty indicators were used to measure board responsibility. On the other hand, dependent variable that is financial performance was measured using sales growth and return on assets.

INDEPENDENT VARIABLES

Corporate Governance

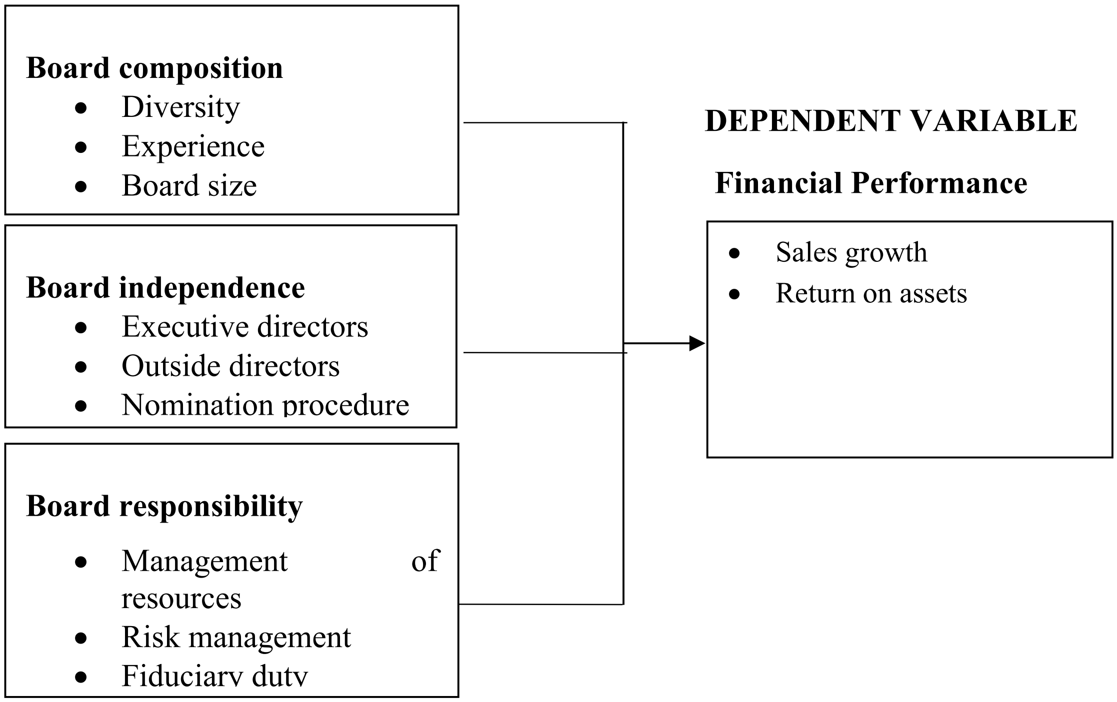

Figure 2.1 Conceptual Framework

Source: Author's own conceptualization

2.5 Identification of the Knowledge Gap

Previous section studied pertinent literature from scholars who studied different organizations' corporate governance and financial performance. However, after doing a detailed review of empirical studies in different countries through different years using different research methods, it is evident that the results are inconsistent. Some studies have established positive, negative and no relationship existing between corporate governance (CG) and financial performance.

As observed, majority of the studies adopted descriptive research design, exploratory research design, survey research design, and ex post facto research design (Emmanuel, (2021); Mlay, Temu & Mataba, (2022); (Rashid, 2018); (Yekini et al., 2015) respectively. It has been revealed that majority of the studies relied on secondary data or both primary and secondary data (Chemweno, 2016). The data was analyzed using descriptive and inferential statistics, panel and content data analysis (Benon et al., 2024). However, this study adopted a correlational research design, where primary data was sought using structured questionnaire. Content analysis was employed to analyze and test the respondents' opinions on the other hand descriptive statistics was used to assess the mean, frequencies and standard deviation and inferentially to assess the cause and influence association between the research variables using correlation multiple regression analysis.

Therefore, it is necessary to conduct further studies to unravel the controversies surrounding the inconsistencies and establish the relationship between corporate governance and financial performance. Therefore, the study targeted specific firms, such as farmers' cooperative societies, which have scant literature, especially after the recent covid-19 pandemic that has led to the economy's shrinking. Specifically, the study assessed the relationship between board composition, board independence and board responsibility and financial performance of farmers’ cooperative societies in Kericho County, Kenya.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section contains the research design that the study adopted, the location of the study, the target population, sample and sampling techniques that were adopted, instruments that were employed during collection of data exercise, the reliability, validity, data collection procedures, data analysis, presentation, and ethical issues that were taken into account.

3.2 Research Design

This is a plan or strategy that the researcher adopted in collecting, analyzing, and presenting data. The obtained data was then utilized to test the study's hypothesis or answer a specific research question (Kothari, 2008). The study adopted a correlational research design. This was suitable because the aim of the study was to examine the nature and relationship between the independent and dependent variables without manipulating them. Seeram (2019) recommends using a correlational research design when testing the correlation between the independent and dependent variables without manipulating any of the variables. The technique is also appropriate for this research study because it allows quantitative methods to test the research hypothesis.

3.3 Location of the Study

This study was carried out in Kericho County which is found in the south rift region of Kenya (0.4°S 35.3°E). The county is boarded by five other counties, namely; Bomet, Nyamira, Kisii, Nakuru, and Kisumu. The area covers 2,454.5 km2 with a total population of 901,777 (Census, 2019). The study location was purposively selected for this study because it has the largest number of farmers' cooperative societies. At the same time, it is the region where most farmers' cooperative societies have been dissolved due to poor management issues.

3.4 Target Population of the Study

This refers to the complete elements or people from which a sample may be drawn for the study. According to Stafford (2020), a target population is a group of people or elements with common behaviour, interests and demographics. The targeted population was all the management of the registered farmer cooperative societies. This will include; the accounting officers, auditors, CEOs, directors, employees and managers from the 51 farmers' cooperative societies that have been licensed by Kericho county government.

Table 3.1

Target Population

Category	Target Population
Accounting officers	549
Auditors	51
CEO	51
Directors	183
Employees	305
Managers	122
Total	**1,261**

Source: Ministry of Cooperatives, Kericho County (2022)

3.5 Sampling Technique

These are methods adopted in selecting or picking a subset of items, objects, or persons from a large population, and they enable the researcher to make inferences about the whole population. The right choice of sampling technique significantly affects the reliability and accuracy of the findings (Sarker & AL-Muaalemi, 2022). In this study stratified sampling technique was used to select participants for the study. The employees were divided into strata based on their working positions in the cooperative society.

The study's sample size was determined scientifically using Yamane's (1967) formula. formula is as outlined below;

$$n = \frac{N}{1 + N(e)^2}$$

In this case, n stands for the sample, N denotes the target population, and is the level of confidence (95%)

Hence,

$$\frac{1261}{1+1261(0.0025)} = \frac{1261}{4.1525} = 303 \text{ respondents}$$

A simple random sampling technique was used to select the respondents from different categories

Table 3.2

Sample size

Category	Target Population	Sample size
Accounting officers	549	132
Auditors	51	12
CEO	51	12
Directors	183	44
Employees	305	73
Managers	122	30
Total	**1,261**	**303**

3.6 Data Collection Instruments

The study used primary data to assess the relationship between corporate governance and financial performance of farmers' cooperative societies. Data from primary sources were obtained using structured questionnaires. Reichenheim and Bastos (2021) recommend using a questionnaire in a quantitative study of this nature because it makes it possible to collect data from a large sample using limited resources such as time and money.

