

# **THE EFFECT OF CORPORATE GOVERNANCE ON DEBT MANAGEMENT OF DEPOSIT TAKING SAVINGS AND CREDIT COOPERATIVES IN KENYA**

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## **Abstract**

*The study was set out to establish the effect of corporate governance on Deposit taking Savings and credit cooperatives in Kenya. A correlation research design was utilized and the population of the study comprised twenty seven (27) SACCOs that have been in operation and registered by SASRA since 2011 to 2014. Data was collected from secondary sources. Data collected was analyzed using a multiple regression model and Pearson correlation analysis was carried out to determine the effect of corporate governance on debt management of Deposit taking Sacco's in Kenya licensed by SASRA. The findings show that corporate governance explains only a small proportion of changes in debt management as shown by lower coefficient of determination ( $R^2$  of 0.119 for Model 1, 0.164 for Model 2 and 0.030 for Model 3). ANOVA tests and regression analysis of the three models indicated that the impact of corporate governance on debts management as measured by debt ratio, debt/equity ratio and interest cover was not statistically*

*significant at 0.05 level of significance (Model 3,  $p = 0.8154$  with an  $F$  value of 0.44, Model 2,  $p = 0.5463$  with an  $F$  value of 0.82. Model 1  $p = 0.7233$  with an  $F$  value of 0.57). Therefore, this study fails to reject the null hypothesis that there is no significant effect of corporate governance on debt management of Deposit taking Sacco's in Kenya licensed by SASRA.*

*Keywords: Corporate Governance, Debt Management, Deposit Taking Saving and Credit Cooperatives, Kenya*

## **INTRODUCTION**

Most of the problems bedeviling co-operatives arise from bad governance and poor economic management. While leaders direct and control the organizations, and managers run them, members have authority to demand and enforce good governance in their organizations. Corporate governance principles seek to ensure that leaders act in the best interest of the organization that they lead in order to achieve the objectives for which they were founded. As the world moves towards this governance approach, co-operative societies are no exception. If co-operatives have to remain commercially viable and sustainable enterprises for socio-economic development, they must embrace good corporate governance. Co-operatives are governed and managed by elected committees. These committees are entrusted with the management of societies on behalf of members and employ managers and staff to carry out the day-to-day functions of the societies (Wambua, 2011)

Savings and Credit Cooperative (Sacco's) have been playing a key role in improvement of socio economy of citizens of different countries in the world. The Sacco's members are able to save and access cheaper credit. Members are able to expand their businesses with the ultimate goal of elevating their living standards. Thus, corporate governance in cooperative societies is necessary to promote better standards of management through observance of core principles, values and procedures. The success of a cooperative enterprise is positively related to effective leadership (Klapper & Love, 2002).

Corporate governance is defined as the process and structure used to direct and manage business affairs of the Company towards enhancing prosperity and corporate accounting with the ultimate objective of realizing shareholder long term value while taking into account the interest of other stakeholders (CMA Act, 2002). Some SACCOs have faced liquidation because the mechanisms and structures put in place were unethical leading to their collapse sinking with members' money. Deposit-taking SACCOs are prerequisites for savings

mobilization among the low income households who have limited access to mainstream commercial banks.

Deposit taking SACCOs has a unique advantage in that their clients are also shareholders. They should therefore undertake aggressive deposit mobilization, creation of internal incentives to attractive savings, insurance programmes to cover member's savings and loans. Good corporate governance in these SACCOs would ensure better performance. Good corporate governance practice has been suspected to be the driver of survival of SACCOs in Kenya. Therefore this study is sought to investigate the impact of corporate governance on debt management of deposit taking SACCOs in Kenya.

### **Statement of the Problem**

Corporate governance plays a key role in overall economic performance of an institution. The way management and control are organised in a company affects the company's development and also affects how a company manages its debts. The relevance of corporate governance remains fairly established following the collapse of several organizations. It is acknowledged to play a major role in the management of organizations in both developing and developed countries (Mulili and Wong, 2011). Velnampy (2013) point's outs that corporate governance is about putting in place the structure, processes and mechanism that ensure that the firm is being directed and managed in a way that enhances long term shareholder value through accountability of managers and enhancing organizational performance. Good corporate governance shields a firm from vulnerability to future financial distress (Bhagat and Jefferis, 2002) Hence enabling a firm to be in a position to meet to its debtors financial requirement at all times. In Kenya several studies have been conducted on corporate governance but have reveled mixed results. Otieno (2013) established that board meeting frequency, audit committee size and audit committee meeting frequency have positive relations to the financial performance. Other hand, Wasike (2013) observed that the size of the board has an impact on the quality of corporate governance and a large board could be dysfunctional and that smaller board sizes are better than larger ones because large boards since they may be plagued with free rider and monitoring problems. However, despite the great potential of cooperative societies as agents for national development in the country, they have performed poorly. This poor performance is attributed in a nutshell, to poor corporate governance practices by the management committees or other bodies entrusted with the responsibility of governing the cooperative societies,(Anyanga,2014).This therefore necessitated the need to investigate the effect of corporate governance on debt management of deposit taking Sacco's in Kenya .

