Influence of Board Characteristics on Financial Performance of Deposit Taking Savings and Credit Cooperative Societies in Western Kenya

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Abstract—Deposit taking Savings and Credit Cooperatives form an integral part of Kenya’s economy by mobilizing savings and promoting credit creation. Statistics indicate that DT-Saccos contribute up to 23% to Kenya’s GDP, both directly and indirectly. However, the performance of a number of these DT-SACCOs in the western part of Kenya have shown to be reporting reduced profits indicating challenges with their financial performance. Prior studies on the performance of these SACCOs have not focused on the role of board characteristic on financial performance of these SACCOs. The purpose of this research was to examine influence of board characteristics on financial performance of deposit taking SACCOs in the country. Specifically, this study examined board accountability, corporate size and board independence and how they affect the performance. The study was anchored on the Agency theory and the Stakeholder theory. The study adopted a descriptive survey design to address the research problem. The target population consisted of 19 deposit taking Saccos licensed by SASRA and operating in Western Kenya. The data was collected by content analysis and recorded in a data collection sheet, from the annual financial statements that are filed with the SASRA every year for a period of 5 years, from 2015 to 2019. This gave 95 data points. Reliability and Validity was conducted using research experts. The data was analyzed using descriptive statistics such mean, standard deviations. Regression analysis was used in a regression model by t-test and f-test to test the relationship of the independent variable with the dependent variables. The study found that board accountability had a positive significant effect on financial performance as indicated $\beta = 0.320$, $p = 0.021$, $t = 2.078$. This implies that a unit increase in board accountability leads to a 32.0% significant increase in financial performance in the DT-SACCOs. Board size was found to have a positive significant effect on financial performance as indicated $\beta = 0.101$, $p = 0.01$, $t = 5.941$. This implies that a unit increase in board size led to a 30.2% increase in financial performance. The study found that board independence had a positive significant effect on financial performance as indicated $\beta = 0.308$, $p = 0.06$, $t = 3.020$. This implies that a unit increase in board independence leads to a 32.0% increase in financial performance.

I. Introduction
a) Background of the Study

Corporate governance dictates that board characteristics should govern the corporation with the focus of maximizing the wealth of the shareholders and in the best interest of the society (Vaalei, Mather & Ahmed, 2012). The board characteristics are well enshrined in the corporate governance structures of SASRA’s corporate governance guideline that specifies the distribution of rights and responsibilities among different sub committees of the board of directors. The board of directors of savings and credit cooperative societies are required to govern these entities in such a way as to ensure that their growth and sustainability is achieved and that members’ funds are secure. Corporate governance evolved as result of emergence of large corporations. Earlier the business entity and the owners where the same, the problem raised as a result of large firms’ owners lacked the time to manage their business operations thus had to hire managers to manage the activities of the corporation, this necessitates the separation of ownership from control and management of corporation hence development of agency theory (Wanyoike, 2013).

Corporate governance involves the relationship of shareholders and other stakeholders (Yazdanfar, 2013). It is instrumental in setting business goals and provides tools to attain its objectives and monitor performance. Financial performance is key monetary distress in firms. Choices are made within and the organization this helping selecting investment opportunities and management decisions which are supported by performance (Vaalei, 2012). The activities of any organization depend on accounting perspectives without considering the time and efficient elements which is inherent in financial performance (Bryson, 2018). Therefore, business should be accountable to a wider audience than simply its shareholders. Urged that performance is attained when indicator such profitability,
return on assets (RAO), return on equity (ROE) and return on sales (ROS) are realized in the firm.

Financial performance focuses on constructing a community in which an appropriate equilibrium is brought about between financial, social and ecological targets. A firm that is well managed, helps the organization to build reputation and create growth in financial operation, new markets and products to meet stakeholder’s expectations. Furthermore, performance is about creating a real value which is measured by profitability, liquidity, solvency, efficiency and effectiveness over time frame (Kolk, 2017). However, little is known on the influence of board characteristics on financial performance of deposit taking savings and credit co-operative societies in western Kenya.

The debate of some of the world’s leading corporations over the past decade and more is raising concerns over the way business performance is being conducted and its sustainability (Burritt & Schaltegger, 2010). The failed corporations reflect a trend of eroding business values that is heavily inclined towards short term gains, unmindful of long term impacts a trend wherein the concerns of shareholders are overlooked to increase the business profitability (Burritt & chaltegger, 2010).

It is essential for the company to develop a code of accountability and dependability towards their stakeholders and the society at large (Ioannou & Serafeim, 2017). Businesses are required to demonstrate a high level of ethics in their decision-making and actions, thus moving beyond the core objective of profit maximization, this is extremely important in order to ensure continuous support and confidence of the stakeholders and consequently, the performance in the organization.

It is worthwhile to note that factors that affect financial performance are country specific. It depends on the factors like corporate governance practices, law and regulations, development of the capital market among others (Cornelius and Bruce, 2017). These practices encourage investors to gain confidence and ease decision making in the organization resulting to a balance and competitive advantages for firms to survive as well as to obtain an acceptable profitability rate and economic equilibrium (Cornelius & Bruce, 2017)

Board characteristics are enhanced by corporate governance in the manner in which organization are directed, controlled and to account for the running of the organizational activities (Anand, 2008). Governance practices entail policies; authority, accountability and leadership are exercised in a corporation. Organization’s governance is of great importance for large public firms, where the separation of ownership from management is wider than for private companies. In public companies raises capital through stock markets and institutional investors hold vast portfolio of shares and other investments. Therefore, there is need to develop policies and guidelines to safeguard shareholders interest hence management should adhere with policies and systems such as accountability, transparency and independency of the board (UK Corporate governance code 2010).

The matters of governance practices happen to be important issue in several countries and the reaction has varied from a legislative response like the Sarbanes-Oxley Act in the USA (Wintoki, 2014), to an adoption of best practice principles in countries like the UK and Australia. Research has shown that companies or organizations are the most effective framework for mobilization of financial resources for investment and wealth creation endeavors.

In Nigeria, the Securities and Exchange Commission (SEC), the apex capital market regulator has implemented a new policy directing all quoted companies to release their financial results simultaneously to all stock market operators including the financial press in order to be transparent and discourage abuses of the system in terms of access to market information in the past (Okeahalam & Akinboade, 2017). Zimbabwe, Ghana, Uganda and South Africa have put in place standard guidelines to promote good corporate governance practices. Training, technical and awareness raising support has been extended by the World Bank and the commonwealth Secretariat to various African countries such as Botswana, Senegal, Tunisia, Mali, Mauritania, Cameroon, Gambia, Mozambique, Mauritius, Sierra Leone and Zambia to help them put in place appropriate mechanisms to promote good corporate governance practices (Kaufmann and Bellver, 2016). However, in Kenya such programs is still limited and it need to be explored.

