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Performance of Regulated Saccos in South Rift Region,
Kenya**

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**CORPORATE GOVERNANCE, FIRM SIZE AND FINANCIAL
PERFORMANCE OF REGULATED SACCOs IN SOUTH RIFT REGION,
KENYA**

ANDREW SANG

**A Thesis Submitted to the Board of Graduate Studies in Partial Fulfillment of
the Requirements for the Conferment of the Degree of Master in Business
Administration (Finance Option) of the University of Kabianga**

UNIVERSITY OF KABIANGA

October, 2024

DECLARATION AND APPROVAL

Declaration

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

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DEDICATION

I dedicate this research work to God for His protection, grace, strength and provisioning throughout this research work.

I dedicate this research also to my family who make it worth the effort and the joy they bring to my life.

ACKNOWLEDGEMENT

I would like to express my deepest gratitude to my esteemed supervisors, Dr. Cheruiyot Kimutai Peter and Dr. Williter Rop, for their unwavering guidance, invaluable insights, and continuous support throughout the research process. Their expertise and encouragement have been instrumental in shaping the trajectory of this study. I extend my sincere appreciation to the University of Kabianga, Department of Accounting, and Finance, for providing an intellectually stimulating environment and the necessary resources for the successful completion of this research.

Special thanks are also extended to the respondents in the various SACCOs in South Rift Region, whose participation and candid responses significantly enriched the empirical foundation of this study. Their willingness to share their experiences and insights has contributed immeasurably to the depth and relevance of the findings.

ABSTRACT

Sound corporate governance is very critical in improving the financial performance of any organization. Adoption of corporate governance by SACCOs is the commitment to properly manage it while promising to pay back a reasonable return on money invested. SACCOs are facing myriad of challenges which have created inefficiency and lack of competitiveness hence impair their financial performance and this has necessitated the need for this study to fill the knowledge gap in the existing literature. This study sought to establish the moderating effect of firm size on the relationship between corporate governance and financial performance of regulated SACCOs in South Rift Region, Kenya. The study specifically sought to; examine the moderating effect of firm size on the relationship between board composition and financial performance; determine the moderating effect of firm size on the relationship between audit committee characteristics and the financial performance; evaluate the moderating effect of firm size on the relationship between transparency and financial performance; analyse the moderating effect of firm size on the relationship between relationship between risk management and financial performance; establish the moderating effect of firm size on the relationship between corporate governance and financial performance of regulated SACCOs in South Rift Region, Kenya. The study was anchored on agency theory, stakeholder theory and signalling theory. A mixed research design which combined both the elements of quantitative research and qualitative research was adopted for this study. All the 18 SASRA regulated SACCOs in south rift region form the target population. Primary data collected using structured questionnaire where the respondents were the Chief Executive Officers, Board Members, Chief Finance Officers and Chairperson of audit committee. The study did census of all 18 SASRA regulated SACCOs in South Rift Region since the population was small where 216 respondents were purposely selected and were 18 Chief Executive Officers, 162 Board Members, 18 Chief Finance Managers and 18 chairpersons of Audit Committee. The validity of research instrument was achieved through expert review while the a reliability of research instrument was tested using Cronbach Alpha which yielded a coefficient of 0.841. Data collection used structured questionnaire where descriptive statistics was used to provide mean and standard deviation. Multiple regression as inferential statistics was used for testing the hypothesis. The data are presented using tables and charts. The study found that there was strong, positive and significant relationship between firm size on corporate governance and financial performance where the strongest correlation was established between financial performance and transparency ($r=0.905$; $p<0.05$); followed by risk management ($r=0.864$; $p <0.05$); audit committee characteristics ($r=0.792$; $p <0.05$); board composition ($r=0.728$; $p <0.05$); and firm size ($r=0.381$; $p <0.05$). The findings showed that the R square before introducing a moderating variable was 84.0% and this changed to 84.2% after the introduction of firm size which implies that firm size positively and significantly moderated the relationship between corporate governance practises and financial performance by 0.02%. The findings may also form basis for further research as well as add to the pool of literature on corporate governance and financial performance.

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LIST OF ABBREVIATIONS AND ACRONYMS

AC	Audit Committee
BoD	Board of Directors
CEO	Chief Executive Officer
CG	Corporate Governance
FP	Financial Performance
KUSCCO	Kenyan Union of Savings and Credit Cooperatives
NED	Non-Executive Directors
NSE	Nairobi Securities Exchange
ROA	Return on Assets
ROE	Return on Equity
SACCO	Savings and Credit Cooperative Organizations
SASRA	SACCO Societies Regulatory Authority
SPSS	Statistics Package of Social Science
WOCCU	World Council of Credit Unions
OECD	Organization for Economic Development and Cooperation

OPERATIONAL DEFINITION OF TERMS

Audit Committee Characteristics are a section of a company's board of director (BoD) in charge of ensuring that there are transparency and accuracy in financial reporting and disclosure (Gordon, 2021). In the study, they meant expert members, independent members, diversity in gender, the experience of members, and audit committee authority.

Board Composition is executive committee in an organization's BoD and what they bring to the board table, such as their management background and skills (Palmer, 2022). The study implied CEO Duality, independency of the board, gender diversity, directors' expertise, and non-Executive directors to Executive directors' ratio.

Corporate Governance is the system of rules, practices, and processes by which a company is directed and controlled (Chartered Governance Institute UK & Ireland, 2023). In this study, it implied board composition, audit committee characteristics, and transparency and disclosure.

Firm size is the total assets, total investment, net worth of the firm and significant influence firm's performance and firm's value directly or indirectly, (Badara, 2016). In this study it was the size of the SACCO in relation to member's portfolio, the number of branches and Total assets value.

Financial Performance is an essential part of risk management for the financial sector and assesses the degree to which financial objectives are being or have been met (Verma, 2022). The return on equity, which equals the division of net profit by total equity, was used to measure it.

Microfinance are financial services targeting individuals and small businesses who lack access to conventional banking services. In the study, they are the financial services provided to low-income individuals or groups who are typically excluded from traditional banking.

Risk Management consists of a series of business or financial actions that maximize corporate profits or portfolio value through reductions in costs associated with cash flow variability, (Dionne 2013). In the study they were SACCOs with the ability to properly manage their exposures in order to achieve maximisation of values and minimisation of costs

Transparency is the degree of organization disseminates tangible and intangible resources to the public for accountability purposes (Njoku, 2022). In this study, it was strategic disclosure, human capital disclosure, way forward disclosure, structural disclosure, and relational disclosure.

CHAPTER ONE

INTRODUCTION

1.1 Overview

The background of the study, statement of the problem, research objectives, research hypotheses, justification of the study, significance of the study, scope of the study, limitations of the study, and assumptions of the study are all presented in this chapter.

1.2 Background of the Study

Recent developments in the field of financial management have led to a renewed interest in corporate governance since according to Mahrani and Soewarno (2018), survival and success of an organization depend on good governance, which also serves as a barometer for the economic performance of a nation. In developing and developed nations, good governance is crucial to bolstering the social fabric and contributing to the global economy. Organization of Economic Cooperative and Development (OECD) and the Basel Committee have established international standards and guidelines on Corporate Governance (CG) (Pargendler, 2020). Furthermore, Nasrallah and El-Khoury (2022) assert that improved CG helps expanding access to markets for capital, lowering the cost of capital improving financial performance, and fairly handling all parties involved.

Corporate governance is used by SACCOs to resolve internal conflicts of interest and promote peace without jeopardizing the SACCOs' long-term viability (Feather & Meme, 2019). According to Barzuza, Curtis, and Webber (2019), CG is the commitment to properly manage a corporation so as to get reasonable return on investment. Management should have the right incentives to achieve goals that will benefit SACCOs and their shareholders (Ahmed & Rugami, 2019).

Board composition, audit committee characteristics, transparency and risk management are areas of CG which SACCOs need to fully embrace for them to perform well financially. Board composition is the unique characteristics of the members that assist in improving the diversity, accountability, and includes, education qualification, and the proportion of independent directors as asserted by Kyoa (2017). Ruto, Naibei, and Cheruiyot (2017) noted that a larger board is associated with inefficiency while a smaller board is ineffectual in decision-making have a substantial impact on financial success.

According to Al-Matari et al., (2014), the executive meeting and independent audit committee are helpful in enhancing the effectiveness of the company. According to Machora and Oluoch (2019), the competence and experience of the audit committee is considered essential for transferring information and skills, particularly in terms of financial management and reporting. According to Wakaba (2014), the expertise of the audit committee, the number of independent auditors, and the makeup of the committee are all factors that affect the accuracy of financial reporting.

Accountability, transparency, and the decrease of information mismatch across those involved and the company are all significantly improved by transparency. It has been used to improve the relationship between stakeholders and management resulting in higher performance of the organization (Vintila & Nenu, 2015). Al-hadal, Alsamhi, Tabash and Farhan (2020) found that transparency had a negligible contribution to financial performance, but have been associated with good corporate governance. They further noted that information disclosure, stakeholder engagement as well as free flow of information build trust in the organization and this leads to increase financial performance.

Risk management, according to Fadun (2013), is a method of dealing with risks that increases the potential and reduces tail outcomes while minimizing the hazards. As a result, successful firms will be those who can manage risks in an effective manner to maximize values and reduce costs. Risk management, according to Dionne (2013), is a group of financial or operational steps that maximizes firm or portfolio value by reducing the costs associated with unpredictable cash flow. SACCOs must recognize their risks, establish methods for managing them, and continuously monitor and evaluate those risks.

In terms of revenue and market share, the company's size is viewed as a resource for establishing a sustained competitive advantage. The size of the organization is among the most frequently accepted criteria that affects success (Rehman, 2016). Economies of scale, in accordance with Akinyomi and Olagunju (2013), make a company's size crucial to its success in the contemporary world. This is demonstrated by the total asset, number of branches, and increase in membership.

Nodeh, Anuar, Ramakrishnan, Raftnia, (2016) and Ibrahim, (2016), investigated the effect of corporate governance determinants such as size of board, board independence, on firm performance. They did not address the moderating effect of firm size on the relationship between those determinants and performance. There is not enough evidence to show the effect of firm size as a moderate variable on the relationship between corporate governance and financial performance, hence the need for this study.

1.2.1. Corporate Governance

The relationships and organizational framework that affect an organization's financial performance and direction, in the words of Rose and Sharfman (2014) is corporate governance (CG) and is typically centered on the Board of Directors (BoD). It is essential that it interacts with the other major actors, who are often management and stockholders. The company's employees, customers, suppliers, and creditors are also participants.

According to Moro-Visconti (2020), CG refers to the full set of steps done within the socio-economic organization to motivate and participate in the production process as economic agents. Davis (2012) asserts that CG ensures that an organization achieves accountability through enhancing transparency and disclosure, ensuring appropriate board composition, and improving audit committee characteristics.

Board composition describes what the board constitutes which varies from one study to another. Kyoa's (2017) study examines board composition in terms of board education qualification, professional experience of board members, independent directors in the board. Ruto, Naibei and Cheruiyot (2017) assert that BoD composition is measured using board diversity, board independence and board expertise. The board composition provides it with diverse educational, experience, and knowledge in the decision-making process.

Audit committee characteristics are essential for ensuring transparency and accountability as asserted by Machora and Oluoch (2019). The audit committee needs to ascertain independence by examining the number of auditors in the audit committee as well as independent auditors. According to Oduor, Adoyo, and Mule (2022), adding independent audit committee members to the board will increase the openness

and independence of financial reporting. These are crucial elements that give the audit committee the power to guarantee the management board's accountability and openness. Other attributes of an audit committee that should be taken into account to provide openness and accountability are size, gender diversity, experience, and number of independent members, according to Wakaba (2014).

The information gap between the firm's management and shareholders is bridged by transparency. According to Vintila and Nenu (2015), the BoD takes part in creating the annual report and making decisions on what information to reveal in order to ensure that transparency is reached within the firm. The purpose of transparency is to generate trust between investors who are shareholders as well as to signal new investors as pointed out by Signal theory as pointed out by Enache and Hussainey (2020). Some literature has found that transparency effect performance (Wanjau, Muturi, & Ngumi, 2018). On the contrary, it has been found to negatively impact financial reporting concerning negative news according to Aly, El-Halaby and Hussainey (2018), while others have found it to be insignificant to financial performance (Al-hadal, Alsamhi, Tabash, & Farhan, 2020).

Risk management in SACCOs is paramount since they give out loans and investment member's shares in financial services; hence they need to safeguard their members' financial and other assets. The SACCOs' primary source of income is the creation of credit. The possibility of a member failing to uphold their end of the bargain on the due date or at any time subsequently puts a SACCO's operations in serious jeopardy. Due to this, a SACCO with a high credit risk has bankruptcy risk which endangers financial stability of its members leading to collapse of SACCO (Onuora & Ifeacho, 2017).

The above reviewed studies gave conflicting findings on the relationship between corporate governance and financial performance hence there was need for a study to determine how corporate governance as indicated by board composition, audit committee, transparency and risk management relate with financial performance of regulated SACCOs in South Rift Region, Kenya.

1.2.2. Firm size

Abbasi and Malik (2015) examined the effect of firm size on relationship between business success and firm growth. The regression analysis's findings supported the alternative research hypothesis, which holds that firm size influences how independent variables like firm growth and firm performance are related to one another. Nodeh, Anuar, Ramakrishnan, and Raftnia (2016) carried out a research project to find out the effect of board structure on Banks financial performance by moderating firm size where it established that company size plays a moderating role in the relationship between financial performance (FP) and the variables influencing board structure (board size and independence).

Obaje, Abdullahi, and Ude (2021) investigate the moderating effect of firm size on the association between quoted deposit money banks' FP (proxied by return on assets), board structure (proxied by board size), board independence, and board gender diversity. The results show that return on assets is only marginally impacted by the board size of Nigeria's quoted deposit money institutions, which is determined by business size.

Mu'azu (2016) examined the relationship between the FP of Nigerian deposit money institutions and the size of a company's governance structure. The findings indicate that the relationship between board structure characteristics (board independence and size) and financial success is moderated by the size of the company.

Ishmail, Memba, and Muriithi (2023) carried out a study to determine the moderating role of firm size in the relationship between credit risk and the profitability of Kenyan Microfinance Banks (MFPs). The results also indicated that business size had a positive, significant moderating influence on the association between credit risk and financial performance (FP), indicating that large MFBs were better able to control credit risk. The moderating impact of business size on the corporate governance (CG) and financial performance (FP) of microfinance firms in Kenya was examined by Kivaya, Kemboi, and Odunga in their study from 2020. The findings showed a strong and positive relationship between firm size and financial success.

Most studies reviewed solely look at the relationship between corporate governance and financial performance, rarely taking into account the moderating variable's possible impact on both the independent and dependent variables. This study sought to close the gap by including the moderating influence of firm size on the relationship between corporate governance and financial performance of regulated SACCOs in South Rift Region, Kenya.

1.2.3. Financial Performance

Accomplishment of organizational objectives while pursuing commercial strategies that produce long-term competitive advantage is financial performance (Ruokonen, 2020). Bello (2018) noted that a balanced scorecard-style approach, his increases non-financial factors to a level consistent with a common emphasis on financial measures, could be utilized to better accurately measure organizational effectiveness.

According to KUSCCO (2010), financial performance of a firm is a measure of how effectively it uses the resources in its primary business to generate income. The long-term financial health of SACCOs is said to be generally indicated by their FP. It can be used to aggregate businesses or sectors or to compare SACCOs that are comparable across industries (Mbugua & Kinyua, 2020). When assessing FP, it is considered how successfully financial objectives are being or have been attained. FP must be evaluated before one can determine the financial impact of SACCO policies and operations, (Okiro & Ndungu, 2013).

According to Helmold, Küçük-Yılmaz, Dathe, and Flouris (2002) Total unit sales, line items such operational income, cash flow from operations, and revenue from operations are examples of FP measures. Examining the association between governance practices and FP involves measuring financial success in terms of economic viability, financial standing, and shares in the market. According to Al-hadal et al., (2020), the ratio of a company's net income to its entire stock is used to determine its financial state. Tobin Q is a measure of market share that depends on book value and market value of equity.

According to Omari, (2012), SACCOs Societies Act of 2008 and the regulations made SASRA and provide the authority to control and regulate SACCO Societies in Kenya.

The Act's mandate the Authority to grant licenses to SACCO societies to conduct regulated business. According to SASRA, Report of 2021, SACCOS contributed 6.67% in 2021 and 6.85% in 2020 to the national Gross Domestic Product (GDP) thus this decline warrant a need for a study to determine the reason for the decline. South Rift Region has 18 SASRA regulated SACCOs which operates as financial and non-financial (SASRA, 2022).

1.2.4. Saving and Credit Corporate Society

Establishing effective governance structures is one of the biggest issues Savings and Credit Cooperatives (SACCOs) confront. According to Odera (2012), the significant growth in providers of services of all kinds is associated with an increase in the additional customers, assets, and more complex organizational structures. This is one of the main reasons governance is at the center of SACCOs' research. Therefore, SACCO's performance can be enhanced by good governance, which can also ensure its long-term sustainability. This has developed more interest in SACCOs' study, understanding, and incorporation of CG as it is one of the areas of the sector that needs improvement (Kenani & Bett, 2019).

The establishment of the SASRA is one example of increased initiative in policy that result in established structures for regulation and supervision meant to assist the industry's sound expansion, have changed public authorities' attitudes toward the development of SACCOs in recent years (Chelangat & Namusonge, 2018). In order to become more comprehensive financial institutions that offer credit, savings, and sporadic other forms of financial products and services like money transfers, cash transfers, electronic payments, and health insurance, organizations must overcome the challenges associated with switching from specializing primarily in a single product. These challenges increase the risks taken by SACCOs.

1.3 Statement of the Problem

Sound corporate governance is very critical in improving the financial performance of any organization. SACCOs have made a significant contribution to the financial sector plan by mobilizing savings and expanding access to affordable credit. According to SASRA, Report of 2021, SACCOS contributed 6.67% in 2021 and 6.85% in 2020 to the national GDP. SASRA developed Guidelines on Good Governance Practices to be followed by regulated SACCOs but limited studies have been done to confirm if SACCOs have fully complied with this. The decline in the contribution of SACCOs to the GDP as shown by the reviewed studies could be an indication of lack of good corporate governance. Although there are many researches on corporate governance and the performance of SACCOs, there are few studies to show the effect of firm size as a moderating variable on the relationship between corporate governance and financial performance. No studies have been undertaken in SASRA Regulated SACCOs in South Rift Region; hence this study therefore seeks to fill the existing literature gap by establishing the moderating effect of firm size on the relationship between corporate governance and financial performance of regulated SACCOs in South Rift Region, Kenya. The findings of this study will facilitate policy review and alignment on SACCOs' management and operations in Kenya.

1.4 General Objective

The purpose of this study was to establish the moderating effect of firm size on the relationship between corporate governance and financial performance of regulated SACCOs in South Rift Region, Kenya.

1.5 Specific Objectives

The study specifically sought to:

- i. Examine the relationship between board composition and financial performance of regulated SACCOs in South Rift Region, Kenya.
- ii. Determine the relationship between audit committee characteristics and the financial performance of regulated SACCOs in South Rift Region, Kenya.
- iii. Evaluate the relationship between transparency and financial performance of regulated SACCOs in South Rift Region, Kenya.
- iv. Analyse the relationship between risk management and financial performance of regulated SACCOs in South Rift Region, Kenya.
- v. Establish the moderating effect of firm size on the relationship between corporate governance and financial performance of regulated SACCOs in South Rift Region, Kenya.

1.6 Research Hypotheses

The study tested the following hypotheses;

H₀₁: There is no statistically significant relationship between board composition and the financial performance of regulated SACCOs in South Rift Region, Kenya.

H₀₂: There is no statistically significant relationship between audit committee characteristics and the financial performance of regulated SACCOs in South Rift Region, Kenya.

H₀₃: There is no statistically significant relationship between transparency and financial performance of regulated SACCOs in South Rift Region, Kenya.