3.6.1 Validity of Data Collection Instrument

The instrument validity assesses how well a data collection research instrument measures what it purports to measure (Kunkels, van Roon, Wichers & Riese, 2021). Before collecting data, the researcher examined the construct, content and faces validity to establish whether the instrument was able to collect the required information. Face validity examined if the instrument or a test could measure a particular criterion, content validity examined whether the test covered a sample representative of the elements or behaviour to be evaluated and construct validity established the degree to which the instrument adequately measured a particular construct. Face and content validity were ensured through consultation with an identified panel of experts who are from the departments of accounting and finance, while construct validity was improved through doing a detailed literature review to select the items to be included in the instrument carefully.

3.6.2 Reliability of Data Collection Instrument

Reliability refers to consistency of research instruments when used over time (Kothari, 2008). According to Deakers and Schulte (2020), there are three approaches to assessing the reliability of an instrument, across research items (internal consistency), across different studies (inter-rater reliability and over a period of time (test-retest reliability). The study relied on Cronbach's alpha coefficient in testing the research items of internal consistency's reliability. Cronbach's alpha coefficient values range from 0-1, where a coefficient of 0.7 and above is considered sufficient for adoption (Mugenda & Mugenda, 2003). Data used to test the reliability was obtained from a pilot study using 10% (30 respondents) of the study's size sample (303) in farmers' cooperatives society in Kericho County who did not use the main study. From the analysis of internal consistency of the instrument, a Cronbach coefficient of 0.8999 was obtained and considered sufficient. The location of the pilot study was purposively selected because of the similar business and topographical environment that the farmers' cooperatives societies operate in.

3.7 Data Collection Procedure

The researcher obtained a clearance letter from the board of graduate studies University of Kabianga and used it to apply for a NACOSTI research permit. The researcher then sought an audience with the study participants upon which questionnaires were administered to them for filling and picked after the fifth day of delivery. Further, the management of different farmers' cooperative societies were served with a clearance letter from the University of Kabianga, a clearance letter from the county government, a clearance letter from the county commissioner, a clearance letter from the Ministry of

Education and a permit from NACOSTI. This assured the management that the information collected was to be used for academic purpose only. This technique was considered ideal for the study because it covered a wide scope, and therefore it ensured that data was obtained using the least time possible.

3.8 Data Analysis and Presentation

Once the research data had been obtained from the participants, the completeness of the questionnaires was assessed. Data cleaning was done before it was coded to the Statistical package of Social Science (SPSS 23.0) for analysis. Data was analyzed descriptively to assess the mean, frequencies, and standard deviation and inferentially to assess the cause and influence association between the research variables using correlation multiple regression analysis. The analyzed data was presented using frequency tables and a summary of correlation, regression, and an analysis of variance table.

The following regression model was adopted for inferential statistics:

$Y= \beta_0+\beta_iX_i+ \varepsilon$ ---(3.1)

Where;

β_0 represents the constant, X_i is the independent variable, ε represents the error term

The model was replicated for all the independent variables

The combined relationship model was given as

$Y= \beta_0+ \beta_1X_1+ \beta_2X_2+ \beta_3X_3+ \beta_4X_4+ \varepsilon$---(3.2)

In the above model,

Y represents the independent variable of financial performance, β_0 represents the constant, X_1 is the Board Composition variable, X_2 is the Board Independence variable, X_3 is the Board responsibility

$\beta 1$, $\beta 2$, and $\beta 3$ denote regression coefficients of this study's independent variables, and ε is the Stochastic Error term which represents all other variables that are not included in the model

3.9 Ethical Consideration

During the study, all ethical issues such as voluntary participation, informed consent, confidentiality, anonymity and assessment of only relevant study components were considered. Before commencement of field work, the student obtained a research permit from Board of graduate studies university of Kabianga (Appendix iii), authorization letter from NACOSTI (Appendix iv), and the county commissioner (Appendix v). This was used to assure the respondents of the study's intent. The respondents were approached and requested to participate voluntarily and allowed to withdraw from the exercise at will. Further, the respondents were informed that their identity will not be revealed during and after the study and that the data given was to be used solely for the study and thus will be protected.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

The results from data analysis are presented and discussed in detail in this section. The findings were discussed under three main areas; demographic data, descriptive data and inferential statistics. These data were presented using frequency, mean and standard deviation tables.

4.2 Response Rate

The researcher issued 303 questionnaires to the accessible respondents. However, 282 questionnaires duly filled were collected for subsequent data analysis. This translated to a response rate of 93%. As Mugenda and Mugenda (2013) recommended, a response rate of 75% and above is sufficient for quantitative studies. A summary of the response rate is provided in Table 4.1

Table 4.1

Response Rate

Response Rate	Sample size	Percentage
Returned Questionnaires	282	93
Not returned/incomplete	21	7
Total	303	100

4.3 Demographic Information

The study obtained information on the gender of the respondent, the age bracket of the respondent, the highest education level attained, the number of years worked in the organization, and the Position of the Respondent in the Cooperative Society. The findings are presented in Tables 4.3.1 to Table 4.3.5.

4.3.1 Gender of the Respondent

They assessed the distribution of the gender of the respondents who participated in the study. The findings are presented in Table 4.2 below.

Table 4.2

Gender of the respondent

Gender		Frequency	Per cent
Valid	Male	145	51.4
	Female	137	48.6
	Total	282	100.0

The distribution of respondents' gender, as shown in Table 4.2, indicates that 51.4% were male, while 48.6% were female. This suggests that both genders were well-represented in the study, ensuring there was no gender bias. However, according to the figures males slightly outnumber females and this sample indicates a marginally male-dominated group.

4.3.2 The age bracket of the respondent

The study examined the age distribution of the respondents who participated in the study. The findings are presented in Table 4.3 below.

Table 4.3

The age bracket of the respondent

	Age	Frequency	Per cent
Valid	30 Years and Below	43	15.2
	31-40 Years	62	22.0
	41-50 Years	64	22.7
	51-60 Years	68	24.1
	61 Years and Above	45	16.0
	Total	282	100.0

The age distribution of the respondents, as shown in Table 4.3, revealed that 15.2% were below 30 years old. The age group has the smallest proportion of the sample. It indicates that younger individuals (under 30) are relatively underrepresented in this the farmer cooperative societies. The 22% were between 31 and 40 years, where the group accounted for a notable portion of the employees suggesting that early to mid career employees are more prevalent.

The 22.7% were between 41 and 50 years, indicating that individuals in their 40s are well represented, likely reflecting a stable workforce demographic. On the other hand, 24.1%

were between 51 and 60 years, this is the largest age group, suggesting that middle-aged individuals are the most represented in the cooperative societies. This may reflect a trend of increased participation or stability in employment in this age range. Then lastly, 16% were over 61 years, this shows decrease in representation compared to other age brackets and this may indicate retirement trends or reduced participation rates among older individuals. In general, the distribution suggests that all age groups were well represented in the study.