Kenyan government has stepped up the pressure on corporations to measure the impact of their operations on monetary and non-financial reporting. This will enable the management to be responsible to their stakeholders. The most notable shift has been the Constitution of Kenya 2010, The Capital Markets Act, the Central Bank of Kenya Act, among other acts is which promote the interest of those who have direct control over a firm and other stakeholder

Corporate governance enhances the performance and ensures the conformance of organization by creating and maintaining a business environment that motivates managers and entrepreneurs to maximize firms’ operational and long–term productivity growth (Hussain et al., 2018). According to Baumgartner and Rauter, (2017) measures derived from adopting ethical codes such as corporate accountability, corporate transparency and board independence are usually considered as good strategies that lead to better management, and increase utility maximization (Orlitzky et al., 2017). Governance practices measures are very limited in Kenyan’s market.
The market demand for ethical investment has increased and suggesting that investment decisions are influenced by both financial and moral consideration for business entity to endeavor.

i. Board Characteristics

Board characteristics include issues related to board independence, diversity of board members and CEO duality (Jones, 2006). The relationship between board characteristics and financial performance has for long been a subject of significant debate in the corporate finance literature (Boubaker, Nguyen & Nguyen, 2012). Since the introduction of SASRA in 2010 there has been a great difference in financial performance of the Saccos registered and the ones not registered as deposit taking Saccos and are under regulation this is because SASRA has put in place some specific board characteristics that the members of the board should possess. As a result, many scholars and policy makers believe that attributes of board of directors have influence in strategic decision making and subsequently Sacco performance. In this instance, the different attributes of the board of directors’ impact organizational performance differently owing to their different orientations. This study aimed at examining the influence of board characteristics on the financial performance of the deposit taking Saccos in western Kenya.

Board structure functions play major role in any business entity to perform and maintain the firm’s integrity, reputation, accountability of the firm operation. Good board characteristic protects the investors rights and enhances financial, capital formation and maximization of shareholders wealth which create greater investors’ confidence. Furthermore, governance promote self-regulation and build corporate image which boost greater access to financial markets for capital formation.

ii. Financial Performance

Financial performance is a tool of measuring accountability of a firm’s policies and operational activities over an identified period in financial terms. In listed firms’ financial performance is a tool for financial management, which serves as a major objective (ROA) and also is a mechanism for motivation and control within the organization according to Adams (2017). Many perspectives of financial performance are considered to provide a comprehensive image of firm operations in relation to multiple expected returns. Therefore, measure of how well a firm performs is indicated by its profits, asset utilization, liquidity and leverage of the firm over a given period of time.

Financial performance also measures corporation’s general fiscal strength for a particular period and implement it to make appraisal with other companies on how they performed during the previous years. Therefore, all measures of financial performance should take in aggregation (Mwangi, 2013). Performance is used to indicate firm’s success, conditions and compliance of accounting policies and standards.

iii. Board Characteristics and Financial Performance

In May 2016 SACCOS made arrangements to launch its first sustainability index, which prompted Saccos to practice corporate board characteristics standards. This was set in order to measure SACCOS’s financial performance, in line with board characteristics to enhance transparency and accountability of the management that will attract more investors to exercise their business in Kenya.

iv. SACCOS in Kenya

In Kenya, firms particularly deposit taking Saccoshave portrayed quality of board characteristic especially saccos like teachers and farmers Saccos which have shown and reported performance growth in their business activities. SASRA in 2017 issued guidelines and regulation framework to ensure that all Saccos conform to these standards.

In an effort to promote governance in SACCOS, capital markets issued guidelines and principle to all SACCOS to shows that, management should be responsible to its shareholders and other stakeholders to promote companies’ performance. Ameer and Othman, (2012) argued that financial presentation of firms can be assessed to reveal much concerning board characteristics guide and regulate the firms regarding security markets and accounting presentation as a technique for improving companies’ commitments in enhancing growth.

b) Statement of the Problem

Board characteristics of SACCOS are expected to manage and maintain improved financial performance. In practice, financial performance of SACCOS is decreasing even though board characteristics are in operation. Board characteristic is a worldwide discourse due to the fact that financial constraints have taken Centre stage in the world (Council, 2017). Most practical research has been done on other effects of firms’ performance (Bhagat and that Bolton, 2008; Brown and Caylor, 2014). A few researches for firms on developed and developing market have explored this area in Saccos (Abor, 2013). No such study has been conducted to look into board characteristics and financial performance for SACCOS.

Therefore, it is noted that the stability and cooperation between shareholders and managers of an organization is fundamental to the success of an organization. Board characteristics have become of great importance recently due to the development brought about globalization concerning the harmonization of procedures and structures and with the emergence of global norms of board characteristics (Cytonn investment, 2017). Despite the reviews of these
reports, it is observed that Saccos lack board characteristics policies which are associated with fall of revenue. Therefore, this research seeks to find out whether board characteristics influence financial performance of deposit taking Saccos in Western Kenya.

The target population of this study was 19 DT-SACCOs in western Kenya region. The study was conducted on DT-SACCOs in western Kenya due to the fact that, of the twelve DT-SACCOs that operated on half-year restricted licenses, which expired in June, 2017 and were thereafter renewed for another half-year to the period December 2017, two of them operate in Western Kenya and they had the same challenge in 2016. A DT-SACCO is given a restricted license if it has liquidity challenges, high non-performing loans ratio and if it is undercapitalized.

The DT-SACCOs was studied because of the important role they play in enhancing the livelihoods of the people in western Kenya region. Statistical information shows that SACCOs averagely control 80% of the total accumulated savings of Kenya’s Gross Domestic Product (GDP) and information shows that SACCOs averagely control 80% of the total accumulated savings of Kenya’s GDP and accounts for 80% of the total accumulated savings (Ayieko, 2016). Additionally, the DT-SACCOs are selected since their financial data which was used in the present study is clearly determined.

c) Objectives of the Study
The following objectives of the study were used:
1. To determine the influence of board accountability on financial performance of deposit taking Saccos in Western Kenya.
2. To assess influence of board size on financial performance of deposit taking Saccos in Western Kenya.
3. To determine the influence of board independence on financial performance of deposit taking Saccos in Western Kenya.