H₀4: There is no statistically significant relationship between risk management and financial performance of regulated SACCOs in South Rift Region, Kenya.

H₀5: There is no statistically significant moderating effect of firm size on the relationship between corporate governance and financial performance of regulated SACCOs in South Rift Region, Kenya.

1.7 Justification of the Study

Corporate governance has been a problem for decades with many huge firms including SACCOS collapsing due to challenges in corporate governance. According to SACCO Supervision Annual Report (2021), non-remittances by institutions to SACCOS was Ks.3.4 Billion which undermine the performance and competitiveness of SACCOs given that these are funds which would have improved the liquidity in the SACCO system, loaning to the membership and opportunity costs lost thereby reducing the surpluses and profitability of the SACCOs. This results in the loss of financial investment, employment opportunities and resources affecting several direct and indirect stakeholders.

1.8 Significance of the Study

The study will help academics and researchers by offering a structure for further investigation on relevant topics. It will assist to highlight extra significant aspects that call for further research, which will be useful for other academics who plan to address the same problem in their areas of expertise. The findings will also add to the pool of literatures on corporate governance and financial performance

The study will be important for SACCO management because they will be in a better place to understand how corporate governance affects the financial performance of SACCO institutions in relation to composition of the board, its openness, as well as the qualities of the audit committee, which are the primary factors affecting the financial performance of these institution. It will aid the SACCOs in their day to day operations by emphasizing the need to adhere to set regulatory frameworks.

When deciding on policies that would impact SACCOs across the nation, the authority will be greatly assisted by the study. The study will help center for corporate governance in Kenya in a policy framework aimed at effective corporate governance so as to improve FP of the SACCOs as a whole and this will have a ripple effect on job creation, attracting investors, and general economic growth.

1.9 Scope of the Study

The variables for this study were corporate governance indicated by board composition, audit committee characteristics, transparency, risk management, moderating effect of firm size and Financial Performance. Their study was carried out in 18 SASRA regulated SACCOs in South Rift Region as indicated in Appendix IV.

Primary data was collected using structured questionnaire which was completed by Chief Executive Officers, Board Members, Chief Finance Officers and Heads of Audit. The study adopted mixed research design where data was analysed using both descriptive and inferential statistics. The research took place between January 2024 and March 2024.

1.10 Limitations of the Study

SACCOs in South Rift Region were studied thus the research information might not be generalized hence other researchers are encouraged to undertake similar study in other regions so as to compare the results. Secondary data was collected between the period 2017 to 2021 using data extraction tool and this might not give conclusive results hence further studies are encouraged to use other research instruments which are more conclusive.

1.11 Delimitation of the study

The study determined the relationship between corporate governance and financial performance of SACCOs in South Rift Region and was moderated by firm size. The study adopted Mixed-methods research where the study thematically and statistical analysis the collected data. Data collection and analysis run for 3 months and was done in the months of February, March and April. The study population were 18 SASRA Regulated SACCOs in South Rift Region where response was received from chief executive officer, board members, chief finance officer and chairperson of Audit who were all selected using purposive sampling method.

1.12 Assumptions of the Study

The study assumed that the collected data in the study were generalized to all SACCOs. This is because primary data as well as the number of SACCOs was sufficient for generalization. The study assumed that the collected data per SACCOs from branches will be the same as Main head office SACCOs and all SACCOs practices CG affects FP. The financial reporting for all the SACCOs are the same and the information's are conclusive. The study also assumed that the responses from the sampled respondents are correct.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

The section entails a review of related literature, theoretical review where the discussion obtained is used to develop a conceptual framework and identify existing knowledge gaps. This guides the study in theories and concepts that are crucial in examining the objective of the study.

2.2. Review of Related Literature

The empirical review of board composition, audit committee characteristics, transparency, risk management, moderating effect of firm size and FP are discussed. This information are applicable for the development of a conceptual framework as well as knowledge gaps.

2.2.1 Board Composition and Financial Performance

Goel, Dhiman, Rana and Srivastava, (2021) studied board composition effectiveness in improving firm performance and particularly to determine whether this relationship varies across different levels of performance, that is, companies with very low performance, low performance, moderate performance, high performance, and very high performance. The study uses a data set covering 213 Indian companies registered on S&P BSE 500 Index over the period 2001 to 2019 by using Tobin's Q as a performance parameter. The findings reveal that board size positively affects the company's performance across all quantiles. Independent directors negatively impact the performance of companies across all quantiles. The current study was done in Kenyans regulated SACCOs in South Rift region and determined the relationship between board composition and financial performance.

Lilian, Sylvia and Lucas (2023), examined the impact of board characteristics such as size, gender diversity, skills, and meeting frequency on the financial performance of SACCOSs in Tanzania. The study focused on three financial performance indicators: net loan income, operating efficiency ratio, and deposit-to-asset ratio. Descriptive statistics and linear regression models were used to analyse panel data collected from financial reports of 198 SACCOSs for five years (2014–2018). The results show a positive and significant relationship between financially-skilled board member(s) and the deposit-to-asset ratio; conversely, they were negatively associated with the operating efficiency ratio. The results further show that board meetings are positively and significantly related to net loan income, whereas board size is positively associated with the operating efficiency ratio. Moreover, the paper found no evidence of a relationship between women's board members and financial performance. Impliedly, having financially-skilled directors on a board and regular board meetings facilitated financial performance in a SACCOS. Thus, the paper calls for board members to have financial skills, and boards to conduct regular meetings for constructive advice and effective monitoring to boost financial performance.

Kyabarongo, Agaba, Eliab, Sunday, and Sekiwu (2024), examine the effect of board accountability on financial performance of selected SACCOs in Kiruhura District. The study used a cross-sectional survey research design and adopting quantitative and qualitative approaches research approaches. A total population of 342 people were used at a confidence level of 95% or error of 0.05 and the sample size was 184 respondents who involved the staff and members taken from the six SACCOs registered in Kiruhura district's, Uganda as of January 2023. The obtained data for analysis was divided into two phases. First, descriptive statistics on the respondents and the preliminary data analysis were performed using SPSS version 20.0.

Jaffrey's Amazing Statistical Program (JASP) version 0.17.2.0 was used to implement SEM. The findings of the study showed that the effect of board accountability (BAC) on financial performance was found to have a negative effect ($y = -0.908$), implying that the data failed to support the direct relationship between BAC and FiP, thus not supporting H01. Therefore the study concludes that SACCOS will do less well financially the more its board assumes accountability for the company's decisions and communicates them openly to stakeholders.

Kyoya (2017) examined board composition on the operational efficiency of regulated SACCOs. An analytic research design was done where trend analysis and correlation analysis were achieved on a target of 15 regulated SACCOs in Kiambu County. Questionnaires were used to collect information concerning board characteristics while secondary data were adopted to collect FP from 2002 to 2016 from the SACCOs. The findings showed a correlation between operational effectiveness and risk that was favorable. The research found that improving board composition has a beneficial effect on how SACCOs operated. The board composition is enhanced through creating gender balance, improvement of education qualification, increase in director's independence, and improving compensation of share ownership of the board. The current study will examine the effect of board composition and FP.

Ruto, Naibei, and Cheruiyot (2017) looked into the structure, degree of independence, and FP of a few Kericho County SACCOs' boards of directors. A sample of 119 respondents was obtained from 169 employees from three selected SACCOs in Kericho County. The financial reports of SACCO gave secondary data. The study established that BoD assisted in maximizing the wealth of shareholders. The current study will focus on the effect of board composition on financial performance of SACCOs.

2.2.2 Audit Committee Characteristics and Financial Performance

In Oman, firm performance was examined by Al-Matari et al., (2014) on audit committee (AC) characteristics and executive committee characteristics. The goal of the study was to investigate how the performance of the company is affected by the features of the executive committee and AC, two CG methods. The Muscat Security Market's listed non-financial enterprises provided secondary data from 2011 and 2012, and the findings were further enriched by literature. The study found that executive committee size and performance had a positive association with audit size, committee independence, but that this link was not statistically significant. Performance was negatively but not significantly correlated with AC meetings, their independence, and meetings. Leverage has a substantial negative association with firm performance and a large positive link with company size. The current study concentrated on the FP of SACCOs rather than the performance of non-financial firms.

Sarea (2020) studied the relationship between audit committee characteristics (namely: audit committee size, financial experience, and audit committee independence) on performance, which includes financial, operating and stock performance. The study sample contained 106 corporations from the financial sector listed in the Amman Stock Exchange Market with a total of 212 observations during the 2008-2009 sample years. The results showed that the audit committee has an impact on financial and stock performance. The study fails to determine the moderating effect of firm size on the relationship between audit committee and financial performance.

In selected Saccos in Kisii County, Machora & Oluoch (2019) investigated how AC traits affected financial reporting. The study sought to examine the make-up, scope, and independence of the AC. For this investigation, a descriptive research strategy was appropriate. It targeted 166 Kisii County residents who worked for regulated SACCOs. The study used descriptive and inferential statistics. The findings demonstrated an association between AC experience and the firm's success. Independent auditors, however, negatively impacted the firm's performance. The study concluded that the number of auditors helps to improve Saccos' FP by bringing expert knowledge into the company. Current study used a mixed research methodology and incorporates firm size as a moderating variable so as to determine the effect of corporate governance indicated by audit committee on financial performance.

In Western Kenya, an investigation of AC characteristics was done by Oduor, Adoyo, and Mule (2022) concerning the FP of regulated SACCOs. AC characteristics including their expertise, diversity, authority, and resources, meeting, and independence were examined in the study. A correlational research design was adopted to obtain both secondary and primary data from a sample of 120 top managers of SACCOs. The findings showed that 65.1% of the variance in FP was caused by AC characteristics. FP and AC characteristics were positively and significantly correlated. The report recommends the development of internal control systems to help the AC become more effective and to raise its level of knowledge and independence. The study did not include firm size as a moderating variable which this study included so as to determine the effect of corporate governance by audit committee on financial performance of SACCOs.

Wakaba (2014) looked into the characteristics of ACs in relation to the FP of Kenyan companies listed on the NSE. The AC size, experience, gender diversity, and number of independent auditors were all particularly evaluated in the study. Secondary data were acquired from 46 companies listed in NSE between 2006 and 2011 using an explanatory design. Results revealed that the experience of the AC reduced misreporting and ensured quality monitoring in financial reports. The current study focused on SACCOs from South Rift Region and FP and not financial reporting. It also included firm size as a moderator in determining the effect of corporate governance by audit committee on financial performance of SACCOs.

2.2.3 Transparency and Financial Performance

Vintila and Nenu (2015) assess the factors that affect the FP of the corporations that are listed on the Bucharest Stock Exchange. This study was based on secondary information gathered from 46 companies that were listed on the Bucharest Stock Exchange between 2009 and 2013, which was then factored and cluttered using the SAS application. The study found that there was no statistical support for the association between financial reporting's transparency and disclosure. This suggests that there were additional factors that had a greater impact on the FP of companies. But to establish the relationship between the studied variables, the current study will rely on primary data and will use a mixed research methodology. The study fails to establish the effect of transparency and financial performance which this study sought to determine.

Another study on transparency disclosure and the FP of financial institutions in Egypt was conducted by Aly, El-Halaby and Hussainey (2018). The study's main goal was to evaluate how Egyptian financial institutions using annual reports used organizational FP as one of the important criteria for openness. The study examined a

sample of 105 companies listed on the Egyptian stock exchange over three years between 2011 and 2013. The manual content analysis was conducted to assess the annual reports' levels of disclosure. According to the study's descriptive analysis, Egyptian businesses disclosed more positive news than negative. The difference between good and negative news was found to have a positive net variance. Empirically, a link between narrative disclosure of good or negative news and FP as measured by return on assets has been found. The association between leverage, profitability, company expansion, and financial reporting was also found to be highly significant. The study fails to indicate the moderating effect of firm size on the effect of corporate governance indicated by transparency and financial performance in Kenyan Saccos

Cunha and Rodrigues (2018), examined the factors that affected the level of CG disclosure (CGD) by Portuguese companies listed on Euronext Lisbon. The study used secondary sources to gather data utilizing financial records that were published between 2005 and 2011. This data was subsequently examined using a logistic regression model and content analysis of the collected data to ascertain whether there is any correlation between the variables. A substantial association was found between board ownership and levels of exposure, globalization, and external audit, as evidenced by the data. The level of CG disposition was found to be unrelated to ownership concentration or leadership structure. Even though the study only employed primary data and focused on listed companies in the Lisbon stock exchange for five years, it is still important. The current study was conducted on regulated SACCOs in South Rift Region having firm size as a moderating variable on corporate governance and financial performance which was not studied.

Babalola (2014) surveyed tertiary institutions in Nigeria's Oyo state to evaluate the impact of CG on cooperative societies. The study's specific goals were to determine whether a lack of transparency was a common trait in many cooperative societies, to ascertain the impact of members' participation as a democratic process in selecting incompetent people for the cooperative societies' board, to examine whether inadequate CG is the only reason for the mismanagement and to evaluate the importance of cooperative societies engaging in effective internal control and risk management. This study gathered data from primary sources and used descriptive and inferential statistics to analyze it. The results showed that openness and accountability issues were not given top priority by CEOs of cooperative societies. Achieving transparency, effective internal controls, good governance, complete responsibility, and full disclosure improves FP. This study failed to indicate the relationship between transparency and firm performance which this study sought to determine.

The effects of corporate openness and disclosure on the FP of listed firms in East Africa were the subject of a study conducted by Wanjau, Muturi, and Ngumi (2018). The study determined whether corporate openness and transparency are related to firms' declining FP and eventual failure, particularly in the East African Community. Using both descriptive and correlational research methods, the study examined 65 publicly traded companies listed between 2006 and 2015 on the Nairobi Securities Exchange, 7 on the Rwandan Stock Exchange, 16 in Uganda, and 24 on the Dar-Salaam Securities Exchange. There was a substantial and positive association between the financial, social transparency, governance, risk, and FP of the enterprises under examination, according to regression analysis and panel data tests on the data. The study used a descriptive and correlational research design, the current study used mixed research design so as to compare the findings.

2.2.4 Risk management and financial performance

From 2007 to 2016, Akinleye and Olarewanju (2019) examined the effect of credit on FP of manufacturing companies in Nigeria. Regression with a panel of data was used. The study discovered a negative correlation between the payment windows and cash conversion cycle, but a favorable correlation between the collecting window and the expansion of manufacturing businesses. The study discovered that manufacturing firms in Nigeria's lack of adherence to credit management restrained their growth and long-term viability however, the cycle of cash conversion had a significant impact and expedited this growth.

In their 2019 study, Okpala, Osanebi, and Irinyemi assessed how credit management techniques affected the liquidity and FP of listed chemical and paint manufacturing companies in Nigeria. Design for the study was a descriptive survey. 500 employees were used as a sample population, or 60% of the total population, for the purposes of the survey where 342 responses were received. Using a one-way ANOVA for descriptive statistics, the presented hypotheses were tested using a straightforward regression analysis method. The results indicated that the credit risk assessment, debt recovery plan, and receivable collection policy sub-variables of the credit management strategy had a favorable and statistically significant impact on the liquidity sub-variables of ability to pay, level of bad debt, and cash inflow. There is a statistically substantial positive correlation between profitability and liquidity.

The relationship between credit risk management strategies and the financial success of microfinance firms in Kampala, Uganda, was examined by Shieler, Emenike, and Amu (2017). The study's fundamental tenets were credit risk identification, assessment, monitoring, and mitigation variables. The closed-ended questions received sixty staff responses from three regulated microfinance institutions in

Kampala's finance and credit divisions. Secondary data was also gathered using the annual reports from microfinance organizations from 2011 to 2015. The Pearson linear correlation coefficient revealed that whereas credit risk identification and credit risk assessment had a substantial positive association with FP, credit risk monitoring and credit risk mitigation had only a weakly significant positive relationship with financial sustainability.

Lyambiko (2015) conducted research on operational risks brought on by the monetary systems implemented in financial institutions. This study's objective was to evaluate the impact that operating risks had on the financial of Tanzanian banks. This study supported the notion that operational risk management affected bank returns. The study concluded that commercial banks should guarantee that risk factors are handled properly because changes in these risks result in currency devaluation, which has an impact on banks' profitability. Other financial organizations, such as SACCOs, which have adapted FOSA to fulfill the needs of their members, were not considered in the study.

Epetimehin and Fatoki (2015) conducted research on the operational risk management and monetary systems implemented in Nigerian financial organizations. The study sought to assess operational hazards' effects on financial performance. The aforementioned study provided conclusive evidence that operation risk management affected bank returns. The findings showed that operational risk management has a favorable impact on the financial sector's advancement and improvement. According to the study's findings, managing operation risk is becoming an important part of solid risk management practices in modern banks as a result of the extraordinary increase in transaction capacity and complexity of the technological infrastructure.

Effiong and Ejabu (2020) looked at the effect of managing liquidity risk on the FP of enterprises that make consumer goods. The study set out to find out how concerned consumer goods companies were with controlling their short-term loans, long-term liabilities, and fast ratios in order to enhance their FP. Data were converted into metrics for assessing liquidity after being taken out of financial reports of the companies under examination. EPS and ROA are significantly impacted by all three variables but cash ratio and long-term loans had an effect on ROCE. A considerable correlation between managing liquidity risk and the financial success of consumer products companies has been found by empirical research. Further study has revealed that an organization's ability to succeed financially is significantly impacted by how well it manages liquidity risk.

Mutua (2016) looked into how credit risk management practices at savings and loan companies affected financial outcomes in the Kitui County. The study noted that loan surveillance was, as a result, quite strict and soundly financed. Additionally, it discovered that SACCOs have effective credit procedures governing loan issuance and collection, as the majority of these organizations carry out credit checks and keep an eye on their borrowers' projects to make sure they are making wise investments and are able to profit from their investments.

In order to determine the association between credit risk management techniques and the longevity of table banking groups in Uasin Gishu County, Kiptoo and Kimani (2018) conducted a study. Credit limitations, repayment terms, guarantors, and credit in line with covenant were used to evaluate credit risk management systems. The study's descriptive methodology was based on the credit risk premise. Despite the study's efforts, only 538 groups were targeted where 230 table banking groups were purposely sampled, and they were given self-administered questionnaires..

Noor, Njeru, and Muoria conducted a study in 2017 on credit risk and the performance of transport companies in Kenya. The analysis employed a triangulation methodology and concentrated on Kenyan transportation businesses in 2013. An online questionnaire was used to gather information from a sample size of 172 participants. The validity and reliability of the data were assessed using the Kaiser-Meyer-Olkin, the Barlett test of sphericity, and Cronbach alpha. The study found a statistically significant relationship between credit risk and the performance of transportation companies. The study offers advice on how transportation companies should monitor credit risk while managing risk exposure. However, because the sampling method is missing, it is possible that the sample is not truly representative of Kenya's transport companies.

Kipkoech (2015) conducted an exploratory study to ascertain how success of SACCOs is impacted by credit management. The goal of the study was to determine the causative relationships between credit risk assessment, credit decision-making, credit policy, and credit debt collection as well as those relationships between firm profitability and credit policy. The respondents, who included tellers, business development managers, credit officers, and credit managers, gave data through standardized questionnaires and annual reports from SACCOs. Results from several regression and correlation analyses showed a substantial association between independent variables and FP.

2.2.5 Financial performance of SACCOs

According to Gibson (2012), financial performance (FP) refers to how far an institution's financial objectives and goals have been met or are being pursued. The money created by the organization's objectives and strategies is synchronized through this procedure.

In order to enhance operational effectiveness and boost profitability, organizations are looking for better methods of achieving this goal. As competition intensifies as a result of new and difficult changes that have been observed in the fundamental business environment as well as the emergence of innovative new technologies, businesses, companies, and organizations are more focused than ever to lower their own operational costs while also boosting their overall profitability. FP is used to gauge how much an organization can make from using resources effectively while running a business. Liquidity and return on total assets (ROA) are common profitability metrics used to assess a company's profitability. The more successful it is for determining the viability of potential benefits, the greater the return on aggregate resources (ROA), which incorporates ROI, (Selçuk, 2015).

