



INFLUENCE OF CORPORATE GOVERNANCE PRACTICES ON ORGANIZATIONAL PERFORMANCE OF DEPOSIT-TAKING SAVINGS AND CREDIT COOPERATIVE SOCIETIES. A CASE STUDY OF NAIROBI CITY COUNTY, KENYA

¹Otieno Nicholas Wandeo, ²Dr. Karihe John

¹.Scholar, Master of Business Administration in Strategic Management of Jomo Kenyatta University of Agriculture and Technology

².Lecturer, Jomo Kenyatta University of Agriculture and Technology

ABSTRACT

Background: The study's main goal is to explore the effect of corporate governance practices on organizational performance of Nairobi City County's deposit taking SACCOs. Specifically, the study focused on the following objectives: to examine the impact of board diversity on the performance of deposit-taking SACCOs in Nairobi City County; and to assess the effect of board composition on the performance of deposit-taking SACCOs in Nairobi City County.

Methodology: The study employed the use of descriptive research design. and the population for this study included the 45 deposit-taking SACCOs within the county. A total of 268 senior management of the SACCOs since they were the ones tasked with driving the business in their respective SACCOs and was therefore conversant with it. a sample of 160 respondents was drawn.

Findings: The findings pointed out that board composition possessed a moderately significant impact towards the performance of the Nairobi City County's DT SACCOs. Board composition had a Pearson correlation of 0.287, pointing to a weak positive correlation with DT SACCO performance. From the regression analysis, it was established that board composition had positive coefficient of 0.329, implying a positive impact on the DT SACCO performance. The results also pointed to board diversity having a moderately significant effect towards the performance of the Nairobi City County DT SACCOs. The study established that board diversity had a Pearson correlation of 0.530, pointing to a moderate positive correlation with DT SACCO performance. From the regression analysis, it was established that board diversity had positive coefficient of 0.616, an implication of a positive impact on the SACCO performance.

Recommendations: First, deposit taking SACCOs in Nairobi City County should enhance better composition in their boards and in particularly should strive to have adequate number of board members, encourage electing to the board directors with expansive work experiences, and with good knowledge/skills. This improves their decision making and strengthens their supervisory role in the SACCO. Secondly, deposit taking SACCOs in Nairobi City County should promote diversity and enhance it in their board. In particular, they should strive to have a balance and mix in terms of age, gender and even ethnicity among their board members. This scenario promotes having of diverse views and thus better decision making, management of risks, and better guidance on the running of the SACCO operations.

Keywords: Organizational Performance, Board Composition, Board Diversity, Corporate Governance, SACCOS

Background of the Study

SACCOs are quite unique to the Kenyan economy since they mass a total of 6.42million persons in terms of total memberships at end of 2022 up from 5.99million memberships recorded in the year 2021. The SACCO subsector recorded an asset base of 890.3billion in the year 2022and their total assets account for 6.66 % of the Kenyan Gross Domestic Product (GDP) in the year 2022. Additionally, SACCO subsector has a cumulative total of 620.45billion deposits (SASRA, 2022). This explains the significance of the SACCO industry in the country's economy. Of great interest in this SACCO subsector are the DT SACCOs. According to the supervision report by SASRA (2022), DT SACCOs have 522.59billion of deposits giving them a representation of 84.23% of the total subsector deposits. Also, DT SACCOs total assets as at end of year 2022 were 763.5billion making them enjoy 85.76 % of the total SACCO subsector assets. DT SACCOs' assets represented 5.71% of Kenyan Gross Domestic Product in the year 2022. DT SACCOs recorded an increase of 10.10%, 12.75%, and 12.41 % in asset growth in the years 2022, 2021, and 2020 respectively. The asset growth has been at a decreasing rate over the last three years. Additionally, the growth rate in terms of deposits for DT SACCOs has been at a decreasing rate and it is recorded that the rates were 9.92%, 13.41%, and 11.27% for the years 2022, 2021, and 2020 respectively (SASRA, 2022).