II. Literature Review

a) Introduction
This chapter is organized into three main parts. Section 2.2 discusses the theoretical literature specifically discussing the theories the study is based on. Section 2.3 discusses determinants of financial performance and 2.4 details empirical literature on the board characteristics and seeks to establish the effect of board characteristics on financial performance of deposit taking Saccos in Western Kenya.

b) Review of Theories
This study will review stakeholder theory and agency theory with their concepts.

i. Stakeholder Theory
Stakeholder theory was proposed by Donaldson and Preston (1984), it states that stakeholder theory is a principle that ensures firms are accountable to their owners, and balance different interests between stakeholders. It explained three aspects of the theory: instrumental power, descriptive accuracy and normative validity (Parmar, et al., 2010).

It was based on the first propositions that organization is a structure for checking the relationships between the practice of stakeholder management and the achievement of a firms’ performance. The second aspect of the theory is used to explain particular business entity character. The normative validity is a basis of the theory used to understand the purpose of companies. Because the goal of corporation is key issue of corporate governance’s practices, the normative validity is the vital core of the model. Therefore, the aspect instrumental and normative aspects are the main fields to evaluate in the stakeholder’s theory (Ackermann & Eden, 2011).

It assumes that stakeholders are from shareholders, customers, supplies, investors, and government with common objectives upon with the firm depends for the achievement of its goals. The stakeholder theory stated that the outcome produced by the directors and the management of organization will contribute and check balance of power between the interests of all constituents of companies in addition the stakeholders should behave in a socially and responsible manner by developing a conducive business environment to gather the interest of all the stakeholders. It argued that present theories are contradictory with both the quantity and kinds of change that are happening in the business surroundings. A new theoretical framework is required. The stakeholder theory, according to Freeman referred stakeholder as “any group or person who is affected by the achievement of an organization’s objectives.” (Friedman & Miles, 2006).

While the definition of stakeholders is quite wide, there are five types of stakeholders that have been accepted widely, namely, shareholders, customers, employees, suppliers and the public.

It is criticized that that stakeholders have different interest between each other, not always positive to the organization and its partners. This theory is also focusing on the interests of all legitimate stakeholders. Individuals, groups and organizations are easily defined as stakeholders because of their involvement in the value producing processes of the firm. They include employees and managers, shareholders, financiers, customers and suppliers. These stakeholders may be referred to as primary stakeholders or legitimate stakeholders (Phillips, 2017). Important aspect of stakeholder theory is that it is comprehensive in its approach.

The model requires that stakeholders should be treated with fairness, honesty, and even generosity. Other business disciplines tend to focus on one or a subset of stakeholder groups: human resource theory focuses on employees, marketing theory focuses on
customers, financial theory focuses on shareholders and financiers. The theory advocate treating all stakeholders well will creates synergy (Tantalo and Priem, 2016). The aim of this theory is for the organizations to consider and acknowledge their features individually which affects their performance in relationship to external factors, and information on what improves the financial performance in an organization.

It characterized is based on the belief that firms cannot survive and endeavor if it has only shareholders’ capital contribution and does not have any participation from other stakeholders such as employees, creditors, suppliers and customers, etc. Hence, it is necessary for companies to take into consideration the interests of stakeholders in their investment activities that affect performance and prosperity directly. Since the theory asserts that if the interests of stakeholders are concerned by directors, not only stakeholders’ value will be increased but also the social wealth will be enhanced ultimately (Mallin et al., 2015).

Unlike the stakeholder theory, the shareholder primacy does not take non-shareholder interests as a component of directors’ duties to operate the business, so the social wealth increases only depend on maximizing owners’ interests. The idea is criticized that the shareholder primacy cannot enhance the social wealth, for the reason that this theory merely produces provisional earnings performance, and discourages other stakeholders’ work incentives by ignoring their assistance to corporations. as a result, it is argued that the stakeholder theory is a more reasonable and beneficial theory. In other words, the stakeholder theory acknowledges that in order to assist corporations with succeeding in efficiency productiveness and success, of stakeholders are recognized as a key instrument to make firms objectives come true in the organization. Stakeholder theory is a superior theory of the corporate objective (Poole & Van de Ven, 2014).

This theory has contributed to the research objectives since its alleged two main purposes: first is to tie up the economics and ethics together; second is to ensure that directors consider all stakeholders interests when making corporation decision. It has been emphasized specially that the increase of stakeholders’ interests is the final goal of operating companies; directors cannot use their interests for maximizing shareholders’ interests (Van den Berghe and Levrau, 2014).

The importance of stakeholder theory in every corporation falls under three categories. The first explains maps and to the ways business entities actually carry their financial social and environmental activities putting consideration of the input and output while safeguarding the interest of all stakeholders. Furthermore, the theory suggested most management believes a singular focus on shareholder interests is unethical and hinder firm’s performance. Secondly a good association between a company and its stakeholders is seen as essential frame to increased efficiency and effectiveness for better business performance and eventually higher profits. Finally, the moral or ethical issue is observed frame usually that each stakeholder group has essential value, and that no group’s interests are more or less important than any other, and this suggested by fairness in the organization(Ackermann & Eden, 2011).

ii. Agency theory

The theory was proposed by Jensen and Meckling (1976) states that management has no direct or significant ownership without agents in making decisions. The agency relationship came into existence due to large numbers of shareholders to manage the activity of a single firm, also the owners lacked technical skills to and experience in their capacity in addition most of the shareholders are geographically isolated and may not have time to effectively run the business operations (Clarke, 2014).

It is characterized by the deviation pertaining interests would sustain residual costs, resulting in sub-optimal performance (Fama, 1980). The form is normally adopted when defining the relationship between principal the shareholders and agents who are employed by the principal who delegate the running of the business operations. The agents mainly constitute directors’ managers and other employees (Van den Berghe and Levrau, 2014). The theory suggests that the agents in a firm can be self-interested and pay less concentration to the interests of the owners of the company. The owners anticipate the agents to a make decision which are fruitful of their firm contrary the agent may not make decision in the best interest of the shareholders, this situation it is likely to observe differences emerging from the shareholders and the management. When the agent has privilege power to make decisions, managers act out of the interest of the principal (Means, 2017). In trying to achieve their own gains, firms will therefore raise in such areas as structuring contracts, managing the behavior of supervisors may lead to losses of occasioned by sub-optimal decisions.