The study by Johnson, George, and Freddie Ndiwalana (2014) on the effect of managerial competency on SACCOs' FP in Busoga found a correlation between an improvement in the SACCOs' managerial competency and an improvement in their FP. In particular, it suggests that an increase in the Managers' expertise and capabilities for these SACCOS will lead to an increase in their profitability and portfolio quality. Similar to this, a fall in these SACCOS' profitability and portfolio quality is correlated with a decline in the managers' abilities and expertise.

One of the main problems preventing excellent FP in SACCOs, according to Odhiambo (2017), is the absence of suitable investment options, investment opportunities, employee cash flow delays, and questionable loan risk management that has little to no benefit to the assets of the membership in accordance with legislation.

According to Mwaura (2016), different scientists utilized varied ratios to assess FP. ROA, earnings per share of ownership (EPS), and default rate are the most popular profitability measures. Further investigation reveals that the items in a revenue declaration are expressed as a trade's proportion.

In order to evaluate an organization's effectiveness in terms of assets and revenue production, Richard (2009) stated that many approaches are utilized to measure FP. In order to assess their financial success using profitability criteria, SACCOs must periodically review and track their profit levels. The most widely used profitability metrics are return on assets ROA; (Njeri, 2013), return on equity ROE; (Malak, 2014), and interest pay-out ratio. ROE quantifies earnings per dollar of shareholder equity, while dividend payout ratios represent the percentage of investor pay checks that are delivered.

2.2.6 Moderating effect of firm size

Using panel regression on all registered businesses, Vithessonthi and Tongurai (2015) investigated how firm size affected the link between leverage and operating performance in Thailand during the global financial crisis of 2007–2009. The influence of leverage on operating performance is non-monotonic and depending on the size of the company, according to an examination of a data set made up of 496,430 firm-year observations of a sample of 170,013 primarily private firms. Despite the fact that the results of panel regression show that leverage has a negative impact on performance across firm size subsamples, the results of year-by-year cross-sectional regression show that leverage has a positive impact on performance for small firms and a negative impact on performance for large firms.

Santosa, (2020), studied the influence of firm size moderation on the relationship of financial characteristics and corporate governance with firm value in Indonesian Equity Market. This study uses secondary data from financial statements and analyzed by the panel data method for six years. The sample selection is arranged by the purposive sampling method with Islamic index constituent population. Firm size moderators provide a reinforcing effect for all independent variables so that liquidity and audit committees have a positive effect on firm value. The study established that Islamic firm investors in the equity market should consider the crucial variable, namely firm size, in addition to firm and corporate governance characteristics. The current study will be undertaken in Kenyan SACCOs so as to compare the results.

Nodeh, Anuar, Ramakrishnan, and Raftnia (2016) carried out a research project to find out The Effect of Board Structure on Banks FP by Moderating Firm Size. The study looks into how the size of the bank—the total value of its assets—affects the connection between the board's size and independence and the bank's financial performance. Data from 37 Malaysian banks (21 conventional and 16 Islamic) were analyzed using regression models using Stata SE 12 software. According to the results, company size plays a moderating role in the relationship between FP and the variables influencing board structure (board size and independence).

Obaje, Abdullahi, and Ude (2021) investigate the moderating effect of firm size on the association between quoted deposit money banks' FP (proxied by return on assets), board structure (proxied by board size), board independence, and board gender diversity. After the adoption of the International Financial Reporting Standards (IFRS), secondary data was used for this analysis. The results show that return on assets is only marginally impacted by the board size of Nigeria's quoted deposit money institutions, which is determined by business size. At the 1% level of

significance, board gender diversity with the interaction of firm size has a negative significant impact, but board independence with the business size as a moderator has a negative significant influence on ROA. The findings of this study include various recommendations, including that the number of board members and the proportion of women on the boards of deposit money banks in Nigeria be adequately determined taking into account the size of the business.

Obaje, Abdullahi and Ude, (2021) examined the moderating effect of firm size on the relationship between board structure indicated by board size, board independence and board gender diversity and financial performance indicated by return on assets of quoted deposit money banks using secondary data which spanned from 2012 to 2019, a post International Financial Reporting Standards (IFRS) implementation period. The study employed a random effect regression analysis technique to estimate the values of the parameters and in order to achieve reliability of the result, robustness tests like Correlation Matrix, Shapiro-Wilk Normality Test and Hausman Specification Test were conducted. Findings however indicate that board size moderated by firm size has a negatively insignificant effect on return on assets of quoted deposit money banks in Nigeria. Board independence moderated by firm size had a negative significant effect on ROA while board gender diversity with the interaction of firm size is negatively significant at 1% level of significance. The study was done in another country and on deposit taking banks hence the need to undertake the study in Kenyans SACCOs

Ishmail, Memba, and Muriithi (2023) carried out a study to determine the moderating role of firm size in the link between credit risk and the profitability of Kenyan microfinance banks. The Central Bank of Kenya's (CBK) Microfinance Banks (MFBs) was the target demographic. Census-based research was done. From published annual reports for the years 2011 through 2019, secondary data for thirteen

(13) MFBs were gathered. The research study's methodology was explanatory. The effect of independent variables on the dependent variable was investigated using imbalanced panel data and an unbalanced panel regression model. The results also indicated that business size had a positive, significant moderating influence on the association between credit risk and FP, indicating that large MFBs were better able to control credit risk.

Badara (2016), examined the moderating effect of firm size on the relationship between board structure and financial performance of Deposit Money Banks in Nigeria. This study investigates the role of bank size (log of the asset) as a moderator of the relationship between board size and board independence with Deposit Money Banks ((DMB) financial performance in Nigeria. Data of the study were obtained from the financial statement of the Nigerian Deposit Money Banks for the period 2005-2015. The data were analysed by regression models using Stata SE 12 software. The results show that the relationship between determinants of board structure (board size, and board independence) and financial performance moderated by firm size. The study was undertaken in deposit taking banks in Nigeria hence the findings cannot be generalized to SACCOs in Kenya.

The moderating impact of business size on the CG and FP of microfinance firms in Kenya was examined by Kivaya, Kemboi, and Odunga in their study from 2020. The study's goals were to determine the impact of board size, board duality, board composition, and board independence on the financial performance of microfinance organizations in Nairobi City County, drawing on agency theory, stewardship theory, and resource dependence theory as its theoretical underpinnings. The moderating role that business size played in the relationship between the CG and FP of microfinance institutions in Nairobi County was also examined in the study. A causal research

design was used in the study. The 13 recognized microfinance institutions in Nairobi City County made up the study's target population. Financial reports on microfinance were used to collect secondary data. Both panel data analysis and descriptive statistics analysis were used in this investigation. The explanatory power of R^2 after moderation rises from 46.72% to 52.68%. In terms of finances and corporate governance, smaller businesses in Nairobi County perform better.

A study Kivaya, Kemboi and Odunga, (2020) on the moderating role of firm size on corporate governance and financial performance of microfinance institutions in Kenya was done in Nairobi City County and was guided by Agency Theory, Stewardship Theory and Resource Dependence Theory. The study adopted causal research design. The target population of the study was all the 13 registered Microfinance Institutions in Nairobi City County. Secondary data were collected from micro finance financial reports. The study conducted both descriptive statistics analysis and panel data analysis model. Pearson correlation was used to establish the association between the independent variables and the dependent variable and it was found that board size, board duality have a negative and significant association with financial performance of microfinance institutions. Firm size moderates corporate governance and financial performance of microfinance institutions in Nairobi County where the explanatory power of R^2 improved from 46.72% before moderation to 52.68% after moderation. This study was done in microfinance institution hence there is need for a study in SASRA regulated SACCOs. Most studies solely look at the relationship between CG and FP, rarely taking into account the moderating variable's possible impact on both the independent and dependent variables. With the moderating influence of company size taken into consideration, this study seeks to close the gap between CG and FP of regulated SACCOs.

2.3. Theoretical Framework

The study was anchored on agency, stakeholders' and signaling theories.

2.3.1 Agency Theory

The theory was first advanced by Jensen and Meckling in 1976. It outlines an association between the principle and the agent where a person (principal) appoints another (agent) to perform a service, act, or make choices on their behalf. Managers at a company act as shareholders' agents and are guided by the idea that shareholders' wealth should be maximized. In actuality, the three following elements have an impact on this assumption (Jensen & Meckling, 2019). First, there may be a conflict between the principal's and the agent's interests since the agent may be fighting to maximize their value without considering the principal's. Monitoring the agent's efforts is either difficult or too expensive for the principle since he cannot check to see if the agent is acting in the principal's best interests.

The second is the existence of significant information irregularities between the agent and the principal and the potential for the agent to exploit these irregularities for personal gain (Beasley, 2012). In agency interactions, two issues can arise that agency theory seeks to address. According to Davis, Schoorman, and Donaldson (2018), these problems are a result of the inherent conflict of interest that results from the separation of ownership and control in principal-agent relationships.

Due to the legitimacy and authority that the shareholders have granted them, managers frequently engage in opportunistic behavior, which breeds conflict of interest and agency issues. If the agent does something that would hurt the principal's investment, the principal anticipates receiving compensation. The shareholders can demand compensation, for instance, if the agent, the BoD, elected to fund a riskier

project, raising the cost of capital. It can be challenging to match the interests of the principal and the agent due to potential conflicts of interest, profits retention, time horizon, and risk perception. Investors prefer to generate cash flows as a result of dividends and rising stock value. Because shareholders, management, and the government or regulator are all active participants in the conflict at any given time in SACCO sector enterprises, the agency problem takes on a new dimension.

The shareholders of SACCOs may provide more or less capital than what the regulator requires in order to use other capital sources, (Beasley, 2012). The ability of institutional investors to compel managers to reveal confidential information that they can subsequently utilize to take advantage of smaller shareholders and in the current situation, the government is compelled to act as the regulator through SASRA to protect the interests of other stakeholders and minority owners.

The SACCO members (principals) expect the agents to work toward the achievement of wealth maximization goals since they have given the board of management (agents) the duty of becoming the stewards of SACCO resources. In order to ascertain the impact of board composition on the FP of regulated SACCOs in the South Rift Region, this study employed the agency theory.

2.3.2 Stakeholder Theory

The theory was first proposed by Ian Mitroff in 1983, has grown due to scholars' increasing awareness of how corporate decisions impact the environment and the need for the corporation to be accountable to groups other than its shareholders. Businesses are no longer just tools for shareholders; they now function within society and, as a result, have obligations to that society.

It's important to keep in mind that this truth has only recently gained widespread acceptance. It is now obvious that cooperating individuals create economic value by improving everyone's situation (Goyal, 2020). The stakeholders hypothesis is criticized by Jensen (2001) for assuming a single-valued aim, namely the advantages stakeholders receive from the organization. Its opponent claims that a company's performance shouldn't be judged solely by the benefits it provides to its stakeholders. Other important factors that need to be considered include interpersonal relationships, the workplace environment, and the flow of information from upper management to lower levels. Some of these new challenges were used as the basis for later investigated arguments (Jones & Wicks, 2018).

The benefits and harms that stakeholders currently or potentially stand to gain or lose due to the company's actions or inactions are used to identify them as stakeholders (Harrison, Bosse, & Phillips, 2010). Stakeholders are termed "strategic stakeholders" as asserted by Shamsan and Otieno (2015) because strategic concerns have an effect on a company's capacity to carry on with business. According to the stakeholder theory (Pande & Ansari, 2014), the effectiveness of various management systems in encouraging future investments and commitment amongst the many stakeholders is the basis of corporate governance (CG).

According to Kester (2019), the creation of specialized systems for rewards, protections, and dispute resolution would promote the continuation of business alliances that are fruitful in the face of self-serving opportunism and offer an approach to the fundamental issue of governance. Corporate governance, in the opinion of Blair and Stout (2017), should also be seen as a collection of institutional frameworks for regulating interactions amongst stakeholders who each provide various assets to the company.

In accordance with their stakeholders, businesses have a responsibility to everyone who has an impact on their decisions. This necessitates that even directors be held responsible and liable to the present shareholder-focused duties mandated by company law. Supporters of the stakeholder movement contend that such moral behavior ought to be the price society requires of businesses in exchange for the right to incorporation, which relieves shareholders of the majority of the company's duties. This theory was used to assess the FP and transparency of the regulated SACCOs in the South Rift Region.

2.3.3 Signaling Theory

The theory was proposed by Spence in 1973. It was developed in reaction to informational imbalances between the firm and its stakeholders. Through mandated and voluntary information from the firms, the theory lessens asymmetry (Enache & Hussainey, 2020). Organizations that share information with stakeholders demonstrate credibility and receive less regulatory oversight. As a result, increased disclosure fosters loyalty, which raises demand for the company's shares and results in high profits (Casey & Grenier, 2015). According to this theory, businesses that do well tend to voluntarily provide information to the public to set themselves apart from their rivals.

Depending on their reasons, the majority of businesses provide information in a manner that lies between complete disclosure and no disclosure. These describe how the company signals investors by just partially disclosing its commercial prospects (Hatane, Nathania, Lamuel, & Darusman, 2020). This makes it possible for managers to set themselves apart from the competition by using private information. This theory guided on determining the relationship between audit committee composition as well as risk management on FP of regulated SACCOs in South Rift Region, Kenya.

2.4. Conceptual Framework

Corporate governance is the independent variable, which is indicated by: board composition, Audit Committee characteristics, transparency and risk management.

Firm size as a moderator is indicated by total assets, the number of branches and financial performance was indicated by return on asset and return on equity.

Figure 2.1 will provide the conceptual framework.

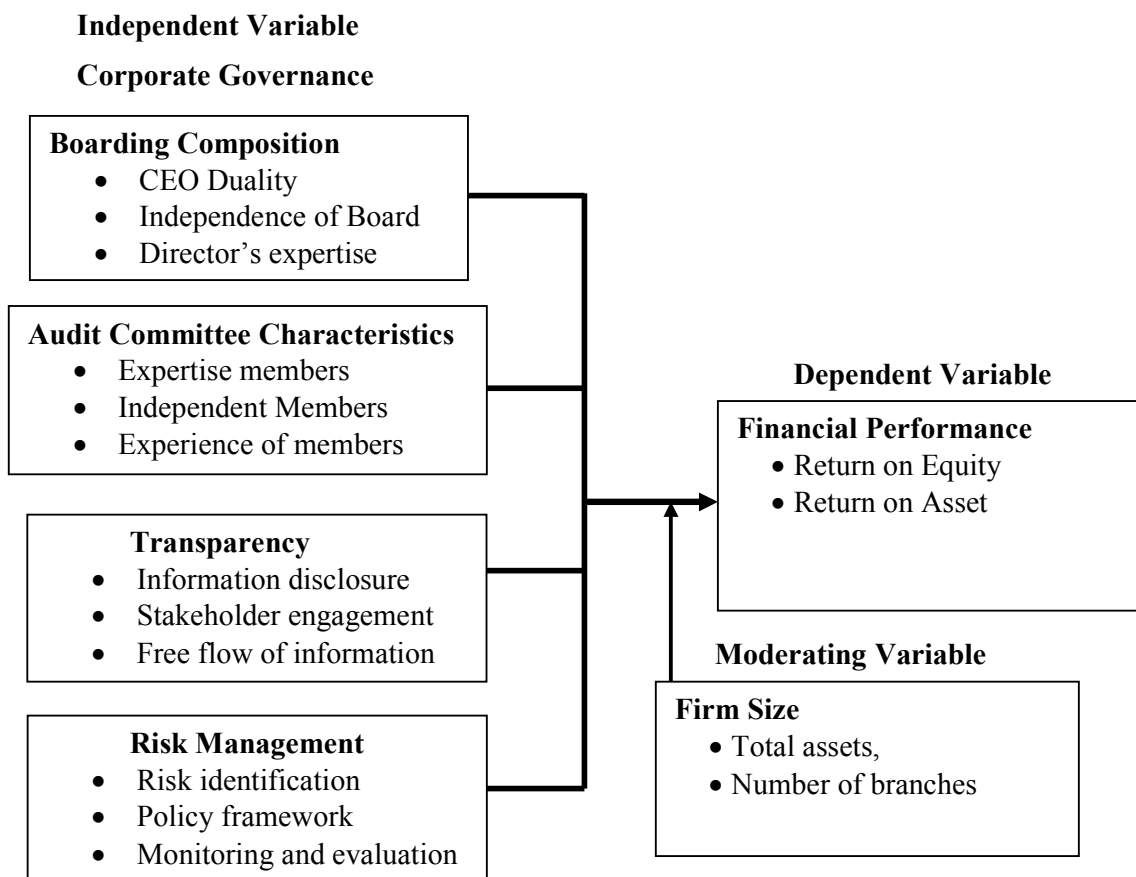


Figure 2.1: Conceptual Framework

Source: Adopted and modified from Sharma (2015)

Figure 2.1 shows that the independent variable which are; boarding composition which was explained by CEO Duality, independence of board and director's expertise; AC Characteristics which was explained by expertise members, independent members and experience of members; transparency which was explained by information disclosure, stakeholder engagement and free flow of information; Risk Management which was explained by risk identification, policy framework and monitoring and evaluation; Total assets, the number of branches were indicators of firm size. Financial Performance was indicated by; Equity return and asset return

2.5. Identification of Knowledge Gap

A methodological gap was found in Machora & Oluoch's (2019) study which used descriptive research design. In another study, Oduor, Adoyo and Mule (2022) used a correlational design but adopted primary data from 120 SACCOs from Western Kenya. The current study used mixed research design which focused on secondary data collected between the periods of 2017 to 2021 and a standardized questionnaire was used to gather primary data.

In Wakaba's (2014) investigation on the FP of enterprises listed on the NSE using an explanatory design, a contextual gap was discovered. SACCOs in the South Rift Region, was studied using mixed research design. A study on the performance of non-financial enterprises in Oman was conducted by Al-Matari et al. in 2014. The South Rift Region's SACCOs' FP was the main subject of the current investigation.

The conceptual gap was in Kyoa (2017) where the study focused on board composition and operation efficiency. The current study focused on FP rather than operational efficiency. Ruto, Naibei and Cheruiyot's (2017) main focus was the BoD' composition while the current study focused on not only board composition but on

AC characteristics and transparency and moderating effect of firm size on regulated SACCOs in South Rift Region. Kyoa (2017) examined the board composition on the operational efficiency of regulated SACCOs. The findings showed a correlation between operational effectiveness and risk that was favorable. The study came to the conclusion that improving board composition had a beneficial effect on how effectively SACCOs operated. The study was carried out in Kiambu Kenya and findings cannot be generalizable since the study focused on Kiambu County and focused on operational efficiency as the measure of performance. The South Rift Region's regulated SACCOs were looked at in the current study along with their board structure and FP.

The BoD of a few SACCOs in Kericho County were looked at by Ruto, Naibei, and Cheruiyot (2017) to see how they were performing financially. The findings showed that the BoD had a proven track record of making wise choices that helped to maximize shareholder wealth. When making decisions on shareholders' investments in the SACCOs, the BoD took an impartial stance. Diversity on the BoD boosted the resources available to SACCOs, while women and members of underrepresented groups improved the SACCOs' operational efficiency. The study was conducted in the county of Kericho. The study focused on Directors' composition and level of independence. The current study focused not only on board composition but also on board size, board diversity, and AC characteristics. The study was carried out in South Rift Region

Al-Matari et al. (2014) looked at how the performance of the company was affected by the traits of the executive committee and AC in corporate governance. The results showed that executive committee size and performance had a positive association with audit size and AC independence, but that this link was not statistically

significant. Performance was negatively correlated but not significantly with executive committee meetings, executive committee independence, and AC meetings. Firms' performance demonstrated a substantial positive connection with size and a large negative association with leverage. Only two CG methods were examined, and the study's main focus was on non-financial businesses rather than financial ones. Instead of concentrating on the performance of non-financial companies, the study placed greater emphasis on the FP of SACCOs in the South Rift Region. It also compared more than two CG techniques to that performance.