According to Armitage et al. (2017), corporate scandals have led to some of the biggest insolvencies to ever been witnessed in the global stage, a scenario that has birthed the unprecedented rise in both academic and policy research in corporate governance practices over the last two decades. However, the tradition of corporate governance is traceable back to 1774 from "The Wealth of Nations" publication by Adam Smith. Globally, corporate governance is viewed differently by people depending on locality and the variations are caused by the historical, cultural, and legal differences that exist among communities. According to Kaur (2018), corporate governance comprises a mix of rules, system, processes and relationships needed for proper running of organizations. This definition implies that corporate administration comprises of all those practices employed in overseeing associations and such include stewardship, leadership, authority, responsibility, and control.

In Kenya, cases of corporate entities becoming insolvent are also not new. As observed by Kobuthi et al. (2018), Mumias Sugar and Uchumi became insolvent and they attributed their failures to poor corporate governance among other reasons. It is right to point out that corporate governance has equally gained prominence as it is the case in other nations. For instance, Centre for Corporate Governance persistently advocates for better corporate administration practices in the country. The government has attempted to reinforce corporate governance through rollout of intricate projects and administrative changes that cultivate it. With regards to Kenyan SACCOs, corporate governance encompasses all the processes, laws, customs, and policies among other regulations and institutions that dictate how the SACCOs are administered or directed. Largely, it involves the relationships between various stakeholders in the management of the SACCO and the goal for which the SACCO is governed. Stakeholders in this case include the management, board of directors, customers, employees, regulators, banking institutions and other lenders. In this sector, for instance, the Kenyan government has, created a regulating agency called SACCO and Societies Regulatory Authority (SASRA). This was enforced by the SACCO Societies Act of 2018. The move was geared towards improving the governance framework in the SACCO sub-sector. That is not to say that the SACCO sector is clean and without corporate governance challenges. Harambee SACCO, a deposit taking SACCO in Nairobi City County, as revealed through an investigation by SASRA, has had liquidity problems and employed ill-intended accounting techniques in its books. In fact, the investigations pointed to poor governance practices being conducted at the SACCO.

Statement of the Problem

In the Kenyan market, there has been a significant rise in the presence of Cooperative Societies across both rural and urban setting. This has been attributed to their huge impact in bettering the livelihood of their membership economically. Despite this, majority of these institutions still encounter impediments like; persistent fights, embezzlement of funds and poor leadership that leads to underperformance and eventually total collapse or bankruptcy. This could in a way be the reason literature around cooperatives is dominated by more presentations of cooperative collapse rather than presentations of positive cooperative growth (Bwisa, 2010). Despite the increased supervision of SACCOs by SASRA, the SASRA SACCO annual supervision reports still reveals that DT SACCOs within Nairobi City County are still not performing as expected going by the following statistics. Mwalimu National DT had growth rate of 15.22 % in 2019 and 10.96 % in 2020, Stima 13.15% in 2019 and 12.37% in 2020, and Kenya National Police 20.30% in 2019 and 12.16% in 2020. The figures show that the growth rates have been reducing and the same also extends to other DT SACCOs within Nairobi City County. Similarly, Hazina SACCO within Nairobi City County and with an asset base of 12.76 billion recorded a paltry income of 1.51 billion while Gusii Mwalimu SACCO in Kisii County with an asset of 12.85 billion had an income of 2.10 billion in the year 2022 (SASRA, 2022). A testament that not all of the DT SACCOs within Nairobi City County are performing comparable to their asset base and that some are failing to meet expectations.

Objectives of the study

The study's main goal is to explore the effect of corporate governance practices on organizational performance of Nairobi City County's deposit taking SACCOs. Specifically, the study sought:

- i. To examine the effect of board composition on organizational performance of Nairobi City County's DT SACCOs.
- ii. To establish the effect of board diversity on organizational performance of Nairobi City County's DT SACCOs.

LITERATURE REVIEW

Theoretical Review

The study was underpinned by the Stewardship theory.