Top management act as boundary that ensures the finances used are secured and also helps in giving that enhance firm’s performance. Such acts include: prompt payment of workers, managing the behaviors’ of those in charge, remuneration and the fulfillment of its roles (Mallin et al., 2015). Such setbacks, agency theory were introduced mainly as separation of ownership and control (Bhimani, 2008); the agents are guided and controlled by principal –made rules with aim of maximizing the shareholders’ value.

According to (Clarke, 2014) urged that agency theory is of importance to firms since it shows the
correlation between the owners and the organization structure. Finally, the model portrays the management has more of a self–interested, individualistic and also bound by rational that rewards and punishment appear to be priority (Jensenn and Meckling, 1976). Jensenn and Meckling (1976) argued that the agency problem characterizes the board characteristics choices of firms (principals) and the resulting behavior of CEOs (agents). This is because CEOs seek to raise their service at the saccos of firms by withholding effort or increasing their own compensation through self-dealing (Hendry, 2016). When owners do not have perfect information about CEO behavior, self-interested CEOs conceal selfish actions, and firms bear the cost.

The theory is relevant in identifying situations in which the principal and agent are likely to have conflicting goals and then describing the governance mechanisms that limit the agent’s self-serving behavior. Positivist research is less mathematical than principal agent research. Also, positivist researchers have focused almost exclusively on the special case of the principal-agent (Berle & Means, 2013). It is argued that agency theory establishes the importance of incentives and self-interest in organization thinking, and reminds us that much of organizational life, whether is based on self-interest (Perrow, 2016).

The hypothesis is premised on the initiative that in a present business, there is a separation of ownership and management. Within this corporate structure, it is likely that the interests of the owners and the management will diverge. When they have the privileged power to make decisions, managers act out of self-interest and pay less attention to the interests of the owners. This chase of self-interest increases in such areas as structuring contracts, monitoring and in scheming the performance of agents, which may lead to incentive problems occasioned by sub-optimal decisions. The fiduciary role board’s is monitoring the CEO, setting reward levels for top management, approving major strategic decisions and monitoring the implementation of strategies on behalf of the shareholders (Boyd et al., 2011).

c) Conceptual Frameworks

The conceptual framework of the study is depicted by board characteristics as independent and financial performances depicted as a dependent variable.

![Conceptual Framework](image)

**Independent variable**

- **Board Accountability**
  - Board members accountability
  - Accounting procedures
  - Number of board meetings

- **Board Size**
  - Number of directors in the board
  - Board diversification

- **Board Independence**
  - Ratio of Independent directors to total number of directors

**Dependent variable**

- **Financial performance**
  - Profitability
  - Return on assets

i. **Corporate Accountability and Financial Performance**

Friends of the Earth (2016) discusses corporate accountability as those practices that affected the activities such as board accountability, accounting procedures and board meetings that are carried out by the Sacco management and hold them to account for their operations. This concept demands fundamental changes to the legal framework in which companies operate. These include placing environmental and social duties on directors to complement existing duties on financial matters, and legal rights for local communities to seek compensation when they have suffered as a result of directors failing to uphold those duties.

ii. **Board Size**

The size of the board is measured by the number of directors serving on such boards. There is a point of view that larger boards are appropriate for corporate execution since they have a scope of ability to enable settle on to better choices, and are more difficult for an efficient CEO to rule. Be that as it may, late intuition has inclined towards minor boards (Khaled, 2014).
iii. Board Independence

The board of directors is a group body that act in the best interest of shareholders. The board requires the combination of executive and non-executive directors to pursue the shareholders’ interest. The non-executive directors on the board will not be able to exercise their duties effectively, unless they are independent in terms of board composition, performance and be able to supervise the audit report and provides unbiased business opinion (Gray et al., 2001).

d) Empirical review

i. Corporate Accountability and Financial Performance

The conception of corporate accountability refers to the legal obligation of a company to do the right thing. The goal of corporate accountability is to assure that company’s products and operations are serving the interests of society and are not detrimental in any way. This thought addresses the dilemma of those companies which repudiate to act responsibly; it also addresses the situations in which companies and employees are held guilty by the competitive demands of the economic system and forced to choose the end result (Vintila & Gherghina, 2012).

Luo (2016) observed that corporate accountability is the degree to which a corporation is transparent in its company actions and responsibility to those it serves. Generally, corporate accountability entails financial reporting standards, principles and guidelines which create significant effects or implications of the wellbeing of shareholders and other major stakeholders.

Bovens and Schillemans, (2014) argued that corporate accountability is a concept that explains accounting standard and policies that regulate the aspect of financial reporting in the books of accounts of any firm’s operation. According to Bovens (2015) firms are answerable not only to owners but also to all stakeholders a business functions most successfully when all stakeholders’ providers of resources and skills, work together toward the long-term mission. A central obligation for corporate accountability is the firm’s ability to indicate or provide relevant and accurately information to the shareholders, and other stakeholders.

Butler, Frost and Macev (2012) in their study on board accountability argued that companies should volunteered to give account of their activities and impacts to improve their social and environmental practice, the corporate accountability conception believes that corporations must be held to account implying enforceability. If we, the citizens as the prime stakeholders are still not serious about sustainable development, social and environmental justice, there can’t be anything more compelling to the corporations to take seriously this issue. The time has now come to cumulate the efforts of strict governmental legislations that would facilitate people to hold corporations accountable for their social and environmental performance and to compel them to work to attain good financial reports.

Robert M. Bushman (2017) conducted a study on board accountability in the USA and argued that in United States good financial accounting information is obtained through corporate accounting and external reporting systems that measure and routinely disclose audited, quantitative data concerning the financial position and performance of publicly held firms. Audited balance sheets, income statements, and cash-flow statements, along with supporting disclosures, form the sophisticated financial disclosure regime is not cheap. Countries with highly developed securities markets allocate significant resources to produce and adapt the use of extensive accounting and disclosure rules that firms must follow. funds expended are not only monetary, but also include opportunity costs connected with use of highly educated individual capital, include accountants, lawyers, academicians, and politician to achieve firm objectives set available to investors and regulators.