The impact of AC characteristics on financial reporting was studied by Machora and Oluoch (2019). The findings demonstrated an association between AC experience and the firm's success. Independent auditors, however, negatively impacted the firm's performance. The study came to the conclusion that the number of auditors helps to improve SACCOs' FP by bringing expert knowledge into the company. The study used financial reporting as a performance indicator and a descriptive research design. In order to determine the association between AC qualities and FP—rather than financial reporting the current study used a mixed research approach.

Oduor, Adoyo and Mule (2022) studied FP of regulated SACCOs. In the study, aspects of the AC, such as their experience, diversity, authority, and resources, as well as their meetings and independence, were studied. The findings showed that 65.1% of the variance in FP was caused by AC characteristics. FP and AC characteristics were positively and significantly correlated. A correlational research design was adopted to obtain both secondary and primary data from a sample of 120 top managers of SACCOs. The study focused on only one CG practice expounding only on the aspects of AC characteristics. The current study examined three CG practices with their various aspects. Secondary data was used collect FP information from 2017 to 2021.

The variables influencing the FP of the companies listed on the Bucharest Stock Exchange were studied by Vintila and Nenu (2015). The study found that there was no statistical support for the association between financial reporting's transparency and disclosure. This study was based on secondary information gathered from 46 companies that were listed on the Bucharest Stock Exchange between 2009 and 2013, which was then factored in and cluttered using the SAS application. Secondary data alone cannot be sufficient to make conclusions without considering primary data. The current study relied on and primary data and used a mixed research methodology.

Al-ahdal, Alsamhi, Tabash, and Farhan (2020) determined how the AC, the BoD, and the FP of listed businesses in India and the Gulf Corporation Council were influenced (GCC). The results showed that transparency and accountability, board accountability, and AC accountability had a negligible impact on the performance of the firms. The study focused on public non-financial enterprises and employed secondary data. The study cannot be generalised since it was carried out in India and only on listed enterprises. The results gave contradicting conclusions from other previous studies. The current study focused on SACCOs in South Rift Region and primary data was also be utilised along with the secondary data.

Wanjau, Muturi and Ngumi (2018) revealed that there was a positive and substantial association between the financial, social transparency, governance, risk, and FP of the organizations under study using regression analysis and panel data tests. The study focused on 65 listed businesses on the Nairobi Securities Exchange, 7 listed on the Rwandan Stock Exchange, 16 listed in Uganda, and 24 listed on the Dar-Salaam Securities Exchange from 2006 to 2015, used both descriptive and correlation research designs the study left out the non-listed enterprises and therefore the conclusions cannot be generalised.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The section provides guidance on the target population, sample size, sampling methods, data collection tools, data collection procedures, data processing, and presentation for the study. This chapter also includes ethical considerations.

3.2 Research Design

Bell, Harley, & Bryman (2022) asserted that an appropriate research design should maximize the research method, procedures, and analysis to obtain the desired study objective. A mixed research design was used in this study. Through the use of a mixed research methodology, it was possible to examine how firm size moderated on the relationship between CG and the financial success of SACCOs. According to Gupta & Gupta (2022), mixed design enabled quantitative data to be adopted in achieving a relationship or association between variables using inferential statistics.

3.3 Study Location

The study was undertaken in South Rift Region where SASRA registered SACCOs was studied. The counties in South Rift Region are Kericho, Bomet and Narok where there has been recording an increase in the number of registered SACCOs formed on the basis of diverse agricultural activities which is the main source of livelihood in the region. Due to poor corporate governance most of these SACCOs have been registering a decline in their financial performance which has led to some of them closing their operation, (SASRA, 2023). This necessitated the need to undertake a study in this region due to the losses which members encounter when a SACCOs close down.

3.4 Target Population

Gupta & Gupta (2022) opined that a population should contain the desired characteristics from which information can be extracted. The study targeted 18 SASRA registered SACCOs in South Rift Region as indicated in Appendix IV.

The study targeted Chief Executive Officers, Board Members, Chief Finance Officers and Chairperson of Audit Committee as per Table 3.1.

Table 3.1

Target Population

Respondents	Target population
Chief Executive Officers	18
Board Members	162
Chief Finance Officers	18
Chairperson of Audit Committee	18
Total	216

Source: Regulated SACCOs in South Rift, (2024)

3.5 Sample and Sampling Procedure

The sampling procedure choosed a small number of respondents or elements or objects from the entire population using a scientific procedure (Saunders, Lewis, & Thornhill, 2007). The study used a census of 18 SASRA regulated SACCOs in South Rift Region since the population was small where 216 respondents who were 18 Chief Executive Officers, 162 Board Members, 18 Chief Finance Officers and 18 Chairperson of Audit Committee.

Purposive sampling was used in selecting the respondents since they are involved in implementing CG in SACCOs and that they possessed relevant skills and knowledge on the study variables. An integration of both primary and secondary data was extracted information from the SACCOs financial statement for the past five years which makes panel data from 2017 to 2021.

3.6 Data Collection Instruments

The study made use of both primary and secondary data. A structured questionnaire was used to gather primary data and was filled by Chief Executive Officers, Board Members, Chief Finance Officers and Chairperson of Audit Committee. The questionnaire had questions on the study variables where respondents were allowed to respond to based on the 5 likert scale where 1 was strongly disagree and 5 was strongly agree.

The data tool adopted a dichotomous approach where if yes, then it was denoted by 1, and if no was denoted by 0 to develop an index with the highest total score as five and the lowest total score as 0. This was applicable for board composition, AC characteristics, transparency and risk management. However, FP used profitability, cash flow, financial position and market share as indicators.

3.6.1 Validity

Taherdoost (2016) asserted that the validity of an instrument ensured accuracy in data collection. This enabled the research to acquire high accuracy in testing the desired research hypotheses. There are face, content, and criterion validity that was achieved in the study. Face validity is the face value of the instrument's ability to attain the desired information. This was obtained through interrogation of the instrument by the supervisors. Content validity ensured that the objective and indicators were well

measured from the conceptual framework as represented in the questionnaire. The researcher gave the supervisors to go through the instrument and directed on various sections to enable changes to be made. Finally, criterion validity was achieved by examining the instrument where the supervisor ensured that all questions achieve recommended standards in measuring the variable.

3.6.2 Reliability

The reliability of a study refers to the ability to obtain similar results after repeated trials which implies that there is a need for consistency of an instrument (Taherdoost, 2016). According to Mugenda and Mugenda (2012) 30% of the sample size is good for pilot study thus 6 SASRA Regulated SACCOS in Nakuru Town was used in the study to evaluate if the instrument achieves internal consistency.

When analyzing the results of the pilot study, a Cronbach Alpha value of at least 0.70 was considered reliable (Sekaran and Bougie, 2013). On their part, Tashakkori and Teddlie (2010) averted that an instrument is deemed highly reliable if it records a Cronbach Alpha coefficient of between 0.82 and 1.00; sufficient reliability if between 0.64 and 0.82; has low reliability of between 0.46 and 0.64; and not reliable if between 0.10 and 0.46. Cronbach Alpha was established for every objective in order to determine if each scale (objective) would produce consistent results should the research be done on the same respondents at a different point in time. In the present study, the average Cronbach alpha of 0.841 was actualized which implied that the study instrument was reliable. Results are presented on Table 3.2.

Table 3.2*Reliability Coefficients*

Scale	Items	Cronbach Alpha
Board composition	5	0.811
Audit committee characteristics	5	0.851
Transparency	5	0.845
Risk management	5	0.805
Firm size	5	0.842
Financial performance	5	0.893
Average		0.841

As presented in Table 3.2, all scales were found to be reliable, having Cronbach alpha coefficients above thresholds prescribed by Tashakkori and Teddlie (2010).

3.7 Data Collection Procedure

Permission to collect data was obtained from the University of Kabianga who facilitated with an introductory letter which was used to acquire research permit from NACOSTI. The researcher obtained necessary permits from the County Commissioner and the Ministry of Education department in South Rift Region. The individual SACCOs were also approached for their consent and permission to allow their staff to respond to the study. Primary data commenced by issuing out the structured questionnaire to the sampled respondents who were given ample time to respond.

3.8 Data Analysis and Presentations

In order to evaluate desired hypotheses, data analysis comprised of categorizing, organizing, manipulating, and summarizing data (Bryman & Cramer, 1997). Data was analysed using both descriptive and inferential statistics. Descriptive analysis was inform of mean and standard deviation while inferential statistics was inform of regression and correlations analysis. The analyzed data was presented using tables or charts with the aid of SPSS Version 27.

The simple regression models adopted were;

$$Y = \beta_0 + \beta_1 X_1 + \epsilon \dots\dots\dots (3.1)$$

Where;

Y is Financial performance (Dependent Variable),

β_0 is the constant term,

β_1 , measure the influence of the dependent variable Y to a unit change in the independent variable,

X_1 is Board composition,

ϵ is the Error Term

$$Y = \beta_0 + \beta_2 X_2 + \epsilon \dots\dots\dots (3.2)$$

Where;

Y is Financial performance (Dependent Variable),

β_0 is the constant term,

β_2 measure the influence of the dependent variable Y to a unit change in the independent variable,

X_2 is Audit Committee Characteristics,

ϵ is the Error Term

$$Y = \beta_0 + \beta_3 X_3 + \varepsilon \dots\dots\dots (3.3)$$

Where;

Y is Financial performance (Dependent Variable),

β_0 is the constant term,

β_3 measure the influence of the dependent variable Y to a unit change in the independent variable,

X_3 is Transparency,

ε is the Error Term

$$Y = \beta_0 + \beta_4 X_4 + \varepsilon \dots\dots\dots (3.4)$$

Where;

Y is Financial performance (Dependent Variable),

β_0 is the constant term,

β_3 measure the influence of the dependent variable Y to a unit change in the independent variable,

X_4 is Risk management,

ε is the Error Term

The multiple regression model adopted was;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \dots\dots\dots (3.5)$$

Where;

Y is Financial performance (Dependent Variable),

β_0 is the constant term,

$\beta_1, \beta_2, \beta_3, \beta_4$, measure the influence of the dependent variable Y to a unit change in the independent variable,

X_1 is Board composition,

X_2 is Audit Committee Characteristics,

X_3 is Transparency,

X_4 is Risk management,

ε is the Error Term

The moderated regression model was;

$$Y = \beta_0 + \beta_1 X_1 M + \beta_2 X_2 M + \beta_3 X_3 M + \beta_4 X_4 M + \varepsilon \dots \dots \dots (3.6)$$

Where;

Y is Financial performance (Dependent Variable),

β_0 is the constant term,

$\beta_1, \beta_2, \beta_3, \beta_4$, measure the influence of the dependent variable Y to a unit change in the independent variable,

X_1 is Board composition,

X_2 is Audit Committee Characteristics,

X_3 is Transparency,

X_4 is Risk management,

M is the Moderating variable (Firm Size)

ε is the Error Term

3.9 Diagnostic Test

The diagnostic test was necessary before adopting the multiple regression model to enable the test of the assumption associated with Multi-collinearity, Normality, Autocorrelation and Heteroscedasticity.

3.9.1 Multicollinearity Test

Multicollinearity arises when a number of variables in the model of regression have a moderately or strongly correlated relationship. Unfortunately, when it does, it can ruin analysis and limit the conclusions of research. When the t-tests for each individual slope in this study are non-substantial ($p > 0.05$), while the total F-test for evaluating all slopes simultaneously is substantial ($p < 0.05$), it can be determined that multicollinearity is present using VIF.

To check for multicollinearity, a correlation test was used. Correlation coefficients often fall between a negative and a positive one. A positive correlation coefficient indicates that the variables move in the same direction. A correlation coefficient, whether positive or negative, denotes close to perfect connection. This results in a multicollinearity issue. Perfectly multicollinear variables should be omitted in favor of the other to prevent multicollinearity. However, the multicollinearity issue is not serious and is disregarded if the pair-wise correlation coefficient is less than 0.8 (Gujarati, 2003). On the other hand, multicollinearity arises if the coefficient of correlation is larger than 0.8, and a corrective action should be done.

As per Cooper and Schindler (2018), multicollinearity can undermine the interpretability and predictive power of a statistical model, making it challenging to isolate the individual effects of each independent variable on the dependent variable.

Additionally, multicollinearity can make it challenging to discern the true relationships within the data, potentially leading to misleading or erroneous conclusions (Kothari, 2019). In this study, both Tolerance Variance Inflexion Factor (VIF) were used to check for multicollinearity where, tolerance values less than 0.1 and VIF values beyond the range of -10 to 10 are generally symptomatic of crossovers (Sekaran & Bougie, 2019).

Table 3.3

Tests for Multicollinearity

	Tolerance	VIF
Board composition	0.460	2.172
Audit committee characteristics	0.347	2.881
Transparency	0.290	3.453
Risk management	0.318	3.145
Financial performance	0.464	2.155

Results indicated no multicollinearity in the variable with acceptable tolerance and VIF values recorded in all predictor variables. Each predictor had tolerance values significantly greater than 0.1, and the VIF scores within the allowed range of -10 to 10: Board composition (Tolerance=.460; VIF=2.172); Audit committee characteristics (Tolerance=.347; VIF=2.881); Transparency (Tolerance=.290; VIF=3.453); Risk management (Tolerance=.318; VIF=3.145); and Financial performance (Tolerance=.464; VIF=2.155).

The absence of multicollinearity enhances the model's interpretability and the reliability of inferences, ensuring that the study's conclusions about the relationships between these predictors and the dependent variable are robust and trustworthy. The absence of multicollinearity, as indicated by acceptable tolerance and VIF values for all predictor variables, is a reassuring finding in the context of the statistical analysis. These results indicate that there is no substantial overlap or redundancy among the predictors, and each variable contributes distinct information to the model.

3.9.2 Normality Test

According to Clark et al. (2021), normality tests assessed whether the residuals or the dependent variable follow a normal distribution and this play a pivotal role in statistical analysis, especially in the context of parametric statistical techniques like regression and hypothesis testing. When data or residuals follow a normal distribution, it means that the values are symmetrically distributed around the mean, and extreme values are rare. This allows for the application of powerful statistical methods, such as t-tests, ANOVA, and linear regression, which rely on the normality assumption to make accurate inferences. It is a requirement of the normality assumption that the error term has a normal distribution with constant variance. That is, the errors in the distribution of the predicted value of Y (the dependent variable) are in the neighborhood of the normal distribution (Bryman, 2017).

The test for normality was conducted using SPSS. The null hypothesis for the Kolmogorov-Smirnov (KS) test is that the distribution of the data collected follows a normal distribution. The alternative hypothesis states that the data collected is statistically different from the normal distribution. The results of the KS test are presented in Table 3.4.

Table 3.4*Results of Normality Test*

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	Df	Sig.
Composition	.320	208	.000	.784	208	.000
Audit	.293	208	.000	.803	208	.000
Transparency	.276	208	.000	.821	208	.000
Risk	.226	208	.000	.853	208	.000
a. Lilliefors Significance Correction						

The results of the SPSS output summarised in Table 3.4. The significance (sig.) level for the Board composition, Audit committee, Transparency and Risk were 0.320, 0.293, 0.276, and 0.226 respectively. All the significance values are greater than the 0.05 critical values. Therefore, the null hypothesis is accepted. The data collected was normally distributed.

3.9.3 Autocorrelation test

According to Huitema (1986), autocorrelation is the extent to which a specific time series resembles an extended version of oneself over succeeding periods of time. Regression makes the premise that no error related to one observation is related to any other observation's error. The likelihood of autocorrelation was examined using Durbin Watson (DW) statistics. Autocorrelation tests are critically important in statistical analysis, particularly in time series data and regression modeling (Bryman & Bell, 2017). They help identify and assess the presence of autocorrelation, which is a condition where data points or residuals are correlated with their own past values.

In this study, autocorrelation was tested using the Durbin-Watson test. As per Kumar (2018), Durbin-Watson statistic always ranges from 0 to 4 where numbers close to 0 suggest positive autocorrelation, values toward 4 imply negative autocorrelation, and a value of 2 indicates that there is no autocorrelation in the sample.

Table 3.5

Test for Autocorrelation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.756 ^a	.725	.652	3.10650	2.102

a. Predictors: (Constant), Board composition, Audit committee characteristics, Transparency and Risk management

b. Dependent Variable: Financial performance

The study established a Durbin-Watson statistic of 2.102, indication no autocorrelation. This implies that there are no disturbances in the data, which would possibly lead to inefficiency of the least squares estimates. This means that the dataset has the smallest variance among all linear unbiased estimators and that there are no wrong standard errors for the regression coefficient estimates. The finding is significant because autocorrelation can lead to inefficient parameter estimates, incorrect standard errors, and unreliable hypothesis tests, ultimately undermining the integrity of the statistical analysis.

3.9.4 Heteroscedasticity Test

Heteroscedasticity was minimized or, if feasible, avoided in this study by making sure that the information utilized for the testing of hypotheses are basically typical, converted properly, and operational regression equations are applied in the right ways, and that the variables are available.

According to Kumar (2018), the assumption that the variance of the residuals is consistent across different levels of the independent variables, known as homoscedasticity, is fundamental in regression analysis. When this assumption is violated, it can lead to problems such as heteroscedasticity, where the spread of residuals varies systematically across different levels of the predictors.

Heteroscedasticity can seriously compromise the accuracy and interpretability of regression results. Specifically, it can lead to incorrect standard errors of coefficients, affecting hypothesis testing and confidence intervals (Creswell & Guetterman, 2019). In this study, the standardised residue and anticipated values were plotted to check for homoscedasticity.

Table 3.5

Heteroscedasticity

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.032	.118		.271	.787
1 Composition	-.112	.067	-.113	-1.683	.094
Audit	.240	.072	.244	3.359	.101
Transparency	.610	.071	.617	8.629	.230
Risk	.211	.074	.197	2.863	.502
a. Dependent Variable: Performance					

Based on output coefficients the obtained value of Sig. Board composition variable of 0.94, Audit committee characteristics variable of 0.101, Transparency variable of 0.230 and Risk management variable of 0.502, meaning that the value of the variable sig for the study variable was more than 0.05 which can be concluded that there was no heteroscedasticity problem.

3.10 Ethical Consideration

The researcher got clearance letter from Board of Graduate Studies, University of Kabianga to collect data. The letter obtained was used to apply for research permit from National Commission of Science, Technology and Innovation (NACOSTI). Ethical standards pertaining the respondents and conduct of research was adhered to throughout the research process.

No respondent was coerced or lured to participate in the research. Their consent was sought by revealing the purpose of the study, what the study entails, and foreseen benefits. Their identity was hidden by using codes instead of names in the research instrument. The researcher also assured the respondents on the confidentiality of the study and confirms to them that information provided was purely for academic purposes only.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

In this chapter, the research findings and discussions were presented. With the aid of version 27 of SPSS, two main quantitative analysis techniques were conducted, that is both descriptive and inferential. Descriptive analysis involved the computation of frequency, means, percentage, standard deviations as well as skewness and kurtosis. Inferential analysis included the calculation of independent sample t-tests, Pearson correlation as well as regression analysis. Prior to regression analysis, a number of preliminary diagnostic tests were conducted, including tests for normality, homogeneity of variance, linearity as well as multicollinearity. The findings were discussed in reference to reviewed literature. Accordingly, the chapter is structured into two main sections, including the presentation of results and discussions.

4.2 Background information

The section presented the background information on study respondents;

4.2.1 Response Rate

As per the study sample size, a total of 216 structured questionnaires were administered using drop and pick later, to 18 Chief Executive Officers, 162 Board Members, 18 Chief Finance Officers and 18 Chairperson of Audit Committee. Table 4.1 breaks down the return rate for the questionnaires across the different respondent categories.