4.3.3 The highest level of education attained

The study examined the highest level of education attained by the participants in the study. The findings are presented in Table 4.4 below.

Table 4.4:

The highest education level attained

	Education level	Frequency	Per cent
Valid	KCSE Level	49	17.4
	Certificate Level	87	30.9
	Diploma Level	92	32.6
	Undergraduate Level and above	54	19.1
	Total	282	100.0

The findings presented in Table 4.4 indicate that the majority of the respondents in this study, 32.6%, had obtained a diploma as their highest level of education. 30.9% of the respondents had obtained a certificate while 19.1% had obtained an undergraduate and above qualifications, and 17.4% had only completed high school. These findings imply that the respondents could read and comprehend the items in the data collection instrument.

4.3.4 The number of years worked in the organization

The study examined the number of years worked in the organization by the participants in the study. The findings are presented in Table 4.5 below.

Table 4.5

Number of years worked in the organization

	Number of years	Frequency	Per cent
Valid	Below 6 Years	101	35.8
	6-10 Years	112	39.7
	11-15 Years	41	14.5
	Above 15 Years	28	9.9
	Total	282	100.0

The findings presented in Table 4.5 revealed that 39.7% of the respondents had worked in the cooperative society for a period between 6 and 10 years. 35.8% had worked in the cooperative society for less than six years while 14.5% had worked for a period between 11 and 15 years while 9.9% of the respondents had worked for more than 153 years.

4.3.5 Position of the Respondent in the Cooperative Society

The study examined the Position of the Respondents who participated in the study. The findings are presented in Table 4.6 below.

Table 4.6

Position of the Respondent in the Sacco

	Position	Frequency	Per cent
Valid	Top Level Management	45	16.0
	Middle-Level Management	132	46.8
	Lower-Level Management	105	37.2
	Total	282	100.0

Table 4.6 reveals that 46.8% of the respondents belonged to middle-level management, 37.2% worked at lower-level management, and 16% worked at top-level management at the various cooperative societies. According to the findings, it could be said that the dominance of middle-level management may imply that the farmers' cooperative societies focuses on operational efficiency and execution of top level management strategies. on the other hand, substantial number of first level managers shows some emphasis on direct supervision and management of day-to-day activities.

4.4 Descriptive Statistics

The study sought to evaluate the influence of board independence, board composition, and board responsibility on the financial performance of farmers' cooperative societies. A five-point Likert scale was used to represent the extent to which the respondents agreed with the statements or opinions on the various predictor variables. In the Likert scale 1 = Strongly Agree, 2=Agree, 3=Neutral, 4=Disagree, 5=Strongly Disagree. The findings were summarized and presented using frequency, mean and standard deviation tables.

4.4.1 Board Composition and Financial Performance

The study assessed the relationship between Board Composition and Financial Performance. The findings' frequencies, mean, and standard deviation are tabulated in Table 4.7.

Table 4.7:

Board Composition and Financial Performance

Statement on Board Composition	(SD)	(D)	(N)	(A)	(SA)	M	SD
Board diversity contributes to a wide variety of opinions, enhancing effective farmers' cooperative society financial performance.	15(5.3)		16(5.7)	168(59.6)	83(29.4)	4.081	0.909
Directors of cooperative societies have the necessary experience in conducting their mandates that affect farmers' cooperative societies' financial performance.	23(8.2)	23(8.2)	24(8.5)	113(40)	99(35.1)	3.589	1.217
The size of the board enhances decision-making, which contributes to improvement in the financial performance of the farmers' cooperative society.		39(13.8)	31(11)	107(37.9)	105(37.2)	3.985	1.019
The variations of board tenure contribute to the systematic implementation of decisions, leading to increased financial performance.	8(2.8)	21(7.4)	16(5.7)	130(46.1)	107(37.9)	4.089	0.992
Board composition has led to an increase in sales revenue.	8(2.8)	24(8.5)	31(11)	134(47.5)	85(30.1)	3.936	1.003

The findings presented in Table 4.7 show that board diversity contributes to a wide range of opinions, enhancing the financial performance of farmers' cooperative societies. Specifically, 15 respondents (5.3%) strongly disagreed with this view, 16 (5.7%) were neutral, 168 (59.6%) agreed, and 83 (29.4%) strongly agreed.

These responses resulted in a mean score of 4.081 and a standard deviation of 0.909. Regarding the experience of cooperative society directors in fulfilling their mandates, 23 respondents (8.2%) strongly disagreed that directors have the necessary experience affecting financial performance, another 23 (8.2%) disagreed, 24 (8.5%) were neutral, 113 (40%) agreed, and 99 (35.1%) strongly agreed. This led to a mean of 3.589 and a standard deviation of 1.217. The study also assessed whether board size enhances decision-making, thereby improving the financial performance of farmers' cooperative societies. Here, 39 respondents (13.8%) disagreed, 31 (11%) were neutral, 107 (37.9%) agreed, and 105 (37.2%) strongly agreed, with a mean of 3.985 and a standard deviation of 1.019.

In examining whether variations in board tenure contribute to the systematic implementation of decisions, which could increase financial performance, 8 respondents (2.8%) strongly disagreed, 21 (7.4%) disagreed, 16 (5.7%) were neutral, 130 (46.1%) agreed, and 107 (37.9%) strongly agreed, resulting in a mean of 4.089 and a standard deviation of 0.992. Finally, on the statement that board composition leads to an increase in sales revenue, 8 respondents (2.8%) strongly disagreed, 24 (8.5%) disagreed, 31 (11%) were neutral, 134 (47.5%) agreed, and 85 (30.1%) strongly agreed. This yielded a mean of 3.936 and a standard deviation of 1.003.

These findings align with those of Chemweno (2016) and Martín and Herrero (2018), who found that board size and diversity positively, influence performance. However, the results differ from those of Mlay, Temu, and Mataba (2022), which indicated that board size had a negative significance. Similarly, George and Muiruri (2022) concluded that board diversity had a statistically insignificant relationship with firm performance, which contradicts the findings of this study.

4.4.2 Board Independence and Financial Performance

The study assessed the relationship between Board Independence and Financial Performance. The findings' frequencies, mean, and standard deviation are tabulated in Table 4.8.

Table 4.8

Board Independence and Financial Performance

Statement on Board Independence	(SD)	(D)	(N)	(A)	(SA)	M	SD
Executive directors are involved in monitoring and evaluation of the farmers' cooperative society functions.		47(16.7)	47(16.7)	105(37.2)	83(29.4)	3.79	1.04
Outside directors of the society ensure that stakeholders get maximum returns from their investment.		7(2.5)	24(8.5)	144(51.1)	107(37.9)	4.24	0.71
The farmers' cooperative society adheres to the nomination procedure when selecting committee members.	8(2.8)	23(8.2)	53(18.8)	153(54.3)	45(16)	3.72	0.92
The external directors of the society are not involved in the day-to-day running of the affairs of the farmers' cooperative society.		30(10.6)	8(2.8)	137(48.6)	107(37.9)	4.13	0.90
Cooperative society board independence has led to an increase in assets.	8(2.8)	15(5.3)	16(5.7)	119(42.2)	124(44)	4.19	0.96

The findings in Table 4.8 revealed that executive directors were involved in monitoring and evaluating the farmers' cooperative society functions. This was indicated by 83(29.4%) who strongly agreed to the statement, 105(37.2%) of the respondents who agreed to that statement, 47(16.7%) remained neutral, and 47(16.7%) disagreed with that.