Stewardship Theory

The assumption by stewardship theory is that institutional leaders are good stewards, who act to the greatest advantage of the organization owners. Davis, Schoorma and Donaldson are the proponents of this theory and to them; the theory is founded on social mentality, which is based on the behavioural conduct of the leaders – who accepts that it is their obligation to protect the principal's interests (Keay, 2017). Keay (2017) maintained that stewards need to maximize their utilities by optimizing the overall organizational objectives. He is consequently persuaded that the steward's conduct ought to not digress from the desires of the organization. The theory assumes that there a major relation exists amongst the managers (stewards) and firm performances since stewards always strive to maximize the wealth of shareholders while at the same time protecting it. Gordon (2017) added that stewards are strongly related to firm performance since the stewards tend to maximize performance, protect institution, and satisfy stakeholders' interests.

Stewardship considers board members to be stewards who work for the benefit of the SACCO and as top management; they make strategic decisions that add value to the organization. It therefore becomes very crucial to this study since it stresses on the job of the board members/executive management which is maximization of the shareholder/members' wealth. In this study, the stewardship theory is therefore applied in assessing the influence of board independence on

performance of Nairobi City County's DT SACCOs. Board independence in SACCOs requires that the board directors perform their supervisory task astutely and allow shareholders to participate in the voting exercises and other engagements as required. To properly execute the above-mentioned supervisory role, the audit committee structure, proportion of outside directors and having the freedom by the board to make strategic decisions comes to play and this is what the theory emphasizes that even as they play their part as directors, they do so to maximize shareholder wealth and be the good stewards.

The theory also demands effectiveness on the part of directors in performance of their duties and lays more emphasis on induction and training for stewards to be well equipped. This calls for professionalism among the board members since they should be experts who come to add value to the SACCO. However, the cooperative principle of democratic participation where appointments to the board by the shareholders is done based on one's influence over others rather than professionalism seems to be contradicting the stewardship theory.

Conceptual Framework

The following conceptual framework was used.

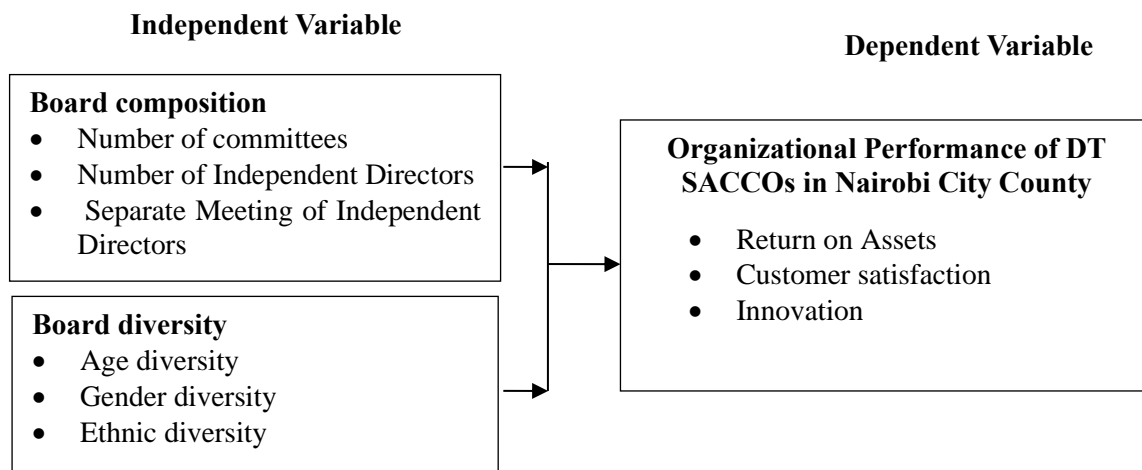


Figure 1: Conceptual Framework

Empirical Review

Board Composition and organizational performance of Nairobi City County's DT SACCOs