Table 4.1*Response Rate*

Strata		Administered	Response	Non-response	Percentage (%)
Chief Executive Officers		18	17	1	94.4
Board Members		162	157	5	96.9
Chief Finance Officers		18	18	0	100
Chairperson of Audit Committee		18	16	2	88.9
Total		216	208	8	95.05

The study recorded an overall response rate of 95.05%, which was deemed excellent as postulated by Collis and Hussey (2021) who consider a return rate of 70% or higher as excellent, a rate of 60% as good and a rate of 50% as adequate. The exceptional return rate can be attributed to engaging research assistants who helped administer the questionnaires according to the researcher's direction and guidance.

4.2.2 Gender of respondents

Respondents were asked to indicate their gender and findings are as per Table 4.2.

Table 4.2*Gender of respondents*

Gender	Frequency	Percent
Male	115	55.3
Female	93	44.7
Total	208	100.0

The findings in Table 4.2 reveals that the majority of the respondents were male 115 (55.3%) while the female were 93 (44.7%). The findings implied that there was representative on gender which suggests that the study findings reflect a holistic and balanced view to the corporate governance, Firm size and financial performance of regulated SACCOs in South Rift Region. The findings are in line with King (2022) and Kabeer (2019) who highlighted the importance of gender diversity in decision-making and governance, as it can lead to a more comprehensive understanding of complex issues and better policy outcomes.

4.2.3 Academic qualification

Respondents were asked to indicate their highest academic qualifications and the findings are represented in Table 4.3.

Table 4.3*Academic qualifications*

Academic qualification	Frequency	Percent
Diploma	91	43.8
Degree	68	32.7
Postgraduate	49	23.6
Total	208	100.0

Table 4.3 revealed that majority of the respondents who were 91 (43.8%) had diploma qualification, respondents who had bachelor's degree were 68 (32.7%) and those who had postgraduate qualifications were 49 (23.6%). The findings implies that all the respondents were educated enough to respond to the study and that their responses can be relied upon as the true findings of the study.

4.2.4 Staff category

Respondents were asked to indicate their position in the SACCO and the responses are as per Table 4.4.

Table 4.4*Staff category*

Staff Category	Frequency	Percent
Chief Executive Officer	17	8.2
Board Member	157	75.5
Chief Finance Officer	18	8.7
Chairperson Audit Committee	16	7.7
Total	208	100.0

Findings of Table 4.4 reveal that the majority of respondents who were 157 (75.5%) were Board members, chief finance officers were 18 (8.7%), chief executive officers were 17 (8.2%) and chairperson of audit committee were 16 (7.7%). The findings implied that all the executive staff and board members of SACCOS were represented hence the findings is a true picture of the corporate governance, firm size and financial performance. The findings are in line with Frederickson and Smith, (2020) who highlighted the pivotal role of senior employees in developing policies and that their input reflect strategic decision-making and policy perspectives.

4.2.5 Work experience

Respondents were asked to indicate the length of working in the SACCOS and their findings are as per Table 4.5.

Table 4.5

Length of working in SACCO

Work experience	Frequency	Percent
Less than 5 Years	102	49.0
6 -10 Years	64	30.8
11 - 15 Years	25	12.0
Above 16 Years	17	8.2
Total	208	100.0

The findings in Table 4.5 revealed that the majority of the who were 102 (49.0%) had worked in the organization for less than 5 years, respondents who had worked in the SACCOS for between 6 and 10 years were 64 (30.8%), those who had worked for between 11 and 15 years were 25 (12.0%) while those who had worked for above 16

years were 17 (8.2%). The findings implied that all the respondents had worked in the SACCOs for more than one year hence are aware of corporate governance practices effects on financial performance. This finding resonates with Rainey, (2021) who highlighted the potential impact of tenure on employees' attitudes, adaptability to change, and understanding of organizational processes.

4.3 Descriptive Results Presentation

This section presented the descriptive results which were presented as per the study objectives.

4.3.1 Board composition and financial performance

The study sought to examine the relationship between board composition and financial performance of regulated SACCOs in South Rift Region, Kenya. Respondents were asked to rate their individual levels of agreement with items on board composition as applied in their respective SACCOs. Responses were given on a five-point Likert scale, where 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5=Strongly Agree. A mean of between 0.0 and 2.5 meant strongly disagreed while a mean of between 2.6 and 5.0 meant strongly agree. The results are as presented in Table 4.6.

Table 4.6*Board composition and financial performance*

Statement	1	2	3	4	5	M	SD
SACCO performance has been as a result of the composition of the BoD	19 (9.1%)	23 (11.1%)	3 (1.4%)	111 (53.4%)	52 (25.0%)	3.74	1.21
The levels upon which a decision passes before it is being implemented influences performance of SACCO	20 (9.6%)	25 (12.0%)	3 (1.4%)	127 (61.1%)	33 (15.9%)	3.62	1.17
Centralization of decision making influences financial performance	19 (9.1%)	23 (11.1%)	4 (1.9%)	98 (47.1%)	64 (30.8%)	3.79	1.24
Academic qualification of board members has the effect of the financial performance of SACCO	17 (8.2%)	24 (11.5%)	4 (1.9%)	111 (53.4%)	52 (25.0%)	3.75	1.19
Number of outside directors has an effect on performance of SACCO	19 (9.1%)	25 (12.0%)	3 (1.4%)	113 (54.3%)	48 (23.1%)	3.70	1.21

Table 4.6 revealed that majority of respondents who were 111 (53.4%) agreed as well as 52 (25.0%) who strongly agreed that SACCO performance has been as a result of the composition of the BoD. Respondents who were 23 (11.1%) disagreed as well as

19 (9.1%) respondents who strongly disagreed that SACCO performance has been as a result of the composition of the BoD while 3 (1.4%) were undecided.

The findings also revealed that majority of respondents who were 127 (61.1%) agreed as well as 33 (15.9%) who strongly agreed that the levels upon which a decision passes before it is being implemented influenced performance of SACCO. Respondents who were 25 (12.0%) disagreed as well as 20 (9.6%) who strongly disagreed that the levels upon which a decision passes before it is being implemented influenced performance of SACCOs. The respondents who were undecided were 3 (1.4%).

Centralization of decision making influences financial performance. This was true since majority of respondents who were 98 (47.1%) agreed as well as 64 (30.8%) respondents who strongly agreed. Respondents who were 23 (11.1%) disagreed as well as 19 (9.1%) respondents who strongly disagreed while 4 (1.9%) were undecided.

The findings also showed that academic qualification of board members had an effect on financial performance of SACCO since majority of respondents who were 111 (53.4%) agreed as well as 52 (25.0%) who strongly agreed. Respondents who were 24 (11.5%) disagreed as well as 17 (8.2%) who strongly disagreed that academic qualification of board members effect financial performance of SACCO while 4 (1.9%) were undecided.

The findings showed that majority of respondents who were 113 (54.3%) strongly agreed as well as 48 (23.1%) respondent who agreed that the number of outside directors had an effect on performance of SACCO. Respondents who were 25 (12.0%) disagreed as well as 19 (9.1%) respondents who strongly disagreed that the

number of outside directors has an effect on performance of SACCO. Respondents who were 3 (1.4%) were undecided.

The study findings showed that SACCO performance had been as a result of the composition of the BoD for it had a mean of 3.74 and standard deviation of 1.21. This contradicts Kivaya, Kemboi and Odunga, (2020) study on the moderating role of firm size on corporate governance and financial performance of microfinance institutions in Nairobi City County, Kenya where they found that board independence, board expertise have a negative and significant association with financial performance

The study established that the levels upon which a decision passes before it is being implemented influenced performance of SACCO as shown by a mean of 3.62 and standard deviation of 1.17. This agrees with Kyoa (2017) who examined board composition on the operational efficiency of regulated SACCOs where he found a favorable correlation between operational effectiveness and performance. The findings contradicts Obaje, Abdullahi and Ude, (2021) who examined the moderating effect of firm size on the relationship between board structure indicated by board size, board independence and board gender diversity and financial performance indicated by return on assets of quoted deposit money banks in Nigeria where they established that board independence moderated by firm size had a negative significant effect on ROA.

Centralization of decision making influenced financial performance of SACCOs as shown by a mean of 3.79 and a standard deviation of 1.24, this agrees with Badara (2016), in his examination on the moderating effect of firm size on the relationship between board structure and financial performance of Deposit Money Banks in Nigeria where he established a relationship existed between determinants of board independence and financial performance moderated by firm size.

The study established that academic qualification of board members had the effect of the financial performance of SACCO for it had a mean of 3.75 and a standard deviation of 1.19. This findings resonated with Kyoa (2017) who found that improving board composition have a beneficial effect on how SACCOs operated and this is enhanced through creating gender balance, improvement of education qualification, increase in director's independence, and improving compensation of share ownership of the board.

The mean of 3.70 and a standard deviation of 1.2 implied that the number of outside directors had an effect on performance of SACCO. This concurs with Ruto, Naibei, and Cheruiyot (2017) who looked into the structure, degree of independence, and Financial Performance of a few Kericho County SACCOs' boards of directors where they established that board composition assisted in maximizing the wealth of shareholders.

4.3.2 Audit committee characteristics and financial performance

The study sought to determine relationship between audit committee characteristics and the financial performance of regulated SACCOs in South Rift Region, Kenya. Respondents were asked to rate their individual levels of agreement with items on audit committee characteristics as applied in their respective SACCOs. Responses were given on a five-point Likert scale, where 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5=Strongly Agree. A mean of between 0.0 and 2.5 meant strongly disagreed while a mean of between 2.6 and 5.0 meant strongly agree. The results are as presented in Table 4.7.

Table 4.7*Audit committee and financial performance*

Statement	1	2	3	4	5	M	SD
There is a strong correlation between professional qualification of audit committee members	17 (8.2%)	25 (12.0%)	5 (2.4%)	110 (52.9%)	51 (24.5%)	3.73	1.19
Having employee code of conduct affects the financial performance of the SACCO	18 (9.7%)	27 (13.0%)	4 (1.9%)	116 (55.8%)	43 (20.7%)	3.66	1.19
There are several departments/divisions/units established to deal with a specific issue in the organization	17 (8.2%)	26 (12.5%)	5 (2.4%)	103 (49.5%)	57 (27.4%)	3.75	1.22
The regulations of the banking industry are particularly important to the financial performance of the SACCO	18 (8.7%)	26 (12.5%)	3 (1.4%)	98 (47.1%)	63 (30.3%)	3.78	1.25
The SACCO has been faced with a lot of challenges due to rules and regulations regulating capital requirements and this has affected the financial performance of SACCO	18 (8.7%)	27 (13.0%)	3 (1.4%)	96 (46.2%)	94 (30.8%)	3.77	1.26

Table 4.7 findings revealed that majority of respondents who were 110 (52.9%) agreed so do 51 (24.5%) respondents who strongly agreed that there is a strong correlation between professional qualifications of audit committee members. Respondents who were 25 (12.0%) disagreed as well as 17 (8.2%) respondents who

strongly disagreed that there is a strong correlation between professional qualification of audit committee members while 5 (2.4%) respondents were undecided.

The findings revealed that having employee code of conduct affects the financial performance of the SACCO. This is as per the majority of respondents who were 116 (55.8%) agreed as well as 43 (20.7%) who strongly agreed. Respondents who were 27 (13.0%) disagreed as well as 18 (9.7%) respondents who strongly disagreed. Respondents who were 4 (1.9%) were undecided.

Majority of respondents who were 103 (49.5%) agreed as well as 57 (27.4%) respondents who strongly agreed that there are several departments/divisions/units established to deal with a specific issue in the organization. Respondents who were 26 (12.5%) disagreed as well as 17 (8.2%) respondent who strongly disagreed that there are several departments/divisions/units established to deal with a specific issue in the organization. Respondents who were 5 (2.4%) were undecided.

The regulations of the banking industry were particularly important to the financial performance of the SACCO. This is as per the majority of respondents who were 98 (47.1%) who agreed as well as 63 (30.3%) who strongly agreed. Respondents who were 26 (12.5%) disagreed as well as 18 (8.7%) who strongly disagreed that regulations of the banking industry are particularly important to the financial performance of the SACCO. Respondents who were 3 (1.4%) were undecided.

The findings in Table 4.7 also revealed that majority of the respondents who were 96 (46.2%) agreed as well as 94 (30.8%) who strongly agreed that SACCO has been faced with a lot of challenges due to rules and regulations regulating capital requirements and this has affected the financial performance of SACCO. Respondents who were 27 (13.0%) disagreed as well as 18 (8.7%) respondents who strongly

disagreed that SACCO has been faced with a lot of challenges due to rules and regulations regulating capital requirements and this has affected the financial performance of SACCO. Undecided respondent were 3 (1.4%).

The study findings revealed that there was a strong correlation between professional qualification of audit committee members as indicated by a mean of 3.73 and a standard deviation of 1.19. These findings agrees with Al-Matari et al., (2014) on audit committee (AC) characteristics and executive committee characteristics where they found that executive committee size and performance had a positive association with audit size, committee independence, but that this link was not statistically significant. Performance was negatively but not significantly correlated with AC meetings, their independence, and meetings.

Having employee code of conduct affected the financial performance of the SACCO for it had a mean of 3.66 and a standard deviation of 1.19. This agrees with Machora and Oluoch (2019) who investigated how audit committee traits affected financial reporting where they demonstrated an association between audit committee experience and the firm's success. The study established that there were several departments established to deal with a specific issue in the organization as shown by a mean of 3.75 and a standard deviation of 1.22. This agrees with Oduor, Adoyo and Mule (2022) where they established that audit expertise, diversity, authority, and resources, meeting, and performance were positively and significantly correlated.

The study established that regulations of the banking industry are particularly important to the financial performance of the SACCO for it had a mean of 3.78 with a standard deviation of 1.25. The findings agreed with Wakaba (2014) looked into the characteristics of ACs in relation to the FP of Kenyan companies listed on the NSE where they established that the experience of the audit committee reduced

misreporting and ensured quality monitoring in financial reports hence compliance with banking regulations.

The SACCO has been faced with a lot of challenges due to rules and regulations regulating capital requirements and this has affected the financial performance of SACCO as it had a mean of 3.77 and a standard deviation of 1.26. The findings agreed with Santosa (2020), who studied the influence of firm size moderation on the relationship of financial characteristics and corporate governance with firm value in Indonesian where the results showed that the audit committee has an impact on financial and stock performance since they aid in compliance with set out regulations.

4.3.3 Transparency and financial performance

The study sought to evaluate the relationship between transparency and financial performance of regulated SACCOs in South Rift Region, Kenya. Respondents were asked to rate their individual levels of agreement with items on transparency as applies in their respective SACCOs. Responses were given on a five-point Likert scale, where 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5=Strongly Agree. A mean of between 0.0 and 2.5 meant strongly disagreed while a mean of between 2.6 and 5.0 meant strongly agree. The results are as presented in Table 4.8.

Table 4.8*Transparency and financial performance*

Statement	1	2	3	4	5	M	SD
Having a clear mission increases on the market share of the SACCO which leads to improved financial performance	17 (8.2%)	28 (13.5%)	4 (1.9%)	101 (48.6%)	58 (27.9%)	3.74	1.23
Staffs are given chance to contribute to the decision on the adoption of new policies and procedures for better financial performance	19 (9.1%)	27 (13.1%)	3 (1.4%)	104 (50.0%)	55 (26.4%)	3.72	1.24
SACCO personnel have access to written instructions on how to handle every operational activity and/or circumstance which are aimed at improving financial performance.	19 (9.1%)	27 (13.1%)	3 (1.4%)	99 (47.6%)	60 (28.8%)	3.74	1.26
The level of hierarchy available for decision making is clear and has influences SACCO financial performance	18 (8.7%)	27 (13.0%)	3 (1.4%)	97 (46.6%)	63 (30.3%)	3.77	1.25
Departmentalization of the SACCO influences SACCO performance	18 (8.7%)	28 (13.5%)	3 (1.4%)	92 (44.2%)	67 (32.2%)	3.78	1.27

Table 4.8 revealed that majority of the respondents who were 101 (48.6%) agreed as well as 58 (27.9%) respondents who strongly agreed that having a clear mission increases on the market share of the SACCO which lead to improved financial performance. Respondents who were 28 (13.5%) disagreed as well as 17 (8.2%) respondents who strongly disagreed that having a clear mission increases on the market share of the SACCO which lead to improved financial performance while 4 (1.9%) respondents were undecided.

Respondents who were 104 (50.0%) agreed as well as 55 (26.4%) respondents who strongly agreed that staffs are given chance to contribute to the decision on the adoption of new policies and procedures for better financial performance. Respondents who were 27 (13.1%) disagreed as well as 19 (9.1%) respondents who strongly disagreed that that staffs are given chance to contribute to the decision on the adoption of new policies and procedures for better financial performance. Respondents who were 3 (1.4%) were undecided.

Majority of respondent who were 99 (47.6%) agreed as well as 60 (28.8%) respondents who strongly agreed that SACCO personnel had access to written instructions on how to handle every operational activity and/or circumstance which are aimed at improving financial performance. Respondents who were 27 (13.1%) disagreed as well as 19 (9.1%) respondents who strongly disagreed that SACCO personnel had access to written instructions on how to handle every operational activity and/or circumstance which are aimed at improving financial performance while 3 (1.4%) respondents were undecided.

The level of hierarchy available for decision making was clear and had influence on financial performance of SACCO. This is as per the majority of respondents who were 97 (46.6%) who agreed as well as 63 (30.3%) respondents who strongly agreed.

Respondents who were 27 (13.0%) disagreed as well as 18 (8.7%) respondents who strongly disagreed that the level of hierarchy available for decision making was clear and had influences financial performance of SACCO. Respondents who were 3 (1.4%) were undecided.

Majority of respondents who were 92 (44.2%) agreed as well as 67 (32.2%) respondents who strongly agreed that departmentalization of the SACCO influenced SACCO performance. Respondents who were 28 (13.5%) disagreed as well as 18 (8.7%) respondents who strongly disagreed that departmentalization of the SACCO influenced SACCO performance. Respondents who were 3 (1.4%) were undecided.

The study established that having a clear mission increased the market share of the SACCO which lead to improved financial performance for it had a mean of 3.74 and a standard deviation of 1.23. This agrees with Vintila and Nenu (2015) who assessed the factors that affected the FP of the corporations that were listed on the Bucharest Stock Exchange where they found that there was no statistical support for the association between financial reporting's transparency and disclosure.

Staffs were given chance to contribute to the decision on the adoption of new policies and procedures for better financial performance for it had a mean of 3.72 and a standard deviation of 1.24. The results concured with Aly, El-Halaby and Hussainey (2018) study on transparency disclosure and the FP of financial institutions in Egypt where they established Egyptian businesses disclosed more positive news than negative and that the difference between good and negative news was found to have a positive net variance.

SACCO personnel had access to written instructions on how to handle every operational activity and/or circumstance which were aimed at improving financial performance since it had a mean of 3.74 and a standard deviation of 1.26. These results agreed with Wanjau, Muturi, and Ngumi (2018) on their study to determine whether corporate openness and transparency are related to firms' declining FP and eventual failure, particularly in the East African Community where they established a substantial and positive association between the financial, social transparency, governance, risk, and financial performance.

The study established that the level of hierarchy available for decision making was clear and had influences on financial performance of SACCO for it had a mean of 3.77 and standard deviation of 1.25. This concurs with Cunha and Rodrigues (2018), who examined the factors that affected the level of CG disclosure (CGD) by Portuguese companies listed on Euronext Lisbon where a substantial association was found between board ownership and levels of exposure, globalization, and external audit, as evidenced by the data.

The study found that departmentalization of the SACCO influenced SACCO performance for it had a mean of 3.78 and a standard deviation of 1.27. This agrees with Babalola (2014) who surveyed tertiary institutions in Nigeria's Oyo state to evaluate the impact of departmentalization on cooperative societies where the study established that openness and accountability issues were not given top priority by CEOs of cooperative societies. Achieving transparency, effective internal controls, good governance, complete responsibility through departmentalization and full disclosure improved on financial performance.