These frequencies translated to a mean of 3.79 and a standard deviation 1.04. On the statement if the outside directors of the society ensure that stakeholders get maximum returns from their investment, 7(2.5%) of the respondents disagreed with that opinion, 24(8.5%) remained neutral, 144(51.1%) agreed, and 107(37.9%) of the respondents strongly agreed with the statement translating to a mean of 4.24 and a standard deviation of 0.71.

Further, the respondents were asked as to whether the farmers' cooperative society adhered to the nomination procedure when selecting committee members; 8(2.8%) strongly disagreed with that opinion, 23(8.2%) disagreed, 53(18.8%) were neutral, while 153(54.3%) agreed and 45(16%) strongly agreed to the statement. This translated to a mean of 3.72 and a standard deviation of 0.92. the study also found that the external directors of the society were not involved in the day-to-day running of the affairs of the farmers' cooperative society. Most respondents indicated this, 107(37.9%) and 137(48.6%), strongly agreed and agreed with that statement, respectively. However, 30(10.6%) respondents disagreed with the statement, while 8(2.8%) remained neutral, with a mean of 4.13 and a standard deviation of 0.90.

Finally, majority of the respondents, 124(44%), strongly agreed that the Cooperative Society board independence had increased assets. 119(42.2%) of the respondents agreed to the statement with 16(5.7%) of them remaining neutral while 8(2.8%) strongly disagreed and 15(5.3%) disagreeing to that opinion. This translated to a mean of 4.19 and a standard deviation of0.96. in conclusion, the study found that most respondents agreed that board independence positively influences the financial performance of cooperative societies.

These findings are supported by Yekini et al., (2015), who established a significant relationship between board independence and financial performance. However, a study by Rashid (2018) established that board independence had a negative influence on listed firms' performance, while Ndiwalana, Ssekakubo and Lwanga (2017) revealed that board independence had an insignificant influence on the financial performance.

4.4.3 Board Responsibility and Financial Performance

The study assessed the relationship between Board Responsibility and Financial Performance. The findings' frequencies, mean, and standard deviation are tabulated in Table 4.9.

Table 4.9

Board Responsibility and Financial Performance

Statement on Board Responsibility	(SD)	(D)	(N)	(A)	(SA)	M	SD
The board's proper management of resources has contributed to the farmers' cooperative society's financial performance.	8(2.8)	31(11)	16(5.7)	128(45.4)	99(35.1)	3.98	0.95
Risk management has contributed to the improved financial performance of farmers' cooperative societies.	8(2.8)	16(5.7)	31(11)	128(45.4)	99(35.1)	4.04	0.97
The board exerts fiduciary duty intelligently, leading to the improved financial performance of the farmers' cooperative society.	8(2.8)	16(5.7)	23(8.2)	103(36.5)	132(46.8)	4.18	1.00
The board frequently formulates management policies, which has led to improved farmers' cooperative society financial performance.	16(5.7)	15(5.3)	38(13.5)	109(38.7)	104(36.9)	3.95	0.88
The board advises the executive management and helps them make strategic decisions that have contributed to the financial performance of the farmers' cooperative society.	38(13.5)	46(16.3)	123(43.6)	75(26.6)		3.83	0.97
Board responsibility has contributed to the increase in annual net income of farmers' cooperative society	8(2.8)	15(5.3)	62(22)	129(45.7)	68(24.1)	3.83	0.95

The findings presented in Table 4.9 revealed that proper management of the resources of the cooperative society had contributed to the farmers' cooperative society's financial performance. This was indicated by the majority of the respondents, 128(45.4%), who agreed with that statement. 99 (35.1%) respondents strongly agreed, 16(5.7%) remained neutral while 8(2.8%) strongly disagreed, and 31(11%) disagreed.

This led to a mean of 3.98 and a standard deviation of 0.95. Risk management contributed to the improved financial performance of farmers' cooperative societies as indicated by the majority, 128(45.4%) respondents. On the same opinion 99(35.1%) of the respondents strongly agreed, 31(11%) remained neutral while 8(2.8%) strongly disagreed and 16(5.7%) disagreed. This resulted in a mean of 4.04 and a standard deviation of 0.97. On the statement as to whether the board exerts fiduciary duty intelligently, leading to the improved financial performance of the farmers' cooperative society, 132(46.8%) strongly agreed to that statement, 103(36.5%) agreed, 23(8.2%) remained neutral, 8(2.8%) strongly disagreed, and 16(5.7%) disagreed with a mean of 4.18 and standard deviation of 1.00.

Additionally, 109(38.7%) respondents agreed that the board frequently formulates management policies, which has improved farmers' cooperative society financial performance.104(36.9%) strongly agreed with the statement, 16(5.7%) respondents strongly disagreed, 15(5.3%) disagreed, and 38(13.5%) remained neutral, with a mean of 3.95 and a standard deviation of 0.88. Further, 123(43.6%) remained neutral, and 75(26.6%) agreed, respectively, that the board advises the executive management and helps them make strategic decisions that have contributed to the financial performance of the farmers' cooperative society.38(13.5%) respondents strongly disagreed with that assertion, while 46 (16.3%) disagreed, with a mean of 3.83 and a standard deviation of 0.97.

Finally, when asked if the board's responsibility has contributed to the increase in annual net income of farmers' cooperative society, 129(45.7%) respondents agreed to the statement, 68(24.1%) strongly agreed, 62(22%) remained neutral, and 8(2.8%) strongly disagreed. In comparison, 15(5.3%) respondents disagreed, with a mean of 3.83 and a standard deviation of 0.95. These findings can be supported by Abebe Zelalem et al., (2022) and Benon et al., (2024), who found a positive relationship between board responsibility and financial performance.

4.4.5 Financial Performance

The study sought to determine corporate governance's influence on the financial performance of farmers' cooperative societies. The frequencies, mean, and standard deviation of the findings are tabulated in Table 4.10.

Table 4.10

Financial Performance

Statement on Financial Performance	(SD)	(D)	(N)	(A)	(SA)	M	SD
Corporate governance has led to an increase in sales revenue.	8(2.8)	31(11)	31(11)	121(42.9)	91(32.3)	3.90	0.98
Corporate governance has contributed to an increase in profits.	8(2.8)		30(10.6)	105(37.2)	139(49.3)	4.30	0.87
Cooperative society's asset base has increased because of good corporate governance.	31(11)	46(16.3)	70(24.8)	82(29.1)	53(18.8)	3.28	0.85
Good corporate governance has contributed to cooperative society's diversification.		54(19.1)	46(16.3)	121(42.9)	61(21.6)	3.67	0.96
Corporate governance has led to an increase in share dividends.	24(8.5)	30(10.6)	46(16.3)	92(32.6)	90(31.9)	3.68	0.77

The findings presented in Table 4.10 revealed that good corporate governance in the farmers' cooperative societies in Kericho County led to increased sales revenue. This was indicated by the majority of the respondents 121(42.9%), who agreed to that statement 91(32.3%) strongly agreed; 31 (11%) of the respondents remained neutral while 8(2.8%) strongly disagreed, and 31(11%) disagreed with a mean of 3.90 and a standard deviation of 0.98.