## **Main Research Objective**

To examine the effect of corporate governance on debt management of deposit taking Savings and Credit Co-operatives societies in Kenya.

## **Specific Research Objectives**

- i. To determine effect of board composition on debt management of deposits taking SACCOs.
- ii. To establish effect of CEO duality on debt management of deposits taking SACCOs.
- iii. To evaluate the effect of directors remuneration on debt management of deposits taking SACCOs.
- iv. To determine the effect of board size on debt management of deposit taking SACCOs.
- v. To establish the effect of board meetings on debt management of deposit taking SACCOs.

## **Research Hypothesis**

H<sub>01</sub>: Board composition has no significant effect on debt management of deposit taking Savings and Credit Co-operatives societies licensed by SASRA in Kenya.

H<sub>02</sub> : CEO duality have no significant effect on debt management of deposit taking Savings and Credit Co-operatives societies licensed by SASRA in Kenya.

H<sub>03</sub>: Directors remuneration has no significant effect on debt management of deposit taking Savings and Credit Co-operatives societies licensed by SASRA in Kenya

H<sub>04</sub>: Board size has no significant effect on debt management of deposit taking Savings and Credit Co-operatives societies licensed by SASRA in Kenya

H<sub>05</sub>: Board meetings have no significant effect on debt management of deposit taking Savings and Credit Co-operatives societies licensed by SASRA in Kenya

## **LITERATURE REVIEW**

Wasike (2012), study on corporate governance practice and performance at Elimu SACCO in Kenya. The objectives were to find out the influence of corporate governance practice on performance and to establish the challenges facing corporate governance practices at Elimu SACCO. The study used both primary and secondary data whereby the primary data was collected using interview guide with open ended questions. She analysed data collected using descriptive method. The respondents were ten (10) managers drawn from various departments. The findings was that corporate governance helped in defining the relationship between the SACCO and its general environment, the social and political systems in which it operates and also linked the way management and control are organised thus this affects the performance of the SACCO.

Wambua (2011), study on Effect of corporate governance on savings and credit cooperation (SACCOs) financial performance. The main aim of the study was to explore the relationship between corporate governance and financial performance of deposit taking SACCOs in Kenya. The population of interest was SACCOs that are operating in Nairobi. The study targeted 532 staff workers at the deposit taking SACCOs with their headquarters in Nairobi and more particularly on top, middle and lower level management staff. 10% sample was selected from the 532 target. Data collected involved questionnaires. Data was analysed using descriptive technique, findings was that the board size and composition did not affect the financial performance in the SACCOs.

Otieno (2013), study on effects of corporate governance on insider trading. The main aim for the study was to determine the effects of corporate governance on insider trading. Target population for the study consisted of 59 listed firms on NSE whereby the researcher sampled 29 participants from the listed 55 companies at NSE. The sample composed of 50% of the total population. Data was collected using a questionnaire and analysed using statistical package for social science (SPSS). The findings for the study concluded that corporate governance affects insider trading based on the findings that board size, board independence, institutional ownership affected insider trading to a very great extent.