4.3.4 Risk management and financial performance

The study sought to analyse the relationship between risk management and financial performance of regulated SACCOs in South Rift Region, Kenya. Respondents were asked to rate their individual levels of agreement with items on risk management as applies in their respective SACCOs. Responses were given on a five-point Likert scale, where 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5=Strongly Agree. A mean of between 0.0 and 2.5 meant strongly disagreed while a mean of between 2.6 and 5.0 meant strongly agree. The results are as presented in Table 4.9.

Table 4.9

Risk management and financial performance

Statement	1	2	3	4	5	M	SD
The SACCO's BoD must first authorize any investment decisions made by the organization.	17 (8.2%)	26 (12.5%)	3 (1.4%)	95 (45.7%)	67 (32.2%)	3.81	1.24
The financial success of our SACCO is affected by liquidity management factors including the current ratio and cash deposit ratio.	18 (8.7%)	26 (12.5%)	4 (1.9%)	107 (51.4%)	53 (25.5%)	3.72	1.22
The SACCO's financial performance is impacted by the SASRA's requirement for liquidity.	17 (8.2%)	26 (12.5%)	5 (2.4%)	109 (52.4%)	51 (24.5%)	3.73	1.20
Government regulation reporting requirements affect the financial performance of our SACCO	30 (14.4%)	34 (16.3%)	12 (5.8%)	86 (41.3%)	46 (22.1%)	3.40	1.37
The market rate of interest affects the financial performance of the SACCO	28 (13.5%)	42 (20.2%)	13 (6.3%)	78 (37.5%)	47 (22.6%)	3.36	1.38

Table 4.9 findings revealed that majority of the respondents who were 95 (45.7%) agreed as well as 67 (32.2%) respondents who strongly agreed that the SACCO's BoD must first authorize any investment decisions made by the organization. Respondents who were 26 (12.5%) disagreed as well as 17 (8.2%) respondents who strongly disagreed that the SACCO's BoD must first authorize any investment decisions made by the organization while 3 (1.4%) respondents were undecided.

Majority of the respondents who were 107 (51.4%) agreed as well as 53 (25.5%) respondents who strongly agreed that the financial success of their SACCO was affected by liquidity management factors including the current ratio and cash deposit ratio. Respondents who were 26 (12.5%) disagreed as well as 18 (8.7%) respondents who strongly disagreed. Respondents who were 4 (1.9%) were undecided.

The SACCO's financial performance was impacted by the SASRA's requirement for liquidity. This was as per the majority of respondents who were 109 (52.4%) who disagreed as well as 51 (24.5%) who strongly agreed. Respondents who were 26 (12.5%) disagreed as well as 17 (8.2%) respondents who strongly disagreed but 5 (2.4%) respondent were undecided.

Respondents who were 86 (41.3%) agreed as well as 46 (22.1%) respondents who strongly agreed that government regulation reporting requirements affected the financial performance of their SACCO. Respondents who were 34 (16.3%) disagreed as well as 30 (14.4%) who strongly disagreed while 12 (5.8%) respondents were undecided.

The market rate of interest affected the financial performance of the SACCO, this is as per the majority of respondents who were 78 (37.5%) who agreed as well as 47 (22.6%) respondents who strongly agreed. Respondents who were 42 (20.2%)

disagreed as well as 28 (13.5%) respondents who strongly disagreed that market rate of interest affects the financial performance of the SACCO. Respondents who were undecided were 13 (6.3%).

The findings revealed that SACCO's BoD must first authorize any investment decisions made by the organization for it had a mean of 3.81 and a standard deviation of 1.24. The findings agreed with Effiong and Ejabu (2020) who looked at the effect of managing liquidity risk on the financial performance of enterprises that made consumer goods where they found that ROA was significantly impacted by all three variables but cash ratio and long-term loans had an effect on ROCE.

The study established that financial success of SACCO was affected by liquidity management factors including the current ratio and cash deposit ratio as revealed by a mean of 3.72 and a standard deviation of 1.22. The findings agreed with Kipkoech (2015) who conducted an exploratory study to ascertain how success of SACCOs is impacted by credit management where regression and correlation analyses showed a substantial association between independent variables and FP.

The study found out that SACCO's financial performance is impacted by the SASRA's requirement for liquidity as shown by a mean of 3.73 and a standard deviation of 1.20. These resonate with Okpala, Osanebi, and Irinyemi (2019) study which assessed how credit management techniques affected the liquidity and FP of listed chemical and paint manufacturing companies in Nigeria. The results indicated that the credit risk assessment, debt recovery plan, and receivable collection policy sub-variables of the credit management strategy had a favorable and statistically significant impact on the liquidity sub-variables of ability to pay, level of bad debt, and cash inflow.

The findings showed that government regulation reporting requirements affected the financial performance SACCO as revealed by a mean of 3.40 and a standard deviation of 1.37. This agrees with Akinleye and Olarewanju (2019) who examine the effect of regulations on financial performance of manufacturing companies in Nigeria where they discovered that lack of adherence to regulations restrained SACCOs growth and long-term viability.

The market rate of interest affects the financial performance of the SACCO since it had a mean of 3.36 and a standard deviation of 1.38. The findings agreed with Kiptoo and Kimani (2018) who established that report, the procedures used by the table banking institutions to manage its liquidity had enhanced their ability to keep a solid financial position. The findings also agreed with Epetimehin and Fatoki (2015) who conducted a research on the operational risk management and monetary systems implemented in Nigerian financial organizations where they found that operational risk management impacted on the financial sector's advancement and improvement.

4.3.5 Firm size on the relationship between corporate governance and financial performance

The study sought to establish the moderating effect of firm size on the relationship between corporate governance and financial performance of regulated SACCOs in South Rift Region, Kenya. Respondents were asked to rate their individual levels of agreement with items on firm size on the relationship between corporate governance and financial performance as applies in their respective SACCOs. Responses were given on a five-point Likert scale, where 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5=Strongly Agree. A mean of between 0.0 and 2.5 meant strongly disagreed while a mean of between 2.6 and 5.0 meant strongly agree. The results are as presented in Table 4.9 and Appendix VII.

Table 4.10*Firm size and financial performance*

Statement	1	2	3	4	5	M	SD
We actualize good financial performance because of the size of our SACCO and corporate governance	50 (24.0%)	33 (15.9%)	6 (2.9%)	94 (45.2%)	25 (12.0%)	3.05	1.43
The size of our SACCOs as shown by the total value of our assets is affected by corporate governance and this ensures SACCOs financial performance.	39 (18.8%)	51 (24.5%)	1 (0.5%)	89 (42.8%)	28 (13.5%)	3.07	1.40
SACCOs size plays a role in the relationship between financial performance and the variables influencing corporate governance	48 (23.1%)	26 (12.5%)	8 (3.8%)	93 (44.7%)	33 (15.9%)	3.17	1.45
Return on assets is impacted by SACCOs size and this affect financial performance of SACCOs	42 (20.2%)	37 (17.8%)	5 (2.4%)	77 (37.0%)	47 (22.6%)	3.24	1.48
SACCOs size and corporate governance have influence on SACCOs financial successful	31 (14.9%)	41 (19.7%)	7 (3.4%)	90 (43.3%)	39 (18.8%)	3.31	1.37

The findings as shown in Table 4.9 revealed that majority of the respondents who were 94 (45.2%) agreed as well as 25 (12.0%) respondents strongly agree that they actualized good financial performance because of the size of their SACCO and corporate governance. Respondents who were 50 (24.0%) strongly disagreed together with 33 (15.9%) respondents who disagree that they actualize good financial performance because of the size of our SACCO and corporate governance. Respondents who were 6 (2.9%) were undecided.

The study established that majority of respondents who were 89 (42.8%) who agreed as well as 28 (13.5%) respondents who strongly agreed that the size of SACCOs as shown by the total value of assets was affected by corporate governance and this ensures SACCOs financial performance. The respondents who were 51 (24.5%) disagreed as well as 39 (18.8%) strongly disagreed that the size of SACCOs as shown by the total value of assets is affected by corporate governance and this ensured SACCOs financial performance while 1 (0.5%) was undecided.

The findings showed that majority of the respondents who were 93 (44.7%) agreed as well as 33 (15.9%) respondents who strongly agreed that SACCOs size plays a role in the relationship between financial performance and the variables influencing corporate governance. Respondents who were 48 (23.1%) strongly disagreed as well as 26 (12.5%) respondents who disagreed that SACCOs size plays a role in the relationship between financial performance and the variables influencing corporate governance. Respondents who were 8 (3.8%) were undecided.

Return on assets is impacted by SACCOs size and this affected financial performance of SACCOs. This is true as per the majority of respondents who were 77 (37.0%) who agreed as well as 47 (22.6%) respondents who strongly agreed. Respondents who were 42 (20.2%) strongly disagreed as well as 37 (17.8%) respondents who disagreed

that return on assets is impacted by SACCOs size and this affected financial performance of SACCOs. The respondents who were 5 (2.4%) were undecided.

The findings also revealed that majority of the respondents who were 90 (43.3%) agreed as well as 39 (18.8%) respondents who strongly agreed that SACCOs size and corporate governance had influence on SACCOs financial success. Respondents who were 41 (19.7%) disagreed as well as 31 (14.9%) respondents who strongly disagreed that SACCOs size and corporate governance have influence on SACCOs financial successful while 7 (3.4%) respondents were undecided.

The study found that SACCOs actualized good financial performance because of their size and corporate governance as revealed by a mean of 3.05 and a standard deviation of 1.43. This agreed with Odhiambo (2017), who noted that one of the main problems preventing excellent financial performance in SACCOs is the absence of suitable investment options, investment opportunities, employee cash flow delays, and questionable loan risk management that has little to no benefit to the assets of the membership in accordance with legislation.

The study established that size of SACCOs as shown by the total value of our assets is affected by corporate governance and this ensures SACCOs financial performance as revealed by a mean of 3.07 and a standard deviation of 1.40. This agreed with Mwaura (2016), who noted that different scientists utilized varied ratios to assess financial Performance. ROA, earnings per share of ownership (EPS), and default rate are the most popular profitability measures. Further investigation revealed that the items in a revenue declaration are expressed as a trades proportion, whereas the aggregate assets return showed an entity's capacity to produce income from its assets.

The study established that SACCOs size played a role in the relationship between financial performance and the variables influencing corporate governance as shown by a mean of 3.17 and a standard deviation of 1.45. These findings resonated with Njeri (2013), who postulated that In order to assess their financial success using profitability criteria, SACCOs must periodically review and track their profit levels.

The study found out that return on assets was impacted by SACCOs size and this affected financial performance of SACCOs as shown by a mean of 3.24 and a standard deviation of 1.48. These findings agreed with Malak, (2014) who noted that the most widely used profitability metrics are return on assets ROA; return on equity ROE; and interest pay-out ratio. ROE quantifies earnings per dollar of shareholder equity, while dividend payout ratios represented the percentage of investor pay checks that are delivered.

The study found that SACCOs size and corporate governance have influence on SACCOs financial success as revealed by a mean of 3.31 and a standard deviation of 1.37. The findings agreed with Johnson, George, and Freddie Ndiwalana (2014) study findings on the effect of managerial competency on SACCOs' FP in Busoga who found a correlation between an improvement in the SACCOs' managerial competency and an improvement in their Financial Performance.

4.3.6 Financial performance of SACCOs

The study sought to establish the financial performance of regulated SACCOs in South Rift Region, Kenya. Respondents were asked to rate their individual levels of agreement with items on financial performance as applies in their respective SACCOs. Responses were given on a five-point Likert scale, where 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5=Strongly Agree. A mean of

between 0.0 and 2.5 meant strongly disagreed while a mean of between 2.6 and 5.0 meant strongly agree. The results are as presented in Table 4.10.

Table 4.11

Financial performance of SACCOs

Statement	1	2	3	4	5	M	SD
The slow financial performance of our SACCO is attributed to rules and regulation in the sector	33 (15.9%)	37 (17.8%)	17 (8.2%)	72 (34.6%)	49 (23.6%)	3.32	1.41
Managerial leadership adopted by our SACCOs affects its efficiency and in turn financial performance	31 (14.9%)	34 (16.3%)	12 (5.8%)	70 (33.7%)	61 (29.3%)	3.45	1.44
Our SACCO has a large market share in our region due to good corporate governance	31 (14.9%)	34 (16.3%)	12 (5.8%)	70 (33.7%)	61 (29.3%)	3.46	1.44
Our SACCO has been declaring high dividends to our members due to the high profit actualized	18 (8.7%)	27 (13.0%)	3 (1.4%)	98 (47.1%)	62 (29.8%)	3.76	1.25
Our SACCO has high number of shares from members because of a variety of product and service on offer	17 (8.2%)	28 (13.5%)	4 (1.9%)	88 (42.3%)	71 (34.1%)	3.81	1.27

The findings as showed by Table 4.10 revealed that majority of respondent who were 72 (34.6%) agreed as well as 49 (23.6%) who strongly agreed that the slow financial performance of SACCO is attributed to rules and regulation in the sector. Respondents who were 37 (17.8%) disagreed as well as 33 (15.9%) respondents who strongly disagreed that the slow financial performance of SACCO is attributed to rules and regulation in the sector. Respondents who were 17 (8.2%) were undecided.

Managerial leadership adopted by SACCOs affected its efficiency and in turn financial performance. This is true as revealed by majority of respondent who were 70 (33.7%) who agreed as well as 61 (29.3%) respondents who strongly agreed. Respondents who were 34 (16.3%) disagreed as well as 31 (14.9%) respondents who strongly disagreed that managerial leadership adopted by SACCOs affects its efficiency and in turn financial performance. Undecided respondent were 12 (5.8%).

Majority of SACCO had a large market share in their region due to good corporate governance as shown by 70 (33.7%) respondents who agreed as well as 61 (29.3%) respondents who strongly agreed. Respondents who were 34 (16.3%) disagreed as well as 31 (14.9%) respondents who strongly disagreed that SACCO had a large market share in their region due to good corporate governance while 12 (5.8%) respondents were undecided.

The findings revealed that majority of the respondents who were 98 (47.1%) agreed as well as 62 (29.8%) respondents who strongly agreed that their SACCO had been declaring high dividends to its members due to the high profit actualized. Respondents who were 27 (13.0%) disagreed as well as 18 (8.7%) who strongly disagreed that their SACCO has been declaring high dividends to its members due to the high profit actualized. Respondents who were 3 (1.4%) were undecided.

The findings revealed that majority of respondents who were 88 (42.3%) agreed as well as 71 (34.1%) strongly agreed that SACCO had high number of shares from members because of a variety of product and service on offer. The respondents who were 28 (13.5%) disagreed as well as 17 (8.2%) respondents who strongly disagreed that SACCO has high number of shares from members because of a variety of product and service on offer. Respondents who were 4 (1.9%) were undecided.

The findings showed that the slow financial performance of SACCO is attributed to rules and regulation in the sector as shown by a mean of 3.32 and standard deviation 1.41. The findings concurs with Abbasi and Malik (2015) who examined firm size effect on the link between business success and firm growth where the regression analysis's findings supported the alternative research hypothesis, which holds that firm size influenced how independent variables like firm growth and firm performance are related to one another.

The study found that managerial leadership adopted by SACCOs affected its efficiency and in turn financial performance since it had a mean of 3.45 and a standard deviation of 1.44. The findings agreed with Nodeh, Anuar, Ramakrishnan, and Raftnia (2016) who carried out a research project to find out The Effect of Board Structure on Banks FP by Moderating Firm Size where they established that, company size plays a moderating role in the relationship between FP and the variables influencing board structure (board size and independence).

SACCO had a large market share in their region due to good corporate governance as revealed by a mean of 3.46 and a standard deviation of 1.44. Obaje, Abdullahi, and Ude (2021) investigated the moderating effect of firm size on the association between quoted deposit money banks' FP (proxied by return on assets), board structure (proxied by board size), board independence, and board gender diversity, board

gender diversity with the interaction of firm size has a negative significant impact, but board independence with the business size as a moderator had a negative significant influence on ROA.

The findings revealed that SACCO had been declaring high dividends to its members due to the high profit actualized as shown by a mean of 3.76 and a standard deviation of 1.25. Mu'azu (2016) examined the relationship between the FP of Nigerian deposit money institutions and the size of a company's governance structure. The findings indicated that the association between board structure characteristics (board independence and size) and financial success is moderated by the size of the company.

SACCO had high number of shares from members because of a variety of product and service on offer, this is shown by a mean of 3.81 and a standard deviation of 1.27. The findings concurs with Mu'azu (2016) who examined the relationship between the FP of Nigerian deposit money institutions and the size of a company's governance structure which indicate that the association between board structure characteristics (board independence and size) and financial success is moderated by the size of the company.

The study further employed a data extraction tool to determine financial performance of regulated SACCOs in South Rift Region, Kenya. Financial performance was indicated by Return on Equity which was a ratio of Net Income and total Equity and Return on Asset which was a ratio of Net income and total asset for the five years period commencing 2017 to 2021. The findings are presented in Table 4.11.

Tabl4 4.12*Financial Performance ratios*

YEAR		2017	2018	2019	2020	2021
		(000,000)	(000,000)	(000,000)	(000,000)	(000,000)
Financial	ROE - Return on Equity (Net income/total equity)					
Performance	Net Income	18,717	19,960	21,250	34,780	45,210
	Total Equity	320,474	358,429	396,731	435,411	493,646
	Ratios	5.84	5.57	5.36	7.99	9.16
	ROA - Return on Asset (Net income /total asset)					
	Net Income	18,717	19,960	21,250	34,780	45,210
	Total Asset	442,277	495,250	556,710	627,680	691,090
	Ratios	4.23	4.03	3.82	5.54	6.54

The findings under Table 4.11 revealed that the SACCOs in South Rift region was performing better as compared to the average performance of SACCOs in Kenya between the year 2017 to 2021 (SASRA, 2021 Report) which was 2.69%, 2.40%, 2.60%, 2.65%, 1.59% on return on asset as compared to 4.23%, 4.03%, 3.82%, 5.54%, 6.54% actualized by SACCOs in South Rift region.

The observed differences could be attributed to diverse reasons, including differences in board composition, audit committee, transparency and risk management strategies adopted by each SACCO. These results align with the extensive literature on financial performance which emphasized on the importance of robust financial planning and monitoring (Shah, 2021).

4.4 Inferential Statistics

The findings of the inferential statistic obtained from the study are discussed in this section.

4.4.1 Pearson Correlation Analysis

Pearson correlation analysis is a fundamental statistical technique for assessing the strength, direction, and significance of the linear association between two continuous variables (Creswell & Guetterman, 2019). The importance of Pearson correlation analysis lies in its ability to provide valuable insights into the nature and magnitude of these associations (Saunders et al., 2019). Moreover, the analysis informs about the direction of the relationships, whether they are positive or negative (Sekaran & Bougie, 2019). In this study, Pearson correlation analysis was with a view to establish the strength, direction and significance of the association between financial performance and each of the four predictors, that is board composition, audit committee characteristics, transparency and risk management and result presented in Table 4.12.

Table 4.13

Pearson Correlation Analysis

		Size	Composition	Audit	Transparency	Risk	Performance
Size	R	1					
	Sig.						
Composition	R	.402**	1				
	Sig.	.000					
Audit	R	.421**	.905**	1			
	Sig.	.000	.000				
Transparency	R	.342**	.766**	.803**	1		
	Sig.	.000	.000	.000			
Risk	R	.343**	.748**	.785**	.908**	1	
	Sig.	.000	.000	.000	.000		
Performance	R	.381**	.728**	.792**	.905**	.864**	1
	Sig.	.000	.000	.000	.000	.000	

** . Correlation is significant at the 0.01 level (2-tailed). N = 208

The findings in Table 4.12 revealed that there was strong, positive and significant relationship between firm size on corporate governance and financial performance where the strongest correlation was established between financial performance and transparency ($r=0.905$; $p<0.05$); followed by risk management ($r=0.864$; $p <0.05$); audit committee characteristics ($r=0.792$; $p <0.05$); board composition ($r=0.728$; $p <0.05$); and firm size ($r=0.381$; $p <0.05$). The study's findings, which reveal strong, positive, and significant relationships between financial performance and various predictors, align with established literature on corporate governance and public finance. The positive correlations were indicated by the potential effectiveness of these factors in improving financial performance of SACCOs, which is essential for fiscal sustainability of these SACCOs as well as members financial wellbeing.