Most respondents 139(49.3%) also strongly agreed that corporate governance had contributed to increased profits. 105(37.2%) of the respondents agreed with the statement, 30(10.6%) remained neutral, and 8(2.8%) respondents strongly disagreed, with a mean of 4.30 and a standard deviation of 0.87. Most respondents, 82(29.1%), also indicated that the cooperative society's assets base had increased because of good corporate governance. An assertion that 70(24.8%) respondents remained neutral to; however, 31(11%) respondents strongly disagreed with that, while 46(16.3%) disagreed, and 53(18.8%) respondents strongly agreed with a mean of 3.28 and a standard deviation of 0.85.

In addition, the findings also revealed that Good corporate governance leads to increased diversification of business by the cooperative society. This was indicated by 121(42.9%) respondents who agreed to that assertion, 61(21.6%) strongly agreed,46(16.3%) remained neutral, and 54(19.1%) disagreed with that, with a mean of 3.67 and a standard deviation of 0.96. Finally, 90(31.9%) respondents strongly believed that corporate governance led to increased share dividends. 92(32.6%) agreed with that statement, 24(8.5%) strongly disagreed, 30(10.6%) disagreed, and 46(16.3%) remained neutral, with a mean of 3.68 and a standard deviation of 0.77.

4.5 Inferential Statistics

The study examined the cause-and-effect relationship between the study variables through correlation, Analysis of Variance and regression analysis.

4.5.1 Correlation Analysis

The study carried out a correlation analysis to establish the strength and direction of the relationship between the research variables. The findings are presented in Table 4.11.

Table 4.11

Correlation Analysis

		Board Independence	Board Composition	Board Responsibility	Financial Performance
Board Composition	Pearson Correlation	1	0.872**	0.818**	0.575**
	Sig. (2-tailed)		0.000	0.000	0.000
	N		282	282	282
Board Independence	Pearson Correlation		1	0.866**	0.568**
	Sig. (2-tailed)			0.000	0.000
	N			282	282
Board Responsibility	Pearson Correlation			1	0.671**
	Sig. (2-tailed)				0.000
	N				282
Financial Performance	Pearson Correlation				1
	Sig. (2-tailed)				
	N				

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

The findings in Table 4.11 indicate that corporate governance practices are positively associated with the financial performance of farmers' cooperative societies. Specifically, board composition was found to have a positive and significant relationship with financial performance ($r = 0.575$; $p < 0.05$), suggesting that a diverse board enhances the financial outcomes of these societies. Similarly, board independence also demonstrated a positive and significant relationship ($r = 0.568$; $p < 0.05$). Furthermore, the study revealed that board responsibility had a significant positive relationship with financial performance in farmers' cooperative societies in Kericho County ($r = 0.671$; $p < 0.05$).

These results imply that board composition, independence, and responsibility all positively impact the financial performance of farmers' cooperative societies in Kericho County. The findings are consistent with those of Kyere and Ausloos (2021), Abubakar et al., (2018), and Emmanuel (2021), who also concluded that board composition, independence, and responsibility have a significant positive influence on organizational financial performance.

4.5.2 Regression analysis

The study sought to assess the individual predictor variable's effect on the financial performance of farmers' Cooperative Societies. The predictors were board composition, board independence, and board responsibility.

4.5.2.1 Board Composition and Financial Performance

The regression model summary for the relationship between Board Composition and financial performance is presented in Table 4.12.

Table 4.12

Regression Model Summary for Board Composition

Model	R	R Square	Std. Error of the Estimate	Adjusted R Square
1	0.506	0.256	0.03425	0.2210

a) Predictors: (Constant), Board Composition
b) Dependent Variable: Financial Performance of Farmers' Cooperative Societies

The regression summary table indicates that there is a positive relationship between board composition and the Financial Performance of Farmers' Cooperative Societies. This is indicated by the R=0.506, R^2=0.256 a standard error estimate of 0.0342, and an adjusted R^2 of 0.221. this implies that the predictor variables board diversity board Experience and Board size explain 25% of the variation in financial performance of cooperative societies while 75% could be explained by other variables.

4.5.2.2 Board Independence and Financial Performance

The regression model summary for the relationship between Board independence and financial performance is presented in Table 4.13.

Table 4.13:

Regression Model Summary for Board Independence

Model	R	R Square	Std. Error of the Estimate	Adjusted R Square
1	0.470[a]	0.221	0.219	0.44930

a) Predictors: (Constant), Board Independence
b) Dependent Variable: Financial Performance of Farmers' Cooperative Societies

The regression summary table indicates that there is a positive relationship between board Independence and Financial Performance of Farmers' Cooperative Societies. This is indicated by the R=0.470, R^2=0.221 a standard error estimate of 0.219 and an adjusted $R^2$of 0.4493. This implies that the predictor variables Executive directors, outside directors and nomination procedure explain 22.1% of the variation in financial performance of cooperative societies while 77.9% could be explained by other variables.

4.5.2.3 Board Responsibility and Financial Performance

The regression model summary for the relationship between Board Independence and financial performance is presented in Table 4.14.

Table 4.14:

Regression Model Summary for Board Responsibility

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.623	0.388	0.026	0.3621

a) Predictors: (Constant), Board Responsibility
b) Dependent Variable: Financial Performance of Farmers' Cooperative Societies

The regression summary table indicates that there is a positive relationship between board Responsibility and Financial Performance of Farmers' Cooperative Societies. This is indicated by the R=0.623, R^2=0.388 a standard error estimate of 0.026 and an adjusted R^2 of 0.3621. This implies that the predictor variables Management of resources, Risk management and Fiduciary duty explain 38.8% of the variation in financial performance of cooperative societies while 61.2% could be explained by other variables

4.5.2 Analysis of Variance

The findings for analysis of variance are presented in Table 4.15.

Table 4.15

Analysis of Variance

Model		**Sum of Squares**	**df.**	**Mean Square**	**F**	**Sig.**
1	Regression	150.867	3	37.717	132.144	0.000[b]
	Residual	98.470	345	0.285		
	Total	249.337	349			

a. Dependent Variable: Financial Performance of Farmers’ Cooperative Societies

b. Predictors: (Constant), Board Independence, Board Composition, and Board Responsibility

Table 4.15 indicates the F-statistic of the regression is significant ($P<0.05$), implying that the model applied significantly. This means that Board Independence, Board Composition, and Board Responsibility influenced the Financial Performance of Farmers' Cooperative Societies.

The F-value of 132.144 is very high, and this demonstrates a significant amount of variance in the Financial Performance of Farmers' Cooperative Societies (dependent variable). The p-value is 0.00, which is < 0.05, implying that the regression model is statistical and significant. This means that board composition, board independence and board responsibility (independent variables) have significant effects on Farmers' Cooperative Societies' financial performance.