In general, country’s accounting systems are created on the basis of financial system, legal system, taxation system and professional system, societal culture and external relations. These factors mutually choose a national accounting framework that includes accounting objectives, regulation mode and regulation strictness; this structure in turn affects firm decisions on a diversity of issues such as expenditures, fixed assets, inventory valuation, accounting for income taxes and foreign currency translation. The more diverse intercontinental stakeholders a firm has, the greater the differences in standards of corporate accountability (Murthy & Mouritsen, 2011).

Various scholars acknowledge the number of duties done within an organization that affects its roles within the firm which benefits the customers than then owners (Crane & Matten 2016) argued that organizations are not tools for the owners instead they are there to serve the needs of the public and therefore responsible for to the management and the customers. This depends on structure and system established by the organization. Management has responsibility to run the organization but also create awareness of its products and services.

Moreover, various owners know more about the duties and the effects of those roles to the organization. Such owners aim to improve the needs of the organization and to be responsible to their roles. Gray et al., (2001) questioned financial performance functions by bringing the results instead of management responsibility, the management considers the stakeholders in organization Agrawal and Knoeber
(2016) started with the aim of creating a contract between a company and its stakeholders.

Financial growth has become a perception of commercial and investment SACCOS, shows lacks of adequate corporate governance practices attentions to creating companies such that durability seems to be more disputable with several meaning (Aras & Crowther, 2008). Corporate accountability plays a significant role in the provision of basic needs of every business activity, the quality and level of trust in businesses and the creation of a Sacco’s of shared value. The perspective of corporate accountability has changed dramatically in the last 20 years while the societal construct of the corporation has not transformed because the creation of the Limited Liability Company. It trusted financial institutions failed us, our governments have less fiscal and social capital to fix problems and traditional macro-economic solutions of consumption-led growth seem less plausible.

Utting and Clapp (2008) in their study on board accountability stated that corporate accountability encourages independent monitoring in complaints dealings and compliance with local international law and other agreed standards, mandatory reporting and redress for malpractice. Companies have enormous impact on people’s lives and the environment in which they operate. At times the impact is positive in the economy due to jobs creations, technology improvements, amenity enhancements and investment in the community benefits gives huge positive enhancement for the people who live there. But there are numerous instances of corporations exploiting weak and feebly enforced domestic regulation with shocking effects on people and communities.

Stenberg (1997) urged that neoclassical vision of corporate accountability sees companies as accountable only to shareholders since they are the legitimate owners of the firm. Instead of entrusting firms to be accountable of their activities and impacts, and willingly improve their social and environmental performance the corporate accountability movement believes business must be entrusted to their activities (Bendell, 2003).

Strict liability rules should be made and imposed on to companies for their decisions and actions extend to each and every country in which they invest or operate for health hazards or loss of life, property damage, and environmental damage, for holding them responsible. Corporate environmental polluters must be held liable for environmental degradation and pollution beyond national boundaries even that may be a result from carelessness. Corporations accountable of precedent damage, even for some decades back, should also be held legally responsible for their actions (Rhoades, Rechner & Sundaramurthy, 2000). Public and communities should be given the proper backup of legal resources where those are need the efficiency of corporate accountability progression depends on the stakeholders’ expectations and how successful the organization communicated adequately and turn the stakeholders’ expectations into business goals, objectives and management plans, to improve the firm’s performance outcome and provide for measures that generate and motivate a commitment management team

ii. Board Size and Financial Performance

As indicated by Manafi, et al. (2015), Transaction Cost Economics (TCE) hypothesis sees the firm as a governance structure. The hypothesis contends that specific economic benefits to the firm leaves when a firm embraces exchanges inside as opposed to external. Manafi et al. (2015) additionally expresses that as the firm winds up noticeably bigger, the more exchanges it embraces and it extends up to the point where it ends up noticeably less expensive or more effective for the exchange to be attempted externally. Stiles and Taylor (2011) bring up that this hypothesis is worried about managerial discretion and it accept that directors are given to self-interest seeking and moral hazard and that they operate under bounded rationality. The hypothesis views the boards of directors as an instrument of control consequently, administrators tend to sacrifice rather than maximize fully proceeds (Mullins, 2014).

The size of the board is measured by the number of directors serving on such boards. There is a point of view that larger boards are appropriate for corporate execution since they have a scope of ability to enable settle on to better choices, and are more difficult for an efficient CEO to rule. Be that as it may, late intuition has inclined towards minor boards (Khaled, 2014).

Porta, Lopez- de-Silanes and Shleifer (2010) contend that substantial boards are less powerful and are simpler for a CEO to control. At the point when a board gets too huge, it winds up plainly hard to coordinate and process issues. Minor boards additionally decrease the likelihood of free riding by individual directors, and increment their basic leadership forms. Exact research underpins this. As indicated by Hambrick and Jackson (2000), among the substantial U.S. industrial corporations, the market value firms with littler boards more highly Ren, (2014) additionally discover negative connection between board sizes and benefit when using sample of small and midsized Finnish firms. In Ghana, it has been distinguished that little board sizes improve the execution of microfinance institutions (Dalton & Dalton, 2013).

Chirchir (2014) aired the above discoveries in firms recorded in Kenya, Singapore and Malaysia. In their investigation, they found that firm valuation is most astounding when board has five directors, a number considered moderately minor in those business sectors.
In a report, Adams and Mehran (2015) found that, firm execution is decidedly related with little board measure rather than large boards. Jensen and Macklin (2016) demonstrated that an esteem significant trait of corporate boards is its size. Organizational theory surmises that bigger gatherings set aside generally longer opportunity to settle on choices and, accordingly, more input time (Kajola, 2013).

Peace (2011) recommend an ideal board size in the vicinity of seven and nine executives. In this regard, exact examinations have demonstrated that the market value firms with generally little board sizes (Francis, 2016 and Leighton, 2010). Consequently, as board size builds board action is required to increment to make up for increasing process losses. The contention is that large boards are less powerful and are less demanding for a CEO to control. The cost of coordination and handling issues is likewise high in large boards and this settles on basic leadership troublesome. Then again, littler boards diminish the likelihood of free-riding and consequently have the inclination of improving firm execution (La Porta, 2012).

At the point when the idea of board is acknowledged, it can be naturally accepted that a bigger board is ideal, as this empowers the consideration of more various board individuals bringing diverse areas of expertise, expanded board measure causes expanded issues of coordination and correspondence, undermining board viability in monitoring agents (Enobakhare, 2010). Moreover, bigger sheets have been observed to be portrayed by diminished capacity of executives to censure top directors and to dissect and talk about firm execution truly (Lipton and Lorsch, 2012).