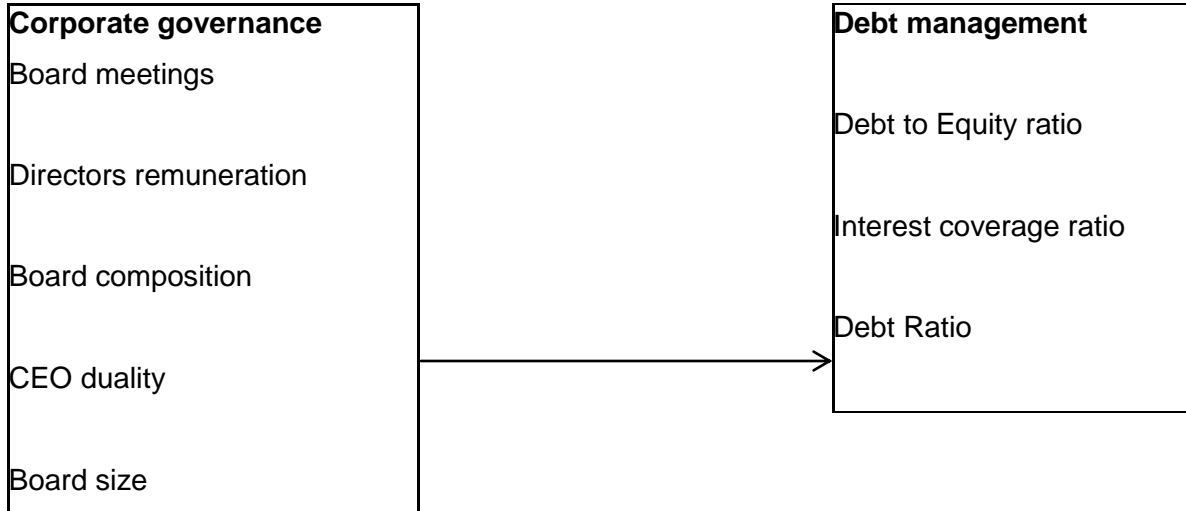
Munyao (2012), study on the effect of corporate governance practices on financial performance of Forex bureaus in Kenya. The main aim for the study is to determine the effect of corporate governance on financial performance. Targeted population consisted of 111 Forex bureaus. The sample that was used for the study was 24 Forex bureaus. Data used was a secondary data obtained from Central Bank of Kenya (CBK) and also from Kenya Forex Bureau Association (KFBA). Data collected was analysed using regression method. His finding from the analysis concluded that there is a positive relationship between corporate governance and financial performance.

Gatauwa (2008), study on the relationship between corporate governance practices and stock market liquidity for firms listed on the Nairobi Stock Exchange. The study found that greater disclosure enhances stock market liquidity, thereby reducing the cost of capital. The commitment of management teams to increase the level of disclosure also lower the information asymmetry between managers and shareholders and lower the cost of capital. The study also found that the commitment of management teams to increase the level of disclosure also lower the information asymmetry between managers and shareholders and lower the cost of capital.

Matengo (2008) also conducted a study on the relationship between corporate governance practices and performance the case of banking industries in Kenya. The study found that good corporate governance will lead to lower firm risk and subsequently to a lower

cost of capital. The study also found that separation of ownership and control maximizes shareholders wealth

Figure 1. Conceptual Framework



## RESEARCH METHODOLOGY

### Research Design

A descriptive research design was undertaken in order to ascertain reliability of data collected. A research survey was undertaken to guard the study against errors. This research design was adopted because it is cost effective and rapid in data collection as compared to other research designs. The study investigated the effect of corporate governance on debt management.

### Target Population

The population of this study was 135 deposit taking SACCOs licensed by SASRA in Kenya as at 31st December 2014. According to SASRA (2014) there are 215 deposit taking SACCOs in Kenya where by only 135 were licensed by end of December 2014. This formed the population of study.

### Sample Design and Sample Size

The study employed a descriptive research design. Since not all the 135 deposit taking SACCOs have been registered and in operation since 2011-2014 therefore the study employed a purposive sampling method and used a sample size of Twenty seven (27) SACCOs that have been in operation and registered by SASRA since 2011 to 2014.

## Data Collection

In order to establish the effect of corporate governance on management of debts only SACCO's secondary data was required. SACCOs Secondary data was collected from the financial statements reported to SASRA for the period of 2011-2014.

## Data Analysis

Both descriptive and inferential statistics was used to analyse the data. The descriptive statistics included mean, standard deviations, frequency and percentages. In this study mean and standard deviation was used as measures of central tendencies and dispersion respectively. Correlation analysis was used to analyse the degree of relationship between the variables in the study. Further, regression analysis was used to show the impact of corporate governance practices on debt management. The study was based on the following multiple regression models:

$$\text{Model 1} \quad Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

Where: Y -represents debt/equity ratio variable which was measured by long-term debt divided by shareholders equity.

X<sub>1</sub> - represents Board Composition which was measured by; non-executive divided by Executive directors.