In conclusion, the model is statistical and significant, according to the high F-value and very low p-value. Therefore, it clearly implies that the combination of independent variables (board composition, board independence and board responsibility) is a significant predictor of Farmers' Cooperative Societies' financial performance.

4.5.3 Regression Model Summary

The regression model summary provides information about the model's fit, the significance of the predictor variables, and the performance of the regression model. The outcome of the regression model is provided in Table 4.16

Table 4.16

Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig.
1	0.772[a]	0.596	0.583	0.63263	0.000[b]

a) Predictors: (Constant), Board Independence, Board Composition, and Board Responsibility

b) Dependent Variable: Financial Performance of Farmers’ Cooperative Societies

The correlation coefficient from Table 4.16 indicates a positive statistical relationship between corporate governance and the Financial Performance of Farmers’ Cooperative Societies where R=0.772, R-Square=0.596, Adjusted R-square 0.583 and Std. error of the Estimate of 0.6326. The correlation coefficient indicated that the study's independent variables influenced the variation in financial performance: Board Independence, Board Composition, and Board Responsibility. The R-Square in the equation is given by 0.596, which implies that Board Independence, Board Composition, and Board Responsibility could explain 59.6% of the variation in the financial performance of the cooperative societies. In comparison, 40.4% were contributed by other factors not considered in this study.

Table 4.17:

Regression Coefficients

Model		Coefficients						
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		Beta	Std. Error	Beta			Tolerance	VIF
1	(Constant)	0.861	0.185		4.651	0.000		
	Board Composition	0.431	0.095	0.333	4.554	0.000	0.214	4.678
	Board Independence	0.491	0.121	0.385	4.056	0.000	0.127	7.879
	Board Responsibility	0.910	0.082	0.780	11.039	0.000	0.230	4.355

a. Dependent Variable: Financial Performance of Farmers’ Cooperative Societies

The regression model in Table 4.17 indicates that Board Independence, Board Composition, and Board Responsibility have a significant positive relationship with the Financial Performance of Farmers' Cooperative Societies ($P<0.05$). A unit increase in board composition contributed 0.333 units to the rise in the financial performance of Farmers’ Cooperative Societies ($\beta =0.333$, $P<0.05$). A unit increase in board independence contributed 0.385 units to the rise in the financial performance of Farmers’ Cooperative Societies ($\beta =0.385$, $P<0.05$). Finally, a unit increase in board responsibility contributed 0.780 units to the rise in the financial performance of Farmers' Cooperative Societies (β =0.780, $P<0.05$).

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$…………………………………………………… (4.1)

Represents a multiple linear regression model, where:

Y represents the independent variable of financial performance, β_0 represents the constant, X_1 is the Board Composition variable, X_2 is the Board Independence variable, X_3 is the Board responsibility

$\beta 1$, $\beta 2$, and $\beta 3$ denote regression coefficients of this study's independent variables, and ε is the Stochastic Error term which represents all other variables that are not included in the model

$Y = 0.861 + 0.333X_1 + 0.385X_2 + 0.780X_3 + \varepsilon$……………………………………….. (4.2)

Therefore, the values 0.861, 0.333, 0.385, and 0.7800.780 are the estimated coefficients. These are calculated using statistical method to minimize the difference between the observed values of Y and the values predicted by the model.

4.6 Testing of the Hypotheses

The study's first hypothesis, H_{01} was that there is no significant relationship between board composition and the financial performance of farmers' cooperative societies in Kericho County, Kenya. However, regression summary table 4.12 indicates that there is a positive relationship between board composition and the Financial Performance of

Farmers' Cooperative Societies. This is indicated by the R=0.506, R^2=0.256 a standard error estimate of 0.0342, and an adjusted R^2 of 0.221. The study established a statistically significant relationship between board composition and the financial performance of farmers' cooperative societies in Kericho County, Kenya. Therefore, the null hypothesis was rejected, and the alternative hypothesis was accepted.

The second hypothesis, H_{02} was that there is no significant relationship between board independence and the financial performance of farmers' cooperative societies in Kericho County, Kenya. However, regression summary table 4.13 indicates that there is a positive relationship between board Independence and Financial Performance of Farmers' Cooperative Societies. This is indicated by the R=0.470, R^2=0.221 a standard error estimate of 0.219 and an adjusted R^2 of 0.4493. The study established a statistically significant relationship between board independence and the financial performance of farmers' cooperative societies in Kericho County, Kenya. Therefore, the null hypothesis was rejected, and the alternative hypothesis was accepted.

The third hypothesis, H_{03} was that there is no significant relationship between board responsibility and the financial performance of farmers' cooperative societies in Kericho County, Kenya. However, the regression summary table 4.14 indicates that there is a positive relationship between board Responsibility and Financial Performance of Farmers' Cooperative Societies. This is indicated by the R=0.623, R^2=0.388 a standard error estimate of 0.026 and an adjusted R^2 of 0.3621.The study established a statistically significant relationship between board responsibility and the financial performance of farmers' cooperative societies in Kericho County, Kenya. Therefore, the null hypothesis was rejected, and the alternative hypothesis was accepted.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This section presents the summary, conclusions, and recommendations of the study, which are discussed objective-wise. Further, this section also provides recommendations for further research.

5.2 Summary

The study examined the relationship between Board Composition, Board Independence, Board Responsibility, and Financial Performance of farmers' cooperative societies in Kericho County.

5.2.1 Board Composition and Financial Performance

The study on board composition and financial performance established that board diversity contributes to a wide variety of opinions, enhancing effective farmers' cooperative society's financial performance. The study revealed that the directors of cooperative societies had the necessary experience that helped them carry out their duties effectively, thus positively influencing the financial performance of the farmers' cooperative societies. The size of the board was found to enhance the decision-making, which contributed to a more significant improvement in the financial performance of the farmers' cooperative society; this was in addition to the variations of board tenure, which was found to support systematic and effective implementation of the board's decisions.

Finally, the study established that the board composition had a positive and significant relationship with increased sales revenue of the cooperative society.

5.2.2 Board Independence and Financial Performance

The study on the relationship between board independence and financial performance found that executive directors monitored and evaluated the farmers' cooperative society functions. Outside directors of the society were found to be instrumental in ensuring that stakeholders get maximum returns from their investments. Further, the study found that the farmers' cooperative society adhered to the nomination procedure when selecting committee members, which improved performance. The study also found that the external directors of the society were not involved in the day-to-day running of the affairs of the farmers' cooperative society, which enhanced the independence of the directors. Finally, the study established that the board's independence had led to an increase in the cooperative society's assets base.

5.2.3 Board Responsibility and Financial Performance

The study on the relationship between board responsibility and financial performance revealed that proper management of the resources of the cooperative society had contributed to the farmers’ cooperative society's financial performance. Risk management practices at the cooperative society were found to have contributed to improved financial performance. In addition, the board exerts fiduciary duty intelligently, and the frequency of the board in formulating effective management policies led to enhanced farmers' cooperative society financial performance. The study also found that the board regularly advised the executive management and helped them make strategic decisions that have contributed to the financial performance of the farmers' cooperative society. Finally, the study established a significant positive relationship between board responsibility and an increase in the annual net income of the farmers' cooperative society.