Kenani and Bett (2018) investigated how corporate governance affected Kisii County SACCOs' performance. A target population of 30 respondents was drawn from the three SACCOs in Kisii and employed descriptive research design. They used semi-structured questionnaires in gathering data, that later underwent analysis descriptively. The study findings were that; board size, qualifications of board members, board composition, and gender balance significantly and positively affected performance. They recommended that; board composition need to be assessed to ensure that non-executive directors exist in the board are enough, establishment of sizeable boards to avoid manipulation by management, selection of board directors with good expertise for better execution, and enhancing gender diversity. Kyoa (2017) conducted a study to determine how Kiambu County DT SACCOs' operational efficiency is affected by board composition. The 15 DT SACCOs within the county were examined through an analytical research design. Questionnaires were utilized in gathering information. Also, financial statements for the SACCOs between 2002 and 2016 were examined for performance data. Analysis of data collected was by correlation and

regression analyses and the findings of the study indicated that positive improvements on board composition were positively correlated to operational efficiency of the said SACCOs. It therefore recommended proper board composition to characterize among other things; increase gender balance among board members, improved board members' independence, improved educational qualification, adequate compensation packages for board members, and increased experience among board members.

Board Diversity and organizational performance of Nairobi City County's DT SACCOs

Hussein (2020) undertook an analysis to examine the effect that board diversity has on performance of Kenyan commercial banks. He targeted a total of 42 financial banks that were legally licensed in Kenya. Panel data were used and the study employed the use of inferential statistics and it included panel multiple linear regressions and correlation analyses. Ordinary least squares were used for estimation when establishing the link amongst board diversity and performance of these institutions. Hussein found out that diversity in the board, experience and age of board members significantly affected performance of the banks. It however, did not find any significant correlation between financial performance and education qualifications. The study recommended that regulators need to encourage governance directives that encourage achievement of appropriate diversity in the board if better performance to be realized by the Kenyan commercial banks. Kuria (2017) looked at the influence board diversity had towards performance of East African Breweries Limited (EABL). Enabling the collection of data was the questionnaires, where the sample population was identified through stratified random sampling method. The sample comprised of 30 respondents drawn from members of the board and top management. The data collected were analyzed using descriptive statistics and the connection amongst the independent and dependent variables were demonstrated using correlation and regression analyses. The study found out that board diversity accounted for a very minimal percentage in term of change in performance of EABL. It thus concluded that gender, age, and academic qualifications had positive influence on EABL performance.

RESEARCH METHODOLOGY

Research Design

The study utilized a descriptive research design and it sought to investigate the impact of corporate governance practices on organizational performance of Nairobi City County's DT SACCOs. In the descriptive design, the data was collected from the environment in which the phenomenon existed without changing the environment itself.

Target Population

The population for this study included the 45 deposit-taking SACCOs in Nairobi City County. These SACCOs were selected because of the poor performance witnessed in them despite their importance among the DT SACCOs and even to the entire SACCO subsector in Kenya, given their asset base. Thus, a total of 268 senior management of the SACCOs since they were the ones tasked with driving the business in their respective SACCOs and was therefore conversant with it. a sample of 160 respondents was drawn.

RESEARCH FINDINGS & DISCUSSION

Response Rate

The data was gathered from the 45 Deposit Taking SACCOs within Nairobi City County. Out of the 160 questionnaires given to the respondents, 117 were duly filled and returned, indicating a response rate of 73%.

Descriptive Statistics

The purpose of descriptive statistics is so crucial as it enables one to incorporate statistics defining dissemination of scores. The type of statistics incorporated is dependent on the study variables, and also the measurement scale. In the case of categorical variables, one is advised to utilize frequencies since it does not make sense to ask for mean scores and standard deviations for factual information. Table 1 below shows the descriptive statistics.