Xiang (2010) contended that extensive board will probably confront high expenses to monitor the firm and they are more averse to have viable capacity when the extent of the board is more than seven or eight individuals. The agency model recommends that as board size turns out to be substantial, the agency problem related to director free riding increases and the board becomes more symbolic and less a part of the management process (Hermalin & Weisbach, 2011). Substantial boards will probably be controlled by the CEO as opposed to the board monitoring and controlling the administration. This will give the directors the spaces to seek after their own interest as opposed to adjusting to the interests of the investors and administrators prompting increment in the agency problems and thereby lower companies’ performance execution (Hambrick and Jackson, 2000).

Kajola (2013) contends that as board size winds up noticeably bigger it will be more troublesome for board individuals to achieve consensus because of the more assorted opinions and decisions. In this manner, large boards are slower and less proficient in settling on choice. These activities may expand the agency conflict, in light of the fact that with less coordination and correspondence this will prompt decline the board individuals’ capacity to control and monitor management which may bring about more regrettable firm execution.

Ahmed (2016) contend that detailing and receiving new thoughts and concurring on various feelings are more averse to occur in large boards, which will bring about less change of the board function to furnish the directors with smart thoughts and contributions. In this manner, the contention in the board implies that board individuals are more averse to work in light of a legitimate concern for the investors therefore agency problem increase. Laing & Weir (2012) presumed that to-date there is as yet a level headed discussion about the ideal size of the board. At the end of the day, there is no particular formula that ought to be embraced or taken after to characterize the number of executives inside the board. Yermack (2016) detailed that large boards are described by less soundness and poorer correspondence which may diminish the board individuals’ capacity to monitor the administration effectively. This cause greater agency problem and costs resulting in lower firm performance. In this manner, identified to the agency problem, large boards result to numerous directors’ free-riding problems, increment in the sharing costs and internal conflicts among executives. Therefore, these hazards will impact in increasing the agency problem and thereby minimizing returns and worse firm performance.

Be that as it may, CEO control is normal for smaller boards, as the all the more capable position of CEOs in such boards empowers them to abrogate choices made by the board as per their own advantages, expanding agency problems and correspondingly undermining the execution of the firm (Miller and Matsa, 2013). This outcome additionally affirms resources reliance hypothesis’ recommendation, inferring that large boards, due to some degree to their viable linkage (Pfeffer, 2012) and assorted variety (Goodstein, 2014), improve the probability of organization’s execution by enhancing organization’s capacity to co-opt the turbulent condition (Hambrick and Jackson, 2000). This is as per the part of resource dependency hypothesis that attests that the decent variety and more compelling union of large boards boosts firm execution by transcending challenging market conditions (Goodstein, 2014 and Pfeffer, 2012); the shortage in linkage among smaller boards can deny undermine their entrance to credit. Also, large boards mitigate the agency problem by playing out their strategic function all the more successfully, which is fundamental amid times of financial turbulence or distress to reduce agency problems (Mintzberg, 2013). Under such conditions, the absence of decent variety in littler sheets expands vulnerability concerning vital improvement (Goodstein, 2014; Mintzberg, 2013; Pearce and Zahra, 2012). This at last expands the office
issue and undermines execution in firms with smaller boards. The top managerial staff assumes an essential part in corporate governance, such as hiring, firing, and assessment of management, or assessment and project selection (Adams, Hermalin, & Weisbach, 2010).

Kiel and Nicholson (2013) research the connections between board structure and corporate execution in 348 of Australia's biggest publicly recorded organizations. They locate a positive connection between board size and firm execution for vast firms. Adams and Mehran (2015) locate a positive connection between board size and execution in the US saving money industry. Fama and Jensen (2013) look at the impact of corporate governance mechanisms, for example, board size, on firm execution from 2005 to 2010 in Pakistan, and they likewise locate a critical positive connection between firm execution and board size. These outcomes bolster Zahra and Pearce's (2013) decision that there is a connection between board size and firm execution.

In any case, Aljifri and Moustafa (2012) ponder the impact of some interior and outer corporate governance mechanisms on firm execution (Tobin's Q) in an example of 51 firms in 2004. The exploration demonstrates that board size has a non-critical impact on execution. Lawal (2012) analyzes the significance of one corporate governance viewpoint in particular, board size of organizations recorded on Bursa Malaysia and applies linear multiple regression as the underlying statistical test. The author does not locate a huge connection between board size and firm execution in a sample of chose recorded organizations in Malaysia. This outcome is bolstered by Kajola (2013) who contemplates the relationship between the corporate governance systems and firm execution of a sample of 20 Nigerian recorded firms in the vicinity of 2000 and 2006. He doesn't locate a noteworthy connection between the board size and firm execution of the recorded organizations in the Nigerian Stock Exchange. This backing other research, which finds that a huge board size can prompt the free-rider issue (Loderer and Peyer, 2012).

The two most imperative elements of the top managerial staff are those of advising and monitoring (Raheja, 2015). Consequently, the top managerial staff has been viewed as an essential corporate governance mechanism for adjusting the interests amongst directors and all stakeholders in a firm (Heenetigala and Armstrong, 2011). Zahra and Pearce (2013) characterized two principle parts of the board: it should control the operations of the firm and the exercises of the CEO; and it should improve the image of the firm and support a decent connection between the partners and firm management to encourage the organization culture. This demonstrates these board functions could build up the execution of a firm. Small board size was favored to advance basic, certified and scholarly consideration and inclusion among individuals, which apparently may prompt successful corporate decision-making, monitoring and enhanced execution (Lawal, 2012).

iii. Board Independence and Financial Performance

Huafang and Jianguo (2014) affirmed that the proportion of board independence was associated with performance. This is further supported by some other studies reported that voluntary disclosure increases with the number of independent non-executive directors. However, the relationship between independent directors and corporate governance remains unexplored in Kenya.

Matengo (2008) did a study on the relationship between Corporate Governance practices and performance in relationship with board composition: the case of banking industries in Kenya. Whereas there has been renewed interest in Corporate Governance, relevant data from empirical studies are still few. There are therefore limitations in the depth of our understanding of corporate governance issues. With such an environment in the background, together with the week judicial system, the interest of both minority shareholders and creditors could be compromised hence no research has been carried out on all sectors of the firms as the previous researchers has been only concentrating in financial and service sectors thereby ignoring other sectors like motor industries i.e., the recent CMC motors and Nyagah stock brokers.