4.5 Test of Hypotheses

Regression analysis was employed in this study to test hypotheses and to explore the relationships between multiple predictor variables and the dependent variable, financial performance, within the context of SACCOs in South Rift region. Regression analysis aimed to provide a deeper understanding of the factors that drove financial performance, offering valuable insights for decision-makers in the corporate governance hence was also used to test the stated hypotheses.

4.5.1 Board composition and the financial performance

The first null hypothesis was H_01 : There is no statistically significant the relationship between board composition and the financial performance of regulated SACCOs in South Rift Region, Kenya. To test this hypothesis, a simple linear regression was conducted, producing three outputs including model summary, ANOVA and coefficients.

Table 4.14*Model Summary for board composition*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.728 ^a	.530	.528	.75940
a. Predictors: (Constant), Composition				

R square of 0.530 was also established, which implied that board composition accounts for a notable 53.0% of the variance in financial performance while the balance of 47.0% is accounted for by factors excluded in the regression model.

Table 4.15*ANOVA Statistics for board composition*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	133.933	1	133.933	232.243	.000 ^b
	Residual	118.799	206	.577		
	Total	252.732	207			

a. Dependent Variable: Performance

b. Predictors: (Constant), Composition

According to Table 4.14, ANOVA statistics was found to be significant ($F=232.243$, $p < 0.05$), implying that the regression model adopted was statistically significant, and can be relied upon to make further inferences. The regression Sum of Squares was recorded at 133.933 out of 252.799, further confirming that board composition

accounts for a notable 53.0% of the variance in financial performance while the balance of 43.0% is accounted for by factors excluded in the regression model as indicated by the residual sum of squares (118.799).

Table 4.16

Coefficients for board composition

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1	(Constant)	.871	.184	4.729	.000
	Composition	.723	.047	.728	15.240
a. Dependent Variable: Performance					

A beta coefficient of 0.723 was recorded in board composition, implying that keeping other factors constant, a unit change in board composition would result in 0.723 change in financial performance. The finding was also significant at 95% confidence level ($p < 0.05$), indicating that board composition has a statistically significant relationship with financial performance. The study thus rejects the first null hypothesis that states that: There is no statistically significant moderating effect of firm size on the relationship between board composition and the financial performance of regulated SACCOs in South Rift Region, Kenya (H_01).

Taking the regression model: $Y = \beta_0 + \beta_1 X_1$; the model can be rewritten as follows, based on the regression analysis:

Financial Performance = 0.871 + 0.723 (board composition).

The beta coefficient of 0.723 in board composition signified the strength and direction of the relationship between corporate governance and financial performance in the context of regulated SACCOs in Kenya. Therefore, the statistically significant relationship between board composition on financial performance ($\beta = 0.723$, $p = 0.000$) emphasizes the practical importance of Boarding Composition as indicated CEO Duality, Independence of Board, Director's expertise in SACCOs thus impacted on policy implications, as it suggested that improved board composition can lead to enhanced financial performance. The results align well with the findings of Kyoa (2017) who examined board composition on the operational efficiency of regulated SACCOs where he found a favorable correlation between operational effectiveness and performance. The findings contradicted Obaje, Abdullahi and Ude, (2021) who examined the moderating effect of firm size on the relationship between board structure indicated by board size, board independence and board gender diversity and financial performance indicated by return on assets of quoted deposit money banks in Nigeria where they established that board independence moderated by firm size had a negative significant effect on ROA.

4.5.2 Audit committee characteristics and the financial performance

The second null hypothesis was **H₀₂**: There is no statistically significant relationship between audit committee characteristics and the financial performance of regulated SACCOs in South Rift Region, Kenya. To test this hypothesis, a simple linear regression was conducted, producing three outputs including model summary, ANOVA and coefficients.

Table 4.17*Model Summary for audit committee characteristics*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.792 ^a	.627	.626	.67612

a. Predictors: (Constant), Audit

The findings in Table 4.16 revealed that the value of R is 0.792 while the value of R square is 0.627. This implied that audit committee characteristics accounts for 62.7% of the variance in financial performance while the variance of 37.3% is accounted for not included in the study.

Table 4.18*ANOVA^a for audit committee characteristics*

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	158.562	1	158.562	346.857	.000 ^b
	Residual	94.171	206	.457		
	Total	252.732	207			

a. Dependent Variable: Performance

b. Predictors: (Constant), Audit

Table 4.17 indicated that audit committee characteristics had significant relationship with financial performance ($F_{(1,206)} = 346.857$, $p < 0.0000$). This revealed that audit committee characteristics enabled SACCOs in South Rift Region to improve on financial performance.

Table 4.19*Coefficients^a for audit committee characteristics*

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.645	.163		3.946	.000
	Audit	.779	.042	.792	18.624	.000

a. Dependent Variable: Performance

Table 4.18 showed that audit committee characteristics had positive significant effect on financial performance where a unit increase of audit committee had 0.779 on financial performance. According to the results there existed significant relationship between audit committee characteristics and financial performance ($\beta = 0.779$, $p < 0.05$). The beta coefficient of 0.779 means that when audit committee characteristics increase by an additional unit, financial performance increase by 0.779.

The study hypothesis **H₀₂**: There is no statistically significant moderating effect of firm size on the relationship between audit committee characteristics and the financial performance of regulated SACCOs in South Rift Region, Kenya is rejected since there is statistical significant moderating effect of firm size on the relationship between audit committee characteristics and the financial performance as shown by $\beta = 0.779$ with the p value of 0.000 which was less than 0.05.

Taking the regression model: $Y = \beta_0 + \beta_2 X_2$; the model can be rewritten as follows, based on the regression analysis:

Financial Performance = 0.645 + 0.779 (audit committee characteristics).

The beta coefficient of 0.779 in audit committee characteristics signified the strength and direction of the relationship between corporate governance and financial performance in the context of regulated SACCOs in Kenya. This emphasized the practical importance of Audit committee characteristics indicated by expertise members, independent members, and experience of members thus impacted on policy implications, as it suggests that improving audit committee characteristics can lead to enhanced financial performance. The results agrees with Machora and Oluoch (2019) who investigated how audit committee traits affected financial reporting where they demonstrated an association between audit committee experience and the firm's success.

4.5.3 Transparency and the financial performance

The third hypothesis was **H₀₃**: There is no statistically significant moderating effect of firm size on the relationship between transparency and financial performance of regulated SACCOs in South Rift Region, Kenya. To test this hypothesis, a simple linear regression was conducted, producing three outputs including model summary, ANOVA and coefficients.

Table 4.20

Model Summary for transparency

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.905 ^a	.820	.819	.47041

a. Predictors: (Constant), Transparency

Table 4.19 revealed that the transparency had positive significant relationship with financial performance. The results showed that 82.0% of financial performance is explained by transparency (R Square = 0.820). However, other factors not in the study attributed to 18.0% variation of financial performance.

Table 4.21

ANOVA^a for transparency

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	207.148	1	207.148	936.112	.000 ^b
	Residual	45.585	206	.221		
	Total	252.732	207			

a. Dependent Variable: Performance

b. Predictors: (Constant), Transparency

Table 4.20 on ANOVA revealed that there existed significant relationship between transparency and financial performance ($F_{(1,206)} = 936.112$, $p < 0.05$). The findings showed that the significance value is 0.000 which is below 0.05. This implied that there is a statistically significant relationship between transparency and financial performance. ANOVA results shows that the model used was suitable for data analysis.

Table 4.22*Coefficients^a for transparency*

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	.206	.114		1.803	.073
Transparency	.895	.029	.905	30.596	.000

a. Dependent Variable: Performance

As presented on Table 4.21, it was established that there exists a significant positive relationship between transparency and financial performance $\beta = 0.895$. The results were statistically significant ($p < 0.05$). The beta coefficient of 0.895 means that when transparency increases by an additional unit, financial performance of SACCOs increases by 0.895.

The study hypothesis **H₀₃**: There is no statistically significant relationship between transparency and financial performance of regulated SACCOs in South Rift Region, Kenya is rejected since there is statistical significant relationship between transparency and financial performance as shown by $\beta = 0.896$ with the p value of 0.000.

Taking the regression model: $Y = \beta_0 + \beta_3 X_3$; the model can be rewritten as follows, based on the regression analysis:

Financial Performance = $0.206 + 0.895$ (transparency).

The study findings showed that transparency indicated by information disclosure, stakeholder engagement, free flow of information significantly influence financial performance.

The findings agreed with The results agrees with Aly, El-Halaby and Hussainey (2018) study on transparency disclosure and the FP of financial institutions in Egypt where they established Egyptian businesses disclosed more positive news than negative and that the difference between good and negative news was found to have a positive net variance. These results also concured with Wanjau, Muturi, and Ngumi (2018) on their study to determine whether corporate openness and transparency are related to firms' declining FP and eventual failure, particularly in the East African Community where they established a substantial and positive association between the financial, social transparency, governance, risk, and financial performance.

4.5.4 Risk management and the financial performance

The second null hypothesis was **H₀4**: There is no statistically significant moderating effect of firm size on the relationship between risk management and financial performance of regulated SACCOs in South Rift Region, Kenya. To test this hypothesis, a simple linear regression was conducted, producing three outputs including model summary, ANOVA and coefficients.

Table 4.23

Model Summary for risk management

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.864 ^a	.747	.746	.55729

a. Predictors: (Constant), Risk

Table 4.22 revealed that risk management had positive significant relationship with financial performance of SACCOs. The results showed that 74.7% of financial performance is explained by risk management (R Square = 0. 747). However, other factors not in the study attributed to 25.3% variation of financial performance.

ANOVA analysis was used to test risk management and financial performance. The hypotheses were tested using 5% significant level.

Table 4.24

ANOVA^a for risk management

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	188.754	1	188.754	607.763	.000 ^b
	Residual	63.978	206	.311		
	Total	252.732	207			

a. Dependent Variable: Performance

b. Predictors: (Constant), Risk

Table 4.23 on ANOVA revealed that there existed significant relationship between risk management and financial performance of SACCOs ($F_{(1,206)} = 607.763$, $p < 0.05$). The findings showed that the significance value is 0.000 which is below 0.05. These findings showed that the model was fit for the data.

Table 4.25

Coefficients^a for risk management

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.222	.141		1.577	.116
	Risk	.926	.038	.864	24.653	.000

a. Dependent Variable: Performance

A beta coefficient of 0.926 was recorded in risk management, implying that keeping other factors constant, a unit change in risk management would result in 0.926 changes in financial performance of SACCOs. The finding was also significant at

95% confidence level since $p = 0.000$ indicating that risk management has a statistically significant relationship with financial performance. The study thus rejects the hypothesis: There is no statistically significant relationship between risk management and the financial performance of regulated SACCOs in South Rift Region, Kenya (H_04).

Taking the regression model: $Y = \beta_0 + \beta_4 X_4$; the model can be rewritten as follows, based on the regression analysis:

Financial Performance = $0.222 + 0.926$ (risk management).

The beta coefficient of 0.926 in risk management signifies the strength and direction of the relationship between corporate governance and financial performance in the context of regulated SACCOs in Kenya. Therefore, the statistically significant relationship between risk management on financial performance emphasized the practical importance of Risk Management indicated by risk identification, policy framework, monitoring and evaluation in SACCOs.

The results aligned well with the findings of Kipkoech (2015) who conducted an exploratory study to ascertain how success of SACCOs is impacted by credit management where regression and correlation analyses showed a substantial association between independent variables and FP. The findings also agreed with Epetimehin and Fatoki (2015) who conducted a research on the operational risk management and monetary systems implemented in Nigerian financial organizations where they found that operational risk management impacted on the financial sector's advancement and improvement.

4.5.5 Moderating effect of firm size on the relationship between corporate governance and the financial performance

The second null hypothesis was **H₀₅**: There is no statistically significant moderating effect of firm size on the relationship between corporate governance and financial performance of regulated SACCOs in South Rift Region, Kenya. To determine this, the following analysis was done;

Table 4.26

Model Summary for Multiple regression model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.917 ^a	.840	.837	.44632

a. Predictors: (Constant), Risk, Composition, Transparency, Audit

Table 4.25 revealed that independent variables (Board composition, Audit committee characteristics, Transparency and Risk management) had positive significant relationship with financial performance of SACCOs. The results showed that 84.0% of financial performance was explained by independent variables indicators while other factors not in the study attributed to 16.0% variation of financial performance.

Table 4.27

ANOVA^a for Multiple regression model

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	212.295	4	53.074	266.437	.000 ^b
	Residual	40.437	203	.199		
	Total	252.732	207			

a. Dependent Variable: Performance
b. Predictors: (Constant), Risk, Composition, Transparency, Audit

Table 4.26 on ANOVA revealed that there existed significant relationship between independent variable (Board composition, Audit committee characteristics, Transparency and Risk management) and financial performance of SACCOs ($F_{(1,203)} = 266.437, p < 0.05$). The findings showed that the significance value is 0.000 which is below 0.05. These findings showed that the model was fit for the data.

Table 4.28

Coefficients^a for Multiple regression model

Model	Unstandardized		Standardized	T	Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
(Constant)	.032	.118		.271	.787
1 Composition	-.112	.067	-.113	-1.683	.094
Audit	.240	.072	.244	3.359	.001
Transparency	.610	.071	.617	8.629	.000
Risk	.211	.074	.197	2.863	.005

a. Dependent Variable: Performance

Beta coefficient of $\beta = -0.112, p > 0.05$ was recorded in board composition, $\beta = 0.240, p < 0.05$ was recorded in audit committee characteristics, $\beta = 0.610, p < 0.05$ was recorded in transparency, $\beta = 0.211, p < 0.05$ was recorded in risk management.

The multiple regression model: $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$, is rewritten as follows, based on the regression analysis:

$$\text{Financial Performance} = 0.032 - 0.112BC + 0.240AC + 0.610T + 0.211R + \varepsilon$$

Table 4.29*Model Summary for Multiple moderating model*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.918 ^a	.842	.839	.44395

a. Predictors: (Constant), Size, Transparency, Composition, Risk, Audit

Table 4.27 revealed that independent variables (Board composition, Audit committee characteristics, Transparency and Risk management) moderated by firm size had positive significant relationship with financial performance of SACCOS. The results showed that 84.2% of financial performance is explained by independent variables indicators (R Square = 0.842) moderated by the firm size. However, other factors not in the study attributed to 15.8% variation of financial performance.

The findings showed that the R squared before introducing a moderating variable was 84.0% and this changed to 84.2% after the introduction of firm size. This implies that corporate governance practices which are Board composition, Audit committee characteristics, Transparency and Risk management moderated by firm size (Total assets, Number of branches, Member's portfolio) increase financial performance by 0.02%.

Table 4.30*ANOVA^a for Multiple Moderating Model*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	212.919	5	42.584	216.056	.000 ^b
	Residual	39.813	202	.197		
	Total	252.732	207			

a. Dependent Variable: Performance

b. Predictors: (Constant), Size, Transparency, Composition, Risk, Audit

Table 4.28 on moderated ANOVA revealed that there existed significant relationship between independent variable (Board composition, Audit committee characteristics, Transparency and Risk management) moderated by firm size and financial performance of SACCOs ($F_{(1,202)} = 216.056$, $p < 0.05$). The findings showed that the significance value is 0.000 which is below 0.05. These findings showed that the model was fit for the data.

Table 4.31

Coefficients^a for Multiple Moderating Model

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1	(Constant)	-.038	.124	-.310	.757
	Composition	-.118	.066	-.119	.076
	Audit	.224	.072	.227	.002
	Transparency	.612	.070	.619	.000
	Risk	.208	.073	.194	.005
	Size	.050	.028	.055	.077

a. Dependent Variable: Performance

Beta coefficient of $\beta = -0.118$, $p > 0.05$ was recorded in board composition, $\beta = 0.224$, $p < 0.05$ was recorded in audit committee characteristics, $\beta = 0.612$, $p < 0.05$ was recorded in transparency, $\beta = 0.208$, $p < 0.05$ was recorded in risk management and $\beta = 0.050$, $p > 0.05$ was recorded in firm size.

The multiple moderated regression model, $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + M + \varepsilon$,
is rewritten as follows, based on the regression analysis:

$$\text{Financial Performance} = -0.038 - 0.118\text{BC} + 0.224\text{AC} + 0.612\text{T} + 0.208\text{R} + 0.050\text{FS} + \varepsilon$$

CHAPTER FIVE

SUMMARY, CONCLUSIONS & RECOMMENDATIONS

5.1 Introduction

The summary, conclusions, and recommendations are presented based on the study variables which were; board composition, Audit committee characteristics, Transparency, Risk management, firm size and financial performance. The subsequent conclusions drawn from these findings pave the way for recommendations, offering strategic insights for policymakers, practitioners, and researchers aiming to improve on financial performance of SACCOs.

5.2 Summary

This section gives the summary of the study based on the study variables;

5.2.1 Board composition and financial performance

The study sought to examine the relationship between board composition and financial performance of regulated SACCOs in South Rift Region, Kenya. The study established that The study findings showed that SACCO performance had been as a result of the composition of the BoD, the levels upon which a decision passes before it is being implemented influences performance of SACCO. Centralization of decision making influences financial performance of SACCOs, academic qualification of board members had the effect of the financial performance of SACCO and that the number of outside directors had an effect on performance of SACCO. R square of 0.530 was established, implying that board composition accounts for a notable 53.0% of the variance in financial performance while the balance of 47.0% is accounted for by factors excluded in the regression model.

A beta coefficient of 0.723 was recorded in board composition, implying that keeping other factors constant, a unit change in board composition would result in 0.723 change in financial performance. The study thus rejected the first null hypothesis that states that: There is no statistically significant moderating effect of firm size on the relationship between board composition and the financial performance of regulated SACCOs in South Rift Region, Kenya (H_01).

5.2.2 Audit committee characteristics and financial performance

The study sought to examine the relationship between audit committee characteristics and the financial performance of regulated SACCOs in South Rift Region, Kenya. The study findings revealed that there was a strong correlation between professional qualification of audit committee members, having employee code of conduct affects the financial performance of the SACCO, there are several departments established to deal with a specific issue in the organization, regulations of the banking industry are particularly important to the financial performance of the SACCO, SACCO has been faced with a lot of challenges due to rules and regulations regulating capital requirements and this has affected the financial performance of SACCO.

The value of R is 0.792 while the value of R square is 0.627. This implied that audit committee characteristics accounts for 62.7% of the variance in financial performance while the variance of 37.3% was accounted for by factors not included in the study. Audit committee characteristics had positive significant effect on financial performance where a unit increase of audit committee had 0.779 on financial performance. The study hypothesis **H₀₂**: There is no statistically significant relationship between audit committee characteristics and the financial performance of regulated SACCOs in South Rift Region, Kenya is rejected since there was statistical significant relationship between audit committee characteristics and the financial

performance as shown by $\beta = 0.779$ with the p value of 0.000 which was less than 0.05.

5.2.3 Transparency and financial performance

The study sought to evaluate the relationship between transparency and financial performance of regulated SACCOs in South Rift Region, Kenya. The study established that having a clear mission increases on the market share of the SACCO which leads to improved financial performance, staffs were given chance to contribute to the decision on the adoption of new policies and procedures for better financial performance. SACCO personnel had access to written instructions on how to handle every operational activity and/or circumstance which are aimed at improving financial performance. The study established that the level of hierarchy available for decision making was clear and had influence on financial performance of SACCO. The study found that departmentalization of the SACCO influenced SACCO performance.