Board Composition

The first aim of the investigation was to examine how board composition influences the organizational performance of deposit taking SACCOs within Nairobi City County, Kenya. The variable was operationalized by number of committees, number of independent directors and separate meeting of independent directors. From the descriptive statistics, board composition variable (M 3.8913, STD = 0.61157, Var = 0.374). Below are the final descriptive results of board composition the table 1

Table 1: Board Composition

Statements	Mean	Std. Dev
Board composition, including the diversity of skills, expertise, and backgrounds of board members, significantly impacts the performance of DT SACCOs in Nairobi City County.	4.8725	.37287
A board with diverse composition, including members from different age groups, genders, and ethnicities, is more likely to make informed decisions and positively impact the performance of DT SACCOs in Nairobi City County.	4.3289	.60898
The inclusion of board members with diverse perspectives and experiences, such as professionals from different industries, enhances the institutional planning and decision-making processes of DT SACCOs in Nairobi City County.	4.6577	.60148
DT SACCOs in Nairobi City County should actively promote and maintain a diverse board composition to improve their overall performance and effectiveness.	4.6510	.59191
The composition of board in DT SACCOs in Nairobi City County should reflect the diversity of their membership and the community they serve.	4.4497	.58629
A diverse board composition in DT SACCOs in Nairobi City County leads to better decision-making and strategic planning.	4.6309	.57362
The composition of the board of directors in DT SACCOs in Nairobi City County has a direct correlation with their financial performance and growth prospects.	4.7584	.51532
DT SACCOs in Nairobi City County with a diverse board composition are more innovative and adaptable to changing market conditions.	4.4094	.63686
The board composition of DT SACCOs in Nairobi City County has a direct effect on their capacity to effectively manage risks.	4.6913	.53144

From the above Table 1, it clear that majority of the participants strongly affirmed that board composition, including the diversity of skills, expertise, and backgrounds of board members, significantly impacts the performance of DT SACCOs in Nairobi City County ($\bar{x} = 4.8725$, $SD = 0.37287$). With regards to a board with diverse composition, including members from different age groups, genders, and ethnicities, is more likely to make informed decisions and positively impact

the performance of DT SACCOs in Nairobi City County they strongly affirmed ($\bar{x} = 4.7584$, $SD = 0.51532$). Another majority strongly affirmed that the inclusion of board members with diverse perspectives and experiences, such as professionals from different industries, enhances the institutional planning of DT SACCOs in Nairobi City County ($\bar{x} = 4.6913$, $SD = 0.53144$). Participants of ($\bar{x} = 4.6577$, $SD = 0.60148$) strongly concurred that DT SACCOs in Nairobi City County should actively promote and maintain a diverse board composition to improve their overall performance and effectiveness.

A ($\bar{x} = 4.6510$, $SD = 0.59191$) of the participants strongly affirmed that the inclusion of board members with diverse perspectives and experiences, such as professionals from different industries, enhances the institutional planning of DT SACCOs in Nairobi City County. A ($\bar{x} = 4.6309$, $SD = 0.57362$) of the participants strongly concurred that A diverse board composition in DT SACCOs in Nairobi City County leads to better decision-making and strategic planning. A ($\bar{x} = 4.4497$, $SD = 0.58629$) of the participants strongly concurred that the composition of the board of directors in DT SACCOs in Nairobi City County has a direct correlation with their financial performance and growth prospects. A ($\bar{x} = 4.4094$, $SD = 0.63686$) of the participants strongly affirmed that DT SACCOs in Nairobi City County with a diverse board composition are more innovative and adaptable to changing market conditions. Further, A ($\bar{x} = 4.3289$, $SD = 0.60898$) strongly concurred that the board composition of DT SACCOs in Nairobi City County has a direct impact on their ability to effectively manage risks and navigate challenges. Through the use a five-point scale Likert with a mean higher than ($\bar{x} = 4.2$) it is obvious that majority of the participants strongly affirmed about board composition of DT SACCOs. It can be concluded from the findings that board composition of DT SACCOs had a larger effect on the performance.

Board Diversity

The second aim of the investigation was to identify the influence by board diversity towards organizational performance of deposit taking SACCOs in Nairobi City County, Kenya. The variable was operationalized by indicators like ethnic diversity, age diversity, and gender diversity. From the statistics, the board diversity variable ($M = 4.1043$, $STD = .60263$, $Var = .363$). Those taking part in the study were also asked whether it is a concern to consider diversity in the board. The table II below presents the findings. 117 respondents gave their views on the question and 69% indicated that diversity should to be considered and is critical in the board while 31% stated otherwise.