Shah et al., (2011) in their study on board independence observe that boards mostly compose of executive and non-executive directors. Executive directors refer to dependent directors and non-Executive directors to independent directors at least one third of independent directors are preferred in board, for effective working of board and for unbiased monitoring. Dependent directors are also important because they have insider knowledge of the organization which is not available to outside directors, but they can misuse this knowledge by transferring wealth of other stockholders to themselves.

Bonn, Yokishawa and Phan (2014) found that board size and performance (measured by market-to-book ratio and return on assets) was negatively correlated for Japanese firms but found no relationship between the two variables for its Australian counterpart. However, contrary to the Japanese firms the ratios of outside directors and female directors to total board numbers have a positive impact in the Australian sample (Bonn, 2014). Contrary to the above findings, a positive impact on performance was recorded with larger board size.

Beiner, Drobetz, Schmid and Zimmerman (2014) studied the Corporate Governance and firm valuation by using a broad Corporate Governance index and additional variables related to ownership structure,
board characteristics, and leverage to provide a comprehensive description of firm-level Corporate Governance for a broad sample. Corporate Governance index by one point caused an increase of the market capitalization by roughly 8.6%, on average, of a company’s book asset value.

Zheka (2014) studied the effect Corporate Governance on performance by constructing an overall index of Corporate Governance and shows that it predicts firm level productivity in Ukraine. The results imply that a one-point-increase in the index results in around 0.4%-1.9% increase in performance; and a worst to best change predicts a 40% increase in company’s performance. Using data on companies in many African countries, including Ghana, South Africa, Nigeria and Kenya, Kyereboah-Coleman (2014) shows that better governance practices like board independence are associated with higher valuations and better operating performance.

Baker, Godridge, Gateman and Morey (2014) using a different data set from Alliance Bernstein, an international asset management company, with monthly firm-level and country-level rated board composition from emerging markets countries over a five-year period, reported a significantly positive relation between firm-level (and country-level) Corporate Governance practices suggested lower cost of equity for better governed firms in Kenya.

Wanjiku et al. (2011) researched out a study to establish the Corporate Governance practices on non-executive board and its composition in their firms to relationship with the growth of Companies listed at the Nairobi Securities Exchange using a causal comparative research design. The study focused on corporate communication, leadership and technology application. The study found a positive linear dependence of growth and Corporate Governance.

Ongore and K’Obonyo (2011) conducted a related study in Kenya to examine the interrelations among ownership, board and manager characteristics and firm Performance in a sample of 54 firms listed at the Nairobi Securities Exchange. The findings from this study show a positive relationship between managerial discretion and performance. However, the relationship between ownership concentration and government on firm performance was significantly negative.

Mang’unyi (2011) carried out a study to explore the ownership structure and Corporate Governance and its effects on performance of firms. His study focused on selected financial institution in Kenya. His study discovered that there was significant different between Corporate Governance and financial performance of banks. The study suggested that business entities should encourage Corporate Governance to drive positive results to their potential investors and regulatory agencies as well as the government should encourage Corporate Governance to increase firm performance and create good relationship across all stakeholders.

Miring’u and Muoria (2011) urged that the effects of Corporate Governance on performance of profit-making corporations in Kenya. Using a descriptive study design, the study sampled 30 SCs out of 41 listed firms in Kenya and found that the relationship between financial performance, board composition and size. The study found a positive relationship between Return on Equity (ROE) and board compositions of all firms.

### III. Research Methodology

The descriptive research design was adapted. The target population in this study consisted of 19 deposit taking Saccos licensed Saccos by SASRA and operating in Western Kenya (SASRA, 2019). The data was collected from the annual financial statements that are filed with the SASRA every year for a period of 5 years, from 2015 to 2019. This gave 95 data points. The study used secondary data.

### IV. Results and Discussions

#### a) Descriptive Statistics

The data was first tested descriptively. Table 4.1 shows the results of the descriptive statistics. For each observation, $Y$ is the Dependent Variable (Financial Performance measured by Return on Assets), $X_1$ is Board Accountability measured by number of board meetings during the year, $X_2$ is the Board Size measured by the number of board members attending meetings during the year and $X_3$ is Board Independence measured by the ratio between independent directors and the total number of directors.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Obs</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Min</th>
<th>Max</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>$Y$</td>
<td>95</td>
<td>0.376</td>
<td>0.205</td>
<td>0.017</td>
<td>0.875</td>
<td>0.052</td>
<td>2.226</td>
</tr>
<tr>
<td>$X_1$</td>
<td>95</td>
<td>2</td>
<td>0.014</td>
<td>1</td>
<td>4</td>
<td>3.646</td>
<td>18.380</td>
</tr>
<tr>
<td>$X_2$</td>
<td>95</td>
<td>8</td>
<td>1.243</td>
<td>6</td>
<td>14</td>
<td>1.102</td>
<td>3.798</td>
</tr>
<tr>
<td>$X_3$</td>
<td>95</td>
<td>0.193</td>
<td>1.798</td>
<td>0.202</td>
<td>0.567</td>
<td>0.725</td>
<td>3.038</td>
</tr>
</tbody>
</table>

Source: Research Data (2020)
The results in Table 4.1 revealed that the mean financial performance measured by ROA for the 19 DT-SACCOs in western region was 0.375. The minimum reported Return on Assets was 0.017 while the maximum was 0.875. The Return on Assets was spread within a standard deviation of 0.20520 implying that there was a narrow deviation of the Return on Assets from the mean financial performance. This seems to imply that the average return for the assets used by the SACCOS was 0.375. This is low considering that the average ROA for SACCOS in Kenya is 0.5 (SASRA, 2019).

Likewise, the mean Board Accountability was 2. Board accountability was measured by the number of board meeting in the year. This implies that on average, the number of meetings in an average DT-SACCO operating in Western Kenya was 2. The minimum reported Board Accountability was 1 while the maximum was 4. The Board Accountability was spread within a standard deviation of 0.014 from the mean Board Accountability. This implies that the boards in the DT-SACCOS in the area don't have many board meetings. This implies that they may not be accountable.

The mean for Board Size was 8. The minimum reported Board Size was 6 while the maximum was 14. The Board Size was spread within a standard deviation of 1.243. The average board size for SACCOs according to SASRA report is 6. This implies that these SACCOS have a board size higher than the average board size among SACCOS in Kenya.