5.3 Conclusions

Conclusions from the findings of the study are made objective-wise

5.3.1 Board Composition and Financial Performance

From the findings on the relationship between board composition and financial performance, the study concludes that board composition positively and significantly influences the financial performance of the farmers' cooperative societies in Kericho County. The study concluded that board diversity, relevant experience, variations in the director's tenure and board size contributed positively to the financial performance of the cooperative societies

5.3.2 Board Independence and Financial Performance

From the findings on the relationship between board independence and financial performance, the study concluded that board independence had a strong positive significant relationship with the financial performance of the cooperative society. This implies that the involvement of executive directors in monitoring and evaluating the farmers' cooperative society functions and the presence of outside directors improved the independence of the directors in carrying out their day-to-day duties hence improving performance. Further, adhering to the cooperative societies' policies and procedures when nominating committee members enhances the society's performance.

5.3.3 Board Responsibility and Financial Performance

From the findings on the relationship between board responsibility and financial performance, the study concluded that board responsibility had a strong positive significant relationship with the financial performance of the cooperative society. The study also concluded that proper management of resources, use of appropriate Risk management practices, exerting fiduciary board duty intelligently, and timely formulation of management policies lead to the increased financial performance of the farmers' cooperative society.

5.4 Recommendations

Recommendations from the findings of the study are made objective-wise

5.4.1 Board Composition and Financial Performance

The study recommended that farmers' cooperative societies should embrace diversity in their boards of directors, as this leads to better and higher-quality decision-making, driven by the varied experience and expertise of the board members. Additionally, the study recommended that the board should establish a fixed tenure for directors, ensuring that they have the security needed to deliver optimal service to the stakeholders.

5.4.2 Board Independence and Financial Performance

The study recommended that executive directors be tasked with monitoring and evaluating the functions of cooperative societies. It also suggested that policies be developed to ensure that the nomination of board directors aligns with the framework established by the Cooperatives Societies Act, to improve the financial performance of these societies. Lastly, there should be a clear separation of roles between internal and external directors to minimize agency conflicts.

5.4.3 Board Responsibility and Financial Performance

The study recommended that cooperative societies should focus on proper resource management to enhance financial performance. They should implement efficient and effective risk management practices to minimize losses and reduce the risk of non-performing assets. Additionally, the study suggests that the board of management should regularly evaluate and modify existing policies to align with changes in the business environment, thereby gaining a competitive advantage.

5.5 Suggestions for Further Studies

Since the independent variables in this study accounted for 59.6% of the variation in the financial performance of cooperative societies in Kericho County, the study recommends conducting further research to explore the relationship between other factors not considered in this study and the financial performance of farmers' cooperative societies, either in Kericho County or in different regions of Kenya.

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APPENDICES

Appendix I: Letter of Introduction

Kirui Jepkemoi Susan

University of Kabianga

P.O Box 3020 – 20200

Kericho

Dear Sir/Madam

RE: Intent to collect Data

I am a University of Kabianga student pursuing a postgraduate Master of Business Administration in finance degree. As a requirement of the course, I am carrying out a study on the relationship between corporate governance and the financial performance of farmers' cooperative societies in Kericho County, Kenya. You have been selected as a respondent in this study, and your opinions or the information provided during the study will be used solely for the research and will be treated with the utmost confidentiality.

Yours sincerely

Kirui Jepkemoi Susan

Appendix II: Questionnaire

The questionnaire seeks information on the relationship between corporate governance and the financial performance of farmers' cooperative societies in Kericho County, Kenya. The information provided will be used for academic purposes only, and all the information will be treated as private and confidential. Therefore, you have been considered one of the respondents for this study. Provide the relevant information without fear of being victimized. You are required to tick **(√)** the appropriate answer in the space provided.

SECTION A: PROFILE OF THE RESPONDENT

1. Gender of the respondent
   a) Male ( )
   b) Female ( )
2. The age bracket of the respondent
   a) 30 years and below ( )
   b) 31 - 40 years ( )
   c) 41 - 50 years ( )
   d) 51 - 60 years ( )
   e) 61 years and above ( )
3. The highest education level attained
   a) KCSE level ( )
   b) Certificate level ( )
   c) Diploma level ( )

d) Undergraduate and above ( )

4. Number of years worked in the cooperative society

   a) Five years and below ( )

   b) 6 years to 10 Years ( )

   c) 11 to 15 years ( )

   d) 16 years and above ( )

5. Your position in the cooperative society

   a) Top level Management ( )

   b) Middle level management ( )

   c) Lower Level Management ( )

SECTION B: SPECIFIC RESEARCH OBJECTIVES

This section seeks your opinions concerning various governance practices in the farmers' cooperative society.

Part A: Board Composition

Using the Likert Scale tick or cross the scale that best represents the extent of your agreement to the statements or opinions provided on the influence of board composition on the financial performance of your cooperative society. In the Likert scale 1 = Strongly Agree, 2=Agree, 3=Neutral, 4=Disagree, 5=Strongly Disagree

	Statement on Board Composition	5 SD	4 D	3 N	2 A	1 SA
6.	Board diversity contributes to a wide variety of opinions, enhancing effective farmers' cooperative society financial performance.					
7.	Directors of cooperative societies have the necessary experience in conducting their mandates that affect farmers' cooperative societies' financial performance.					
8.	The size of the board enhances decision-making, which contributes to improvement in the financial performance of the farmers' cooperative society.					
9.	The variations of board tenure contribute to the systematic implementation of decisions, leading to an increase in financial performance.					
10.	Board composition has led to an increase in sales revenue.					

Part B: Board Independence

Using the Likert Scale, tick or cross the scale that best represents the extent of your agreement to the statements or opinions provided on the influence of Board independence on the financial performance of your cooperative society. On the Likert scale, 1 = strongly agree, 2=Agree, 3=Neutral, 4=Disagree, 5=Strongly Disagree.

	Statement on Board Independence	5 SD	4 D	3 N	2 A	1 SA
11.	Executive directors are involved in monitoring and evaluation of the farmers' cooperative society functions.					
12.	Outside directors of the society ensure that stakeholders get maximum returns from their investment.					
13.	The farmers' cooperative society adheres to the nomination procedure when selecting committee members.					
14.	The external directors of the society are not involved in the day-to-day running of the affairs of the farmers' cooperative society.					
15.	Cooperative society board independence has led to an increase in assets.					

Part C: Board Responsibility

Using the Likert Scale, tick or cross the scale that best represents the extent of your agreement to the statements or opinions provided on the influence of board responsibility on the financial performance of your cooperative society. In the Likert Scale, 1 = Strongly Agree, 2=Agree, 3=Neutral, 4=Disagree, 5=Strongly Disagree.