Transparency had positive significant relationship with financial performance. The results showed that 82.0% of financial performance is explained by transparency (R Square = 0.820). However, other factors not in the study attributed to 18.0% variation of financial performance. It was established that there existed a significant positive relationship between transparency and financial performance $\beta = 0.895$. The results were statistically significant ($p < 0.05$). The beta coefficient of 0.895 means that when transparency increases by an additional unit, financial performance of SACCOs increases by 0.895. The study hypothesis **H₀₃**: There is no statistically significant relationship between transparency and financial performance of regulated SACCOs in South Rift Region, Kenya is rejected since there was statistical significant relationship between transparency and financial performance as shown by $\beta = 0.896$ with the p value of 0.000.

5.2.4 Risk management and financial performance

The study sought to analyse the relationship between risk management and financial performance of regulated SACCOs in South Rift Region, Kenya. The findings revealed that SACCO's BoD must first authorize any investment decisions made by the organization. The study established that financial success of SACCO was affected by liquidity management factors including the current ratio and cash deposit ratio. The study found out that SACCO's financial performance was impacted by the SASRA's requirement for liquidity. The findings showed that government regulation reporting requirements affected the financial performance SACCO. The market rate of interest affected the financial performance of the SACCO.

The findings revealed that risk management had positive significant relationship with financial performance of SACCOs. The results showed that 74.7% of financial performance was explained by risk management ($R^2 = 0.747$) where other factors not in the study attributed to 25.3% variation of financial performance. A beta coefficient of 0.926 was recorded in risk management, implying that keeping other factors constant, a unit change in risk management would result in 0.926 changes in financial performance of SACCOs. The finding was also significant at 95% confidence level since $p = 0.000$ indicating that risk management had a statistically significant relationship with financial performance. The study thus rejected the hypothesis: There is no statistically significant moderating effect of firm size on the relationship between risk management and the financial performance of regulated SACCOs in South Rift Region, Kenya (H_04).

5.2.5 Firm size on the relationship between corporate governance and financial performance

The study sought to establish the moderating effect of firm size on the relationship between corporate governance and financial performance of regulated SACCOs in South Rift Region, Kenya. The study found that SACCOs actualized good financial performance because of their size and corporate. The study established that size of SACCOs as shown by the total value of our assets is affected by corporate governance and this ensured SACCOs financial performance. The study established that SACCOs size played a role in the relationship between financial performance and the variables influencing corporate governance. The study found that return on assets is impacted by SACCOs size and that affected financial performance of SACCOs. The study found that SACCOs size and corporate governance had influence on SACCOs financial success.

The study revealed that independent variables (Board composition, Audit committee characteristics, Transparency and Risk management) moderated by firm size had positive significant relationship with financial performance of SACCOs. The results showed that 84.2% of financial performance is explained by independent variables indicators ($R^2 = 0.842$) moderated by the firm size and other factors not in the study attributed to 15.8% variation of financial performance. The findings showed that the R^2 before introducing a moderating variable was 84.0% and this changed to 84.2% after the introduction of firm size. This implied that corporate governance practices which are Board composition, Audit committee characteristics, Transparency and Risk management moderated by firm size (Total assets, Number of branches, Member's portfolio) increase financial performance by 0.02%.

5.2.6 Financial performance of SACCOs

The study sought to establish the financial performance of regulated SACCOs in South Rift Region, Kenya. The findings showed that the slow financial performance of SACCO was attributed to rules and regulation in the sector. The study found that managerial leadership adopted by SACCOs affected its efficiency and in turn financial performance. SACCO had a large market share in their region due to good corporate governance. The findings revealed that SACCO had been declaring high dividends to its members due to the high profit actualized. SACCO had high number of shares from members because of a variety of product and service on offer.

5.3 Conclusions

The study makes the following conclusions;

5.3.1 Board composition and financial performance

The study concludes that SACCO performance was as a result of the composition of the BoD and that the levels upon which a decision passes before it is being implemented influence performance of SACCO. Centralization of decision making influences financial performance of SACCOs. The study also concludes that academic qualification of board members affected the financial performance of SACCO and that the number of outside directors had an effect on financial performance of SACCO.

5.3.2 Audit committee characteristics and financial performance

The study concludes that there was a strong correlation between professional qualifications of audit committee members. SACCOS needed to establish several departments to deal with a specific issue in the organization and rules and regulations

regulating capital requirements of the banking industry are important to the financial performance of the SACCO.

5.3.3 Transparency and financial performance

The study concludes that having a clear mission increases on the market share of the SACCO. Staffs should be given chance to contribute to the decision on the adoption of new policies and procedures for better financial performance since they had access to written instructions on how to handle every operational activity and/or circumstance which are aimed at improving financial performance. The level of hierarchy available for decision making need to be clear since it influences financial performance of SACCO and that departmentalization of the SACCO influenced SACCO financial performance.

5.3.4 Risk management and financial performance

The study concludes that SACCO's BoD authorize investment decisions made by the organization; financial success of SACCO was affected by liquidity management factors including the current ratio and cash deposit ratio and that SACCO's financial performance was impacted by the SASRA's requirement for liquidity. Government regulation reporting requirements and market rate of interest affected the financial performance of SACCOs.

5.3.5 Firm size on the relationship between corporate governance and financial performance

The study concludes that SACCOs actualized good financial performance because of their size and corporate governance and that size of SACCOs as shown by the total value of our assets were affected by corporate governance and that ensures SACCOs financial performance.

The study concludes that SACCOs size played a role in the relationship between financial performance and the variables influencing corporate governance and that return on assets was impacted by SACCOs size.

5.3.6 Financial performance of SACCOs

The study concludes that the slow financial performance of SACCO was attributed to rules and regulation in the sector and that managerial leadership adopted by SACCOs affected its efficiency and in turn financial performance. The study concludes that SACCO had a large market share in their region due to good corporate governance and that SACCO had been declaring high dividends to its members due to the high profit actualized due to high number of member's shares and wide variety of product and service on offer.

5.4 Recommendations

The study recommends that academic qualifications of BOD are critical since it affects financial performance for SACCOS. The study also recommends that SACCOs staffs need to contribute in the adoption of new policies and procedures for better financial performance; SACCO's Board of Directors need to authorize investment decisions and ensure compliance to SASRA's for requirements and that they should ensure that they increase their portfolio size and diversify their operations since it will lead to better performance of SACCOS.

5.5 Suggestions for Further Studies

The study sought to establish the moderating effect of firm size on the relationship between corporate governance and financial performance of regulated SACCOs in South Rift Region, Kenya.

The current study used board composition, audit committee characteristics, transparency and risk management as indicators of corporate governance hence, further studies can be done by incorporating other variable of corporate governance and using a different moderating variable other than firm size or using the different research design from the one adopted by this study.

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APPENDICES

Appendix I: Introductory Letter

Andrew Sang

P.O. Box 51-20401

Longisa.

Dear Sir/Madam,

RE: Research Participation

The researcher is a University of Kabianga MBA student. The researcher must conduct study in order to complete the course requirements. The selected title of the study is **Corporate Governance, Firm Size and Financial Performance of Regulated SACCOs in South Rift Region, Kenya**. The researcher kindly asks that you take part in the study by completing out the enclosed research instrument with pertinent data on your SACCO. The only reason for which the data collected shall be used is to address the research questions. Your name will be kept a secret, and the data you supply will be handled with the highest level of confidentiality. Please get in touch with the researcher or the university if more information is needed.

Sincerely,

Andrew sang

MBA/A/030/19

Appendix II: Research Questionnaire

Dear Sir/Madam,

I am undertaking academic research on “**Corporate Governance, Firm Size and Financial Performance of Regulated SACCOs in South Rift Region, Kenya**”.

Please take the time to answer all the questions on the form honestly. The information gathered will be handled with care, kept private, and used only for study.

Section A: Background Information

1. Gender
 - a) Male { }
 - b) Female { }
2. Highest academic qualifications attained:
 - a) Diploma { }
 - b). Degree certificate { }
 - c). Post-Graduate { }
3. Staff category from the following,
 - a) Chief Executive Officer { }
 - b) Board Member { }
 - c) Chief Finance Officer { }
 - d) Chairperson Audit Committee { }
4. Length of working in the SACCO.
 - a) Less than 5 years { }
 - b) 6 to 10 years { }
 - c) 11 to 15 years { }
 - d) Above 16 Years { }

Section B: Board Composition and Financial Performance

Below are statements on the effect of Board composition and financial performance.

Kindly tick (✓) the appropriate choice in the column provided on a scale of 1-5 where:

[1]-strongly disagree, [2]-disagree, [3]-Undecided, [4]-Agree and [5]-Strongly agree.

Statement	1	2	3	4	5
B1. SACCO performance has been as a result of the composition of the BoD					
B2. The levels upon which a decision passes before it is being implemented influences performance of SACCO					
B3. Centralization of decision making influences financial performance					
B4. Academic qualification of board members has the effect of the financial performance of SACCO					
B5. Number of outside directors has an effect on performance of SACCO					

Section C: Audit Committee and Financial Performance

Below are statements on the effect of audit committee and financial performance.

Kindly tick (✓) the appropriate choice in the column provided on a scale of 1-5 where:

[1]-strongly disagree, [2]-disagree, [3]-Undecided, [4]-Agree and [5]-Strongly agree.

Statement	1	2	3	4	5
C1. There is a strong correlation between professional qualification of audit committee members					
C2. Having employee code of conduct affects the financial performance of the SACCO					
C3. There are several departments/divisions/units established to deal with a specific issue in the organization					
C4. The regulations of the banking industry are particularly important to the financial performance of the SACCO					
C5. The SACCO has been faced with a lot of challenges due to rules and regulations regulating capital requirements and this has affected the financial performance of SACCO					

Section D: Transparency and Financial Performance

Below are statements on the effect of transparency and financial performance. Kindly tick (✓) the appropriate choice in the column provided on a scale of 1-5 where: [1]-strongly disagree, [2]-disagree, [3]-Undecided, [4]-Agree and [5]-Strongly agree.

Statement	1	2	3	4	5
D1. Having a clear mission increases on the market share of the SACCO which leads to improved financial performance					
D2. Staffs are given chance to contribute to the decision on the adoption of new policies and procedures for better financial performance					
D3. SACCO personnel have access to written instructions on how to handle every operational activity and/or circumstance which are aimed at improving financial performance.					
D4. The level of hierarchy available for decision making is clear and has influences financial performance of SACCO					
D5. Departmentalization of the SACCO influences SACCO performance					

Section E: Risk Management and Financial Performance

The statements about the relationship between risk management and financial performance are below. Kindly tick (✓) the appropriate choice in the column provided on a scale of 1-5 where: [1]-strongly disagree, [2]-disagree, [3]-Undecided, [4]-Agree and [5]-Strongly agree.

Statement	1	2	3	4	5
E1. The SACCO's BoD must first authorize any investment decisions made by the organization.					
E2. The financial success of our SACCO is affected by liquidity management factors including the current ratio and cash deposit ratio.					
E3. The SACCO's financial performance is impacted by the SASRA's requirement for liquidity.					
E4. Government regulation reporting requirements affect the financial performance of our SACCO					
E5. The market rate of interest affects the financial performance of the SACCO					

Section F: Financial Performance

Below are statements on financial performance. Kindly tick (✓) the appropriate choice in the column provided on a scale of 1-5 where: [1]-strongly disagree, [2]-disagree, [3]-Undecided, [4]-Agree and [5]-Strongly agree.

Statement	1	2	3	4	5
F1. The slow financial performance of our SACCO is attributed to rules and regulation in the sector					
F2. Managerial leadership adopted by our SACCOs affects its efficiency and in turn financial performance					
F3. Our SACCO has a large market share in our region due to good corporate governance					
F4. Our SACCO has been declaring high dividends to our members due to the high profit actualized					
F5. Our SACCO has high number of shares from members because of a variety of product and service on offer					

Section G: Firm Size

Below are statements on firm size. Kindly tick (√) the appropriate choice in the column provided on a scale of 1-5 where: [1]-strongly disagree, [2]-disagree, [3]-Undecided, [4]-Agree and [5]-Strongly agree.

Statement	1	2	3	4	5
G1- We actualize good financial performance because of the size of our SACCO and corporate governance					

G2 - The size of our SACCOs as shown by the total value of our assets is affected by corporate governance and this ensures SACCOs financial performance.					
G3 - SACCOs size plays a role in the relationship between financial performance and the variables influencing corporate governance					
G4 - Return on assets is impacted by SACCOs size and this affect financial performance of SACCOs					
G5 - SACCOs size and corporate governance have influence on SACCOs financial successful					

Thank You

Appendix III: Data Extraction Tool

YEAR		2017	2018	2019	2020	2021
Financial Performance	ROE - Return on Equity (Net income/total equity)					
	Net Income					
	Total Equity					
	ROA - Return on Asset (Net income /total asset)					
	Net Income					
	Total Asset					

Appendix IV: UoK Authorization Letter



UNIVERSITY OF KABIANGA
ISO 9001:2015 CERTIFIED

OFFICE OF THE DIRECTOR, BOARD OF GRADUATE STUDIES

REF: MBA/A/030/19

DATE: 15TH JANUARY, 2024

Andrew Sang,
Accounting and Finance Department,
University of Kabianga,
P.O Box 2030- 20200,
KERICHO.

Dear Mr. Sang,

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 MBA research proposal entitled **"The Moderating Effect of Firm Size on Corporate Governance and Financial Performance of Regulated Saccos in South Rift Region, Kenya."**

Subsequently the Board has also approved the following supervisors for appointments.

1. Dr. Peter K. Cheruiyot
2. Dr. Williter Rop

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.

You are required 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 three 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,



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

- cc 1. Dean, SBE
2. HOD, Accounting and Finance
3. Supervisors

Appendix V: Research Permit

 REPUBLIC OF KENYA	 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
Ref No: 689248	Date of Issue: 06/February/2024
RESEARCH LICENSE	
This is to Certify that Mr., Andrew Sang 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 Bomet, Kericho, Narok on the topic: THE MODERATING EFFECT OF FIRM SIZE ON CORPORATE GOVERNANCE AND FINANCIAL PERFORMANCE OF REGULATED SACCOS IN SOUTH RIFT REGION, KENYA for the period ending : 06/February/2025.	
License No: NACOSTI/P/24/32889	
689248	
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 VI: Registered SASRA Regulated SACCOs in South Rift Region

S/no	Name	Address
1.	Imarisha Sacco Society Limited	Kericho Main Branch Bureti - Litein Town Centre Branch Bomet Town Branch, Ndanai Market, Mulot Trading, Narok Town
2.	Kenya Highlands Sacco Society Limited	Kapsoit Market Centre Kabianga Town Centre Kericho Town CBD Branch Bureti -Litein Town Centre Silibwet Market Centre
3.	Kenya Midland Sacco Limited	Merigi Trading Centre, Mogogosiek Trading Centre Kapkatet Trading Centre Roret Trading Centre
4.	Kimbilio Daima Sacco Society Limited	Kaptebengwet Market Centre Branch
5.	Edis Sacco Society Limited	Bomet Town
6.	K-Pillar Sacco Society Limited	Mogogosiek Town
7.	Ndege Chai Sacco Society Limited	Kericho Main branch Silibwet Trading Centre

8.	Patnas Sacco Society Limited	Litein Main Branch Sotik Town Centre
9.	Sotico Sacco Society Limited	Monire Suboulet
10.	Tenhos Sacco Society Limited	Tenwek
11.	Cosmopolitan Regulated Sacco Society Ltd	Nakuru, Narok
12.	Good Hope Sacco Society Limited (Formerly Narok Teachers Sacco Society Limited)	Narok
13.	K- Unity SACCO Society Limited	Suswa Town Centre, Naireka Enkare Trading Centre – Narok Mai-Mahiu Town Centre – Nakuru
14.	PUAN SACCO Society Limited	Sekenani Mara – Narok
15.	Tower Teachers SACCO Society Limited	Narok Town Branch
16.	Simba Chai SACCO Society Limited	Brook Centre Main Branch
17.	KETEPA Regulated NWDT SACCO Society Limited	KETEPA Brook Main Branch
18.	CHAI SACCO Society Limited	Litein Town Brach

Source: SASRA (2024)

Appendix VII: Indicators of firm size (Total Assets and Number of Branches)

S/no	Name	Variable	2017	2018	2019	2020	2021
1.	Imarisha Sacco Society Limited	Assets	9.25B	10.92B	12.36B	14.16B	17.10B
		Branches	7	7	8	9	12
2.	Kenya Highlands Sacco Society Limited	Assets	2.39B	2.87B	2.91B	3.21B	3.50B
		Branches	3	3	4	4	4
3.	Kenya Midland Sacco Limited	Assets	0.15B	0.16B	0.16B	0.17B	0.17B
		Branches	4	4	4	4	4
4.	Kimbilio Daima Sacco Society Limited	Assets	0.58B	0.63B	0.59B	0.62B	0.64B
		Branches	1	1	1	1	1
5.	Edis Sacco Society Limited	Assets	0.12B	0.14B	0.17B	0.18B	0.22B
		Branches	1	1	1	1	1
6.	K-Pillar Sacco Society Limited	Assets	0.47B	0.60B	0.64B	0.77B	0.77B
		Branches	1	1	1	1	1
7.	Ndege Chai Sacco Society Limited	Assets	2.68B	2.70B	2.91B	3.28B	3.77B
		Branches	1	1	2	2	2
8.	Patnas Sacco Society Limited	Assets	0.29B	0.50B	0.53B	0.51B	0.49B
		Branches	1	1	1	1	1
9.	Sotico Sacco Society Limited	Assets	0.19B	0.22B	0.25B	0.21B	0.23B
		Branches	1	1	1	1	1
10.	Tenhos Sacco Society Limited	Assets	0.29B	0.32B	0.35B	0.33B	0.35B
		Branches	1	1	1	1	1
11.	Cosmopolitan Regulated Sacco Society Ltd	Assets	4.68B	5.35B	6.41B	6.95B	7.95B
		Branches	4	4	4	4	4
12.	Good Hope Sacco Society Limited (Formerly Narok Teachers Sacco Society Limited)	Assets	0.64B	0.82B	0.81B	0.77B	0.76B
		Branches	1	1	1	1	1

13.	K- Unity SACCO Society Limited	Assets	3.19B	3.64B	4.09B	4.60B	5.18B
		Branches	13	13	13	13	13
14.	PUAN SACCO Society Limited	Assets	0.32B	0.31B	0.31B	0.31B	0.32B
		Branches	1	1	1	1	1
15.	Tower Teachers SACCO Society Limited	Assets	6.65B	8.52B	11.16B	13.73B	16.57B
		Branches	8	9	17	17	17
16.	Simba Chai SACCO Society Limited	Assets	1.35B	1.32B	1.23B	1.41B	1.66B
		Branches	1	1	1	1	1
17.	KETEPA Regulated NWD T SACCO Society Limited	Assets					0.17B
		Branches					1
18.	CHAI SACCO Society Limited	Assets	3.16B	3.49B	3.67B	4.03B	4.20B
		Branches	5	5	5	5	5

Appendix VIII: Categorizations of SACCOs in South Rift Region by SASRA

a) LARGE TIERED (SIZED) DT-SACCOS

- i. Imarisha Sacco Society Limited
- ii. Cosmopolitan Regulated Sacco Society Ltd
- iii. K- Unity SACCO Society Limited
- iv. Tower Teachers SACCO Society Limited

b) MEDIUM TIERED (SIZED) DT-SACCOS

- i. Kenya Highlands Sacco Society Limited
- ii. Ndege Chai Sacco Society Limited
- iii. Simba Chai SACCO Society Limited
- iv. CHAI SACCO Society Limited

c) SMALL TIERED (SIZED) NWDT-SACCOS

- i. Kenya Midland Sacco Limited
- ii. Kimbilio Daima Sacco Society Limited
- iii. Edis Sacco Society Limited
- iv. K-Pillar Sacco Society Limited
- v. Patnas Sacco Society Limited
- vi. Sotico Sacco Society Limited
- vii. Tenhos Sacco Society Limited
- viii. Good Hope Sacco Society Limited (Formerly Narok Teachers Sacco Society Limited)
- ix. PUAN SACCO Society Limited
- x. KETEPA Regulated NWDT SACCO Society Limited

Appendix IX: Research Publication