The mean Board Independence on the other hand was 0.193 with a minimum of 0.202 and a maximum of 0.567. This implies that for every board that was studied, 19.3% of the board directors were independent directors. The mean board independence for all SACCOS in Kenya is 25%. This implies that the average board independence for DT-SACCOS in Western Kenya is below that in SACCOs operating in Kenya. This may imply that the boards are not independent.

**b) Correlation Result**

Correlation analysis shows the direction, strength and significance of the relationships among the variables of study (Sekaran, 2000). To establish whether there was a relationship between the variables, a correlation analysis was conducted. The correlation analysis shows the direction, strength, and significance of the relationships among the variables of the study. A positive correlation indicates that as one variable increases, the other variables will also increase. On the other hand, a negative correlation indicates that as one variable increases the other variable decreases (Sekaran, 2003).

The study used Pearson correlation to determine the relationships between board characteristics and financial performance of deposit taking SACCOs in the country which was measured at significant level of 5%. Table 4.2 presents correlation matrix.

**Table 4.2: Correlation Matrix**

<table>
<thead>
<tr>
<th></th>
<th>X₁</th>
<th>X₂</th>
<th>X₃</th>
</tr>
</thead>
<tbody>
<tr>
<td>X₁</td>
<td>Pearson Correlation</td>
<td>.521**</td>
<td>.354*</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.023</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>95</td>
<td>95</td>
</tr>
<tr>
<td>X₂</td>
<td>Pearson Correlation</td>
<td>.521**</td>
<td>.224</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.159</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>95</td>
<td>95</td>
</tr>
<tr>
<td>X₃</td>
<td>Pearson Correlation</td>
<td>.354*</td>
<td>.224</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.023</td>
<td>.159</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>95</td>
<td>95</td>
</tr>
<tr>
<td>Y</td>
<td>Pearson Correlation</td>
<td>.658*</td>
<td>.204</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.489</td>
<td>.329</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>95</td>
<td>95</td>
</tr>
</tbody>
</table>

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

The correlation results showed that: Board accountability at \( r = .521^\text{**} p = .000 < .05 \) had a strong, positive and significant relationship with financial performance. This implies that a unit increase in board accountability leads to a .521 significant increase in financial performance in the DT-SACCOS. The study agreed with Conyon and Schwalnach (2016) who found that there was a significant variation in the board transparency and performance evaluation of firm’s accountability.

Board Size had correlation coefficient value of \( r = .354, p = .023 < .05 \), but the relationship was weak with financial performance. Larcker, Richardson and Tuna (2014) also indicated that there was a statistically significant effect of Board independence on the performance of firms. The relationship between board
independence and financial performance was also found to be positive and significant with \( r = .658, p = .023 < .05 \).

The Table 4.3 presents the regression coefficients to test statistical significance of the independent variables in the model. This gives the estimates of independent variables, their standard error and t values. Table 4.5 summarized the testing of hypothesis on financial performance.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>.432</td>
<td>.620</td>
<td>6.014</td>
<td>.000</td>
</tr>
<tr>
<td>1</td>
<td>( X_1 )</td>
<td>.320</td>
<td>.154</td>
<td>.042</td>
</tr>
<tr>
<td></td>
<td>( X_2 )</td>
<td>.308</td>
<td>.102</td>
<td>.277</td>
</tr>
<tr>
<td></td>
<td>( X_3 )</td>
<td>.101</td>
<td>.048</td>
<td>.170</td>
</tr>
</tbody>
</table>

Dependent Variable: Financial performance

The study found that board accountability had a positive significant effect on financial performance as \( \beta = 0.320, p = 0.021, t = 2.078 \). This implies that a unit increase in board accountability leads to a 32.0% significant increase in financial performance in the DTSACCOs. This implies that the null hypothesis was rejected and the alternative hypothesis adopted. These results agree with those of Luo (2016) who observed that corporate accountability has a positive significant influence on performance of firms. Similarly, Bovens and Schillemans (2014) established that board accountability has a positive significant effect on firm performance.

Board size had positive significant effect on financial performance as indicated \( \beta = 0.308, p = 0.06, t = 3.020 \). This implies that a unit increase in board size led to a 30.2% increase in financial performance. This is in line with findings by Butler, Frost and Macve (2012) in their study on board size who argued that companies should volunteered to have higher board sizes which impacts to improve their social and environmental practice, the corporate accountability conception believes that corporations must be held to account implying enforceability.

The study found that board independence had a positive significant effect on financial performance as \( \beta = 0.101, p = 0.01, t = 2.104 \). This implies that a unit increase in board independence leads to a 10.1% significant increase in financial performance in the DT-SACCOs. This implies that the null hypothesis was rejected and the alternative hypothesis adopted. These results agree with those Utting and Clapp (2008) who in their study on board accountability stated that corporate accountability encourages independent monitoring in complaints dealings and compliance with local international law and other agreed standards, mandatory reporting and redress for malpractice.

The resultant regression model took the form of \( Y = 0.432 + 0.320X_1 + 0.308X_2 + 0.101X_3 \). The study indicated that financial performance of SACCOS was given at 0.432 for board characteristics when the constant probability value was calculated at zero.

V. CONCLUSION AND RECOMMENDATION

a) Conclusion of Study

The study found that board accountability had a positive significant effect on financial performance. It is concluded that board accountability is a significant variable in influencing financial performance of the DT-SACCOs in Western Kenya.

Board size was found to have a positive significant effect on financial performance. It is concluded that board size is an important aspect in influencing the financial performance of the DT-SACCOs.

Likewise, the study found that board independence had a positive significant effect on financial performance. It is concluded that DT-SACCOs' financial performance is influenced significantly by board independence.

b) Recommendation of Study

Based on the conclusions from the study, the following recommendations are made. The study found that board accountability had a positive significant effect on financial performance and is concluded that board accountability is a significant variable in influencing financial performance of the DT-SACCOs in Western Kenya. The study recommends that DT-SACCOs make their boards more accountable if they seek to improve their financial performance.

Based on the finding that Board size has a positive significant effect on financial performance and the conclusion that that board size is an important aspect in influencing the financial performance of the DT-SACCOs, it is recommended that the DT-SACCOs increase their board size to harness the advantages of larger board sizes if they seek to improve their financial performance.
Likewise, the study found that board independence had a positive significant effect on financial performance. It was concluded that DT-SACCOs' financial performance is influenced significantly by board independence. It is recommended that board independence be improved in order to improve the financial performance of the DT-SACCOs.

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