X<sub>2</sub>- represents CEO Duality which was measured dummy variable that 1 was showed that CEO is different from chairman while 0 showed that chairman is CEO

X<sub>3</sub> represents director's remuneration which was measured by log of total annual remuneration

X<sub>4</sub>- represents board size which was measured by log of number of board members

X<sub>5</sub> represents board meetings which was measured by log of number of board meetings

e -represents error term

α = intercept

B<sub>1</sub>, β<sub>2</sub>, β<sub>3</sub>, β<sub>4</sub> and β<sub>5</sub> are the coefficient of independent variables

$$\text{Model 2} \quad Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

Where: Y -represents interest cover ratio variable which was measured by earnings before interest and taxes divided by interest expense for the same period

$$\text{Model 3} \quad Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

Where: Y-represents debt ratio variable which was measured by long-term debt divided by shareholders contribution

## ANALYSIS AND RESULTS

Table 1: Summary of Bivariate Pearson Correlation Analysis and Two Tailed Test

		Comp	CEOD	DRem	Bsize	Bmeet	D/A	INT	D/E
<b>Comp</b>	Pearson Correlation	1							
	Sig. (2-tailed)								
	N	27							
<b>CEO D</b>	Pearson Correlation	.124	1						
	Sig. (2-tailed)	.356							
	N	27	27						
<b>Director Rem</b>	Pearson Correlation	-.115	-.329	1					
	Sig. (2-tailed)	.696	.150						
	N	27	27	27					
<b>Board Size</b>	Pearson Correlation	.218	-.360	.195	1				
	Sig. (2-tailed)	.001	.070	.234					
	N	27	27	27	27				
<b>Board meeting</b>	Pearson Correlation	.311	.285	.075	-.412	1			
	Sig. (2-tailed)	.076	.166	.534	.952				
	N	27	27	27	27	27			
<b>D/A</b>	Pearson Correlation	.069	.201	.085	.112	-.013	1		
	Sig. (2-tailed)	.575	.396	.645	.678	.658			
	N	27	27	27	27	27	27		
<b>INT</b>	Pearson Correlation	.056	-.246	.343	.245	-.016	.076	1	
	Sig.(2-tailed)	.784	.926	.567	.872	.765	.640		
	N	27	27	27	27	27	27	27	
<b>D/E</b>	Pearson Correlation	.069	-.009	.151	.147	.274	.190	.645*	1
	Sig.(2tailed)	.659	.674	.356	.870	.254	.050	.177	
	N	27	27	27	27	27	27	27	27

\*.correlation is significant at the 0.05 level (2-tailed)

Independent Variables: board size (Bsize), board composition (Comp), board meetings (Bmeet), CEO duality (CEOD) & director's remuneration (DRem)

Dependent variable: Debt/asset ratio (D/A), debt equity ratio (D/E) and interest cover ratio (INT)

Pearson's correlation (r) indicates the correlation between the independent variable (Board composition) and dependent variable (debt management). According to table above, there was a weak positive correlation between board composition and debt ratio ( $r = 0.069$ ,  $p = 0.575$  and  $\alpha = 0.05$ ). However, the relationship was not statistically significant ( $p > 0.05$ ). Board composition was also positively but weakly correlated with interest cover ( $r = 0.056$ ,  $p = 0.784$  and  $\alpha = 0.05$ ) however it was not statistically significant ( $p > 0.05$ ) and finally board composition was positively correlated with debt/equity ratio ( $r = 0.189$ ,  $p = 0.659$  and  $\alpha = 0.05$ ), but the relationship was not statistically significant ( $p > 0.05$ ).



Also there was a weak positive correlated between CEO duality and debt asset ratio ( $r= 0.020$ ,  $p=0.396$  and  $\alpha = 0.05$ ). However, the relationship was not statistically significant ( $p>0.05$ ). CEO duality was negatively but weakly correlated with interest cover ( $r= -0.246$ ,  $p =0.926$  and  $\alpha = 0.05$ ) however it was not statistically significant ( $p>0.05$ ) and finally CEO duality was also negatively correlated with debt/equity ratio ( $r= -0.009$ ,  $p =0.674$  and  $\alpha = 0.05$ ) but the relationship was not statistically significant ( $p>0.05$ ).

The table above indicated that there was a positive but a weak correlation between board size and debt management ratios. This is given by  $r$  values of 0.147, 0.245 and 0.12 between board size and (debt/equity, interest cover and debt/Asset ratios) respectively. However, the relationship between board size and debt management ratios (Debt/equity ratio, Interest cover ratio and debt asset ratio) was not statistical significant ( $p>0.05$ ).

Pearson correlation results indicated that there was a weak positive relationship between directors remuneration and debt asset ratio ( $r= 0.069$ ,  $p =0.645$  and  $\alpha = 0.05$ ) however it was not statistically significant ( $P > 0.05$ ). The correlation between directors remuneration and interest cover ratio was also a weak positive one ( $r= 0.056$ ,  $p = 0.567$  and  $\alpha = 0.05$ ) although it was not statistically significant ( $P > 0.05$ ). Finally the correlation between directors remuneration and debt equity ratio was also positive one ( $r=0.189$ ,  $p = 0.356$  and  $\alpha = 0.05$ ), However the relationship was too not statistically significant ( $p>0.05$ ).