	Statement on Board Responsibility	5 SD	4 D	3 N	2 A	1 SA
16.	The board's proper management of resources has contributed to the farmers' cooperative society's financial performance.					
17.	Risk management has contributed to the improved financial performance of farmers' cooperative societies.					
18.	The board exerts fiduciary duty intelligently, leading to the improved financial performance of the farmers' cooperative society.					
19.	The board frequently formulates management policies, which has led to improved farmers' cooperative society financial performance.					
20.	The board advises the executive management and helps them make strategic decisions that have contributed to the financial performance of the farmers' cooperative society.					
21.	Board responsibility has contributed to the increase in annual net income of farmers' cooperative society					

Part D: Financial Performance

Using the Likert Scale, tick or cross the scale that best represents the extent of your agreement to the statements or opinions provided about the financial performance of your cooperative society. On the Likert scale, 1 = Strongly Agree, 2=Agree, 3=Neutral, 4=Disagree, 5=Strongly Disagree.

	Statement on Financial Performance	5 SD	4 D	3 N	2 A	1 SA
22.	Corporate governance has led to an increase in sales revenue.					
23.	Corporate governance has contributed to an increase in profits.					
24.	The cooperative society's assets base has increased because of good corporate governance.					
25.	Good corporate governance has contributed to the cooperative society's diversification.					
26.	Corporate governance has led to an increase in share dividends.					

End

Appendix III: Clearance from Board of Graduate Studies

UNIVERSITY OF KABIANGA
ISO 9001:2015 CERTIFIED
OFFICE OF THE DIRECTOR, BOARD OF GRADUATE STUDIES

REF: MBA/A/049/18 **DATE: 12TH MAY, 2023**

Susan Jepkemoi Kirui,
Accounting & Finance Department,
University of Kabianga,
P.O Box 2030- 20200,
KERICHO.

Dear Ms. Kirui,

RE: CLEARANCE TO COMMENCE FIELD WORK/DATA COLLECTION

I am pleased to inform you that the Board of Graduate Studies has considered and approved your Masters research proposal entitled **"Relationship between Corporate Governance Financial Performance of Farmers Cooperative Societies in Kericho County, Kenya".** Subsequently the Board has also approved the following supervisors for appointments.

1. Dr. Penina Langat, PhD
2. Dr. Raymond Kemboi, PhD

You may now proceed to commence field work/data collection on condition that you obtain a research permit from NACOSTI and /or an ethical review permit from a relevant ethics review board.

You are also required to publish one (1) article in a peer reviewed journal, with all your supervisors, before your oral defense of thesis and to submit through your supervisors, and HoD, progress reports every three months, to the Director, Board of Graduate Studies.

Please note that it is the policy of the University that you complete your studies within two years from the date of registration. Do not hesitate to consult this office in case of any difficulties encountered in the course of your studies.

I wish you all the best in your research and hope that your study will yield original contribution for the betterment of humanity.

Yours Sincerely,

UNIVERSITY OF KABIANGA
12 MAY 2023
BOARD OF GRADUATE STUDIES

Dr. Ronald K. Rop
DIRECTOR, BOARD OF GRADUATE STUDIES.
RKR/hk

cc 1. Dean, SST
2. HOD, SBE
3. Supervisors

Appendix IV: Clearance from NACOSTI

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **266713**

Date of Issue: **31/May/2023**

RESEARCH LICENSE

This is to Certify that Miss.. Susan Jepkemoi Kirui of University of Kabianga, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Kericho on the topic: RELATIONSHIP BETWEEN CORPORATE GOVERNANCE AND FINANCIAL PERFORMANCE OF FARMERS' COOPERATIVE SOCIETIES IN KERICHO COUNTY, KENYA for the period ending : 31/May/2024.

License No: **NACOSTI/P/23/26227**

266713

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Verification QR Code

NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.

See overleaf for conditions

Appendix V: Clearance from County commissioner

OFFICE OF THE PRESIDENT

MINISTRY OF INTERIOR AND NATIONAL ADMINISTRATION

STATE DEPARTMENT OF INTERNAL SECURITY AND NATIONAL ADMINISTRATION

Telegrams: ………………………

Telephone: Kericho 20132

When replying please quote

kerichocc@yahoo.com

COUNTY COMMISSIONER

KERICHO COUNTY

P.O. BOX 19

KERICHO

REF: MISC.19 VOL.VIII (102)

9th June, 2023

Ms. Susan Jepkemoi Kirui

UNIVERSITY OF KABIANGA

RE: RESEARCH AUTHORIZATION

I am pleased to inform you that you are authorized to undertake research vide letter Ref. No. NACOSTI/P/23/26227 dated 31st May, 2023 on *"Relationship between Corporate Governance and Financial Performance of Farmers' Cooperative Societies in Kericho County, Kenya"* for a period ending 31st May, 2024.

COUNTY COMMISSIONER
KERICHO COUNTY

WILKISTER ALAO

FOR: COUNTY COMMISSIONER

KERICHO COUNTY

Appendix VI: List of farmers' cooperative societies in Kericho County

1. Ainamoi Out growers	Farmers	Kericho
2. BurgeiEut	Farmers	Kericho
3. Cheborge	Farmers	Kericho
4. Chelaloi	Farmers	Kericho
5. Chepcheb Outgrowers FCS	Farmers	Kericho
6. Chepkinoiyo	Farmers	Kericho
7. Chepkitar	Farmers	Kericho
8. Cheplanget	Farmers	Kericho
9. Chepnorio	Farmers	Kericho
10. Chepsil	Farmers	Kericho
11. Cherara	Farmers	Kericho
12. Chesonoi	Farmers	Kericho
13. Chilchila	Farmers	Kericho
14. Fintea Growers	Farmers	Kericho
15. Kabngetuny FCS	Farmers	Kericho
16. Kaboring	Farmers	Kericho
17. Kamachungwa	Farmers	Kericho
18. Kapias	Farmers	Kericho
19. Kapkulumben	Farmers	Kericho
20. Kapkurin	Farmers	Kericho
21. Kapkwen	Farmers	Kericho
22. Kasheen	Farmers	Kericho

23. Kiboiywo	Farmers	Kericho
24. Kichawir	Farmers	Kericho
25. Kimologot	Farmers	Kericho
26. Kipchorian	Farmers	Kericho
27. KipkelionDcu	Farmers	Kericho
28. Kipsinende	Farmers	Kericho
29. Kiptenden	Farmers	Kericho
30. Koisagat	Farmers	Kericho
31. Kokchaik	Farmers	Kericho
32. Kunyak	Farmers	Kericho
33. Kunyal	Farmers	Kericho
34. Lelu	Farmers	Kericho
35. Litein Kipagenge	Farmers	Kericho
36. Mosop Dairy	Farmers	Kericho
37. Ngebepo	Farmers	Kericho
38. Ngoino	Farmers	Kericho
39. Olmismis	Farmers	Kericho
40. Roret	Farmers	Kericho
41. Rwandit	Farmers	Kericho
42. Sitoo	Farmers	Kericho
43. Siwot	Farmers	Kericho
44. Sombo	Farmers	Kericho
45. Songonyet FCS	Farmers	Kericho

46. Songoyet FCS	Farmers	Kericho
47. Sorwot	Farmers	Kericho
48. Soymingin	Farmers	Kericho
49. Tuiyabei	Farmers	Kericho
50. Tuoyogaa	Farmers	Kericho
51. Yesmore	Farmers	Kericho

Source: Ministry of Cooperatives (2020)

Appendix VII: Map Showing Location of the Study