Table II: Board Diversity

Statements	Mean	STD
Diversity in board composition, including gender, ethnicity, age, and background, positively impacts the performance of DT SACCOs in Nairobi City County	4.9060	.29276
Board diversity brings a variety of perspectives and ideas to the decision-making process of DT SACCOs in Nairobi City County, leading to better performance.	4.6711	.48551
Having a diverse board enhances innovation and creativity in the operations of DT SACCOs in Nairobi City County, resulting in improved performance.	4.6577	.55473
A diverse board, with members from different backgrounds and experiences, is better able to understand and address the needs and expectations of the diverse membership of DT SACCOs in Nairobi City County, leading to better performance.	4.4765	.69344
Board diversity promotes better risk management and decision-making in the operations of DT SACCOs in Nairobi City County, contributing to improved performance	4.5235	.56454
DT SACCOs in Nairobi City County with a diverse board are more likely to attract and retain talented and skilled individuals in leadership positions, resulting in better performance.	4.6980	.54158
Board diversity positively impacts the reputation and image of DT SACCOs in Nairobi City County, leading to increased member trust and confidence, and ultimately better performance.	4.6913	.61402
Having a diverse board is essential for the long-term sustainability and success of DT SACCOs in Nairobi City County, as it leads to improved performance in the dynamic and competitive financial services sector.	4.4430	.60830
DT SACCOs in Nairobi City County should prioritize board diversity as a strategic objective, as it is directly linked to better performance and overall organizational success.	4.6174	.57654
Board diversity should be actively promoted and encouraged through policies, practices, and training in DT SACCOs in Nairobi City County, as it positively impacts outcomes and contributes to the overall development of the organization.	4.6980	.54158

Basing on the above findings, a significant majority concurred that Diversity in board composition, including gender, ethnicity, age, and background, positively impacts the performance of DT SACCOs in Nairobi City County ($\bar{x} = 4.9060$, $SD = 0.29276$). With regards to the declaration that Board diversity brings a variety of perspectives and ideas to the decision-making process of DT SACCOs in Nairobi City County, leading to better performance, another majority strongly concurred ($\bar{x} = 4.6980$, $SD = 0.54158$). Majority of the participants concurred strongly with the declaration on having a diverse board enhances innovation and creativity in the operations of DT SACCOs in Nairobi City County, resulting in improved performance. ($\bar{x} = 4.6913$, $SD = 0.61402$). Participants of ($\bar{x} = 4.6711$, $SD = 0.48551$) strongly concurred that a diverse board, with members from different backgrounds and experiences, is better able to understand and address the needs and expectations of the diverse membership of DT SACCOs in Nairobi City County, leading to better performance.

A ($\bar{x} = 4.6577$, $SD = 0.55473$) of the participation strongly affirmed that Board diversity promotes better risk management and decision-making in the operations of DT SACCOs in Nairobi City County, contributing to improved performance. A ($\bar{x} = 4.6174$, $SD = 0.57654$) of the participation strongly concurred that we agree on DT SACCOs in Nairobi City County with a diverse board are more likely to attract and retain talented and skilled individuals in leadership positions, resulting in better performance. Using a five-point scale Likert mean more than ($\bar{x} = 4.2$) it is clear that a major section of the participants agreed strongly with the declarations on board composition. The determinations of the investigation point to board composition having a bigger influence towards the performance of DT SACCOs in Nairobi City County.

Organizational performance of Deposit taking SACCOs in Nairobi City County

This variable was operationalized by return on assets, customer satisfaction, and innovation. From the statistics, the variable had ($M = 4.3370$, $STD = 0.70036$, $Var = 0.491$). The respondents were also asked ways of improving organizational performance in SACCOs. The table III below shows the findings.

Table III: Performance

Performance	Mean	STD
The SACCO has achieved its financial performance target in terms of return on assets over the past five years	4.1119	.51000
The SACCO has put in place revenue generation structures to improve its financial performance	4.5916	.51789
The SACCO leadership has a suitable operating hour to the customers and avails products in a timely manner as detailed in the service charter	4.3821	.5344
The SACCO is always ready to respond its customers' request and satisfy them	4.6122	.60517
The SACCO has put in more effort to innovate its products and services over the last five years.	4.634	.4456

All the standard deviations are very low (less than 1.0), implying that the sample mean values of each variable is dispersed very close to the actual mean of the whole population sample of the dataset. The dataset is therefore suitable for use in inferential analysis.

Inferential Statistics

The inferential statistics was used to establish the relationship between the independent variables and the dependent variable. They include correlation analysis and regression analysis.

Correlation Analysis

The correlation analysis test is done to find the coefficient of correlation (r), which is used to determine the linear correlation between the SACCO performance in the county of Nairobi and every of the independent variable. The Pearson's correlation coefficient was used as the preferred method to evaluate the level of association between the variables. Table IV below displays the results of the correlation analysis

Table IV: Correlation Analysis

		Board Composition	Board diversity
Organizational Performance	Pearson Correlation	.287	.530**
	Sig. (2-tailed)	.184	.009
	N	117	117

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

The study established that Board Composition had a Pearson correlation of 0.287, an implication of a weak positive correlation with SACCO performance. Board diversity had a Pearson correlation of 0.530, which indicates a moderate positive association amongst the Board diversity and the SACCO performance.

Regression coefficients

The investigation outcomes of the linear regression analysis are detailed in each of the tables in this section, for every independent variable in the dataset. They include model summary, ANOVA, and regression coefficients.

Board Composition

The regression R-Squared (R^2) is applied in finding out the goodness of the fit of the data in the model. Where the R^2 value is too far from 1, the adjusted R^2 statistics is used instead to indicate the goodness of fit of the model. The values of R or R^2 statistics closer to 1 imply better fit in the regression model. From table V below R (.251) shows a weak correlation between Board Composition and Organization performance. The R^2 (.063) implies that Board Composition explain 6.3% of Organizational SACCO Performance in Nairobi County. Table V below shows the model summary

Table V: Model summary for Board Composition

Model	R	R Square	Adjusted R Square	Std error
1	.251 ^a	.063	.055	.65558

a. Predictors: (Constant), Board Composition

The result in Table VI below show that board composition has a positive coefficient of 0.329. This means board composition possesses a positive impact on the SACCO performance. It also mean that implies as SACCO performance increases 0.329 times due to the board composition. The p - value of the association is 0.084 (exceeds the alpha value of 0.05). This p – value shows that the test is not statistically significant and that the null hypothesis cannot be rejected.

Table VI: Regression Coefficients Board Composition

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	3.058	.942		3.244	.004
Board Composition	.329	.279	.287	1.373	.084

a. Dependent Variable: Performance

Board Diversity

From table VII below R (.504) shows a weak correlation between Board Composition and Organization performance. The R^2 (.254) implies that Board Composition explain 25.4% of Organizational SACCO Performance in Nairobi County. Table VII below shows the model summary.

Table VII: Model summary for Board Diversity

Model	R	R Square	Adjusted R Square	Std error
1	.504 ^a	.254	.247	.58511

a. Predictors: (Constant), Board Diversity

The result in Table VIII below show that board diversity has a positive coefficient of 0.616. This means board diversity possesses a positive impact on the SACCO performance. It also mean that implies as SACCO performance increases 0.616 times due to the board composition. The p - value of the association is 0.119 (exceeds the alpha value of 0.05). This p – value shows that the test is not statistically significant and that the null hypothesis cannot be rejected.

Table VIII: Regression Coefficients Board Diversity

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	1.809	.892		2.028	.055
Board Diversity	.616	.215	.530	2.864	.119

a. Dependent Variable: Performance

Multiple Linear Regression

The above findings show that upon holding each variable to a constant, SACCO performance is at 3.63. When all the components are used together in the regression model, Board composition has a positive coefficient (0.082) meaning that one unit change in board composition leads to a performance increase of 0.082 units when all the other variables are held constant. At the same time, Board Diversity has a positive coefficient (0.145) meaning that one unit change in board diversity leads to a performance increase of 0.145 units when all the other variables are held constant.

Table IX: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	3.63	.360		-1.008	.316
Board Composition	.082	.057	.070	1.421	.045
Board Diversity	.145	.074	.123	1.944	.032

a. Dependent Variable: Performance

The model equation relating the SACCO performance and all the predictor variables is shown below:

$$Y = 3.63 + 0.082 X_1 + 0.145X_2$$

Where Y= SACCO Performance, X1 = Board Composition, X2 =Board Diversity

The secondary data reveal that performance of the SACCOS was at its peak in 2018 and lowest in 2022, however there was steady betterment in performance from 2019 to 2022 before the drastic drop in performance in 2019.

CONCLUSION

The first conclusion that was drawn from the findings was that board composition positively influenced organizational performance of DT SACCOS in Nairobi City County as evidenced by the findings of the correlation analysis. With regards to the hypothesis one, the determination by the study is that a positive but insignificant association exists amongst board composition and DT SACCO performance. Deposit taking SACCOS with better board composition encourage having adequate number of board members, having board members with expansive work experiences, and with good knowledge/skills. The study deductions additionally realized that board diversity positively influences organizational performance of DT SACCOS in Nairobi City County as evidenced by the findings of the correlation analysis. With regards to the second hypothesis, it was determined that there exist a positive but moderately significant link amongst board diversity and DT SACCO performance. Deposit taking SACCOS with enhanced board diversity ensure proper representation in terms of age, ethnic, and gender in their boards.

RECOMMENDATIONS

Deposit taking SACCOS in Nairobi City County should enhance better composition in their boards and in particular should strive to have adequate number of board members, encourage electing to the board directors with expansive work experiences, and with good knowledge/skills. This improves their decision making and strengthens their supervisory role in the SACCO. Deposit taking SACCOS in Nairobi City County also should promote diversity and enhance it in their board. In particular, they should strive to have a balance and mix in terms of age, gender and even ethnicity among their board members. This scenario promotes having of diverse views and thus better decision making, management of risks, and better guidance on the running of the SACCO operations.

REFERENCES

- Armitage, S., Hou, W., Sarkar, S., & Talaulicar, T. (2017). Corporate governance challenges in emerging economies. *Corporate Governance: An International Review, Forthcoming*.
- Bwisa, H. (2010). An Entrepreneurial Approach to Use of ICT for the Growth of Africa's Cooperative Movement: The Case of the Mobile Phone. *11th SACCA Congress* (pp. 1- 20). Swaziland: ACCOSCA
- Gordon, J. (2017). *The Power of positive Leadership*. Wiley.
- Hussein, M. (2020). *Board Diversity and Financial Performance of Kenyan Commercial Banks* (Doctoral dissertation, University of Nairobi).
- Kaur, R. (2018). An Essay on Understanding Corporate Governance: Models, Theories and Global Evolution. *FOCUS: Journal of International Business*, 5(2), 93-104.
- Keay, A. (2017). Stewardship theory: is board accountability necessary? *International Journal of Law and Management*.

- Kenani, I. M., & Bett, S. (2018). Corporate governance and performance of savings and credit cooperative societies in Kisii county, Kenya. *International Academic Journal of Human Resource and Business Administration*, 3(4), 101-123.
- Kobuthi, E., K'Obonyo, P., & Ogutu, M. (2018). Corporate governance and performance of firms listed on the Nairobi Securities Exchange.
- Kuria, E. W. (2017). *Influence of Board Diversity on Organizational Performance: A Case Study of East African Breweries Ltd* (Doctoral dissertation, United States International University-Africa).
- Kyoya, F. J. (2017). *The effect of board composition on operational efficiency of deposit taking Saccos in Kiambu county, Kenya* (Doctoral dissertation, University of Nairobi).
- SASRA (2021). SACCO Supervision Annual Report 2021