Furthermore, correlation results indicated that there was a weak negative relationship between board meetings frequency and debt asset ratio ( $r= -0.013$ ,  $p = 0.658$  and  $\alpha = 0.05$ ) however it was not statistically significant ( $P > 0.05$ ). The correlation between board meeting frequency and interest cover ratio was also negative one ( $r= - 0.016$ ,  $p =0.765$  and  $\alpha = 0.05$ ) although it was not statistically significant ( $P> 0.05$ )

Table 2: Regression Coefficients for Model 1

Regression output		confidence interval						
Variables	Coefficients	std. error	t (df=21)	p-value	95% lower	95% upper	std. coeff.	VIF
Intercept	0.2559	0.7372	0.347	.7320	-1.2773	1.7890	0.000	
Duality	0.0605	0.1415	0.428	.6731	-0.2337	0.3548	0.109	1.411
log of size	0.1682	0.3610	0.466	.6460	-0.5825	0.9189	0.113	1.268
log of meeting	-0.0535	0.1874	-0.286	.7779	-0.4433	0.3362	-0.069	1.256
Log of pay	0.0405	0.0857	0.472	.6415	-0.1377	0.2187	0.112	1.208
Composition	0.0180	0.0664	0.271	.7892	-0.1201	0.1561	0.065	1.237
								1.276
								mean VIF

Table 2 further shows that there is no statistical significant relationship between corporate governance practices (board size, directors remuneration, board meetings, board composition, and CEO duality) and debt/equity ratio ( $p > 0.05$ ). The multi-collinearity tests indicated that none of the Variance of inflation factor was around or equal to 5. This signifies that there was no multi-collinearity between the independent variables. The model can thus be estimated as;

$$\text{Model 1 } Y = 0.2559 + 0.0180 X_1 + 0.0605 X_2 + 0.0405 X_3 + 0.1682 X_4 + -0.0535 X_5 + e$$

Table 3: Regression Coefficients for Model 2

Regression output		confidence interval						
Variables	Coefficients	std. error	t (df=21)	p-value	95% lower	95% upper	std. coeff.	VIF
Intercept	-20.8208	17.7662	-1.172	.2543	-57.7676	16.1260	0.000	
Duality	-1.4887	3.4098	-0.437	.6669	-8.5798	5.6023	-0.103	1.411
log of size	5.0725	8.6989	0.583	.5660	-13.0179	23.1629	0.131	1.268
log of meeting	-0.6333	4.5161	-0.140	.8898	-10.0250	8.7585	-0.031	1.256
Log of pay	2.7826	2.0653	1.347	.1922	-1.5124	7.0776	0.295	1.208
Composition	0.6052	1.6003	0.378	.7091	-2.7227	3.9332	0.084	1.237
								.276
								mean VIF

Table 3 further shows that there is no statistical significant relationship between corporate governance practices and debt management based on interest cover ratio ( $p > 0.05$ ). Most values of coefficients of the independent variable were positive with exception of CEO duality. These shows that corporate governance has positive effect on interest cover ratio. The multi-collinearity tests indicated that none of the Variance of inflation factor was around or equal to 5. This signifies that there was no multi-collinearity between the independent variables. Model 2 can thus be estimated as;

$$\text{Model 2 } Y = -20.8208 + 0.6052 X_1 + -1.4887 X_2 + 2.7826 X_3 + 5.0725 X_4 + -0.6333 X_5 + e$$

Table 4: Regression Coefficients for Model 3

Regression output		confidence interval						
Variables	Coefficients	std. Error	T (df=21)	p-Value	95% Lower	95% upper	std. coeff.	VIF
Intercept	0.3075	0.4587	0.670	.5099	-0.6464	1.2613	0.000	
Comp	0.2578	0.4220	0.611	.5478	-0.6198	1.1354	0.199	2.459
CEOD	-0.0895	0.0863	-1.038	.3113	-0.2690	0.0899	-0.336	2.438
DRen	0.0694	0.1570	0.442	.6629	-0.2571	0.3960	0.105	1.304
Bsize	0.1515	0.1306	1.160	.2589	-0.1200	0.4231	0.313	1.693
Bmeet	0.0417	0.0674	0.619	.5425	-0.0985	0.1820	0.138	1.159
								1.811
								Mean VIF

Table 4 shows that there is no statistical significant effect of corporate governance practices (board size, directors remuneration, board meetings, board composition, and CEO duality) on debt asset ratio as all p values for the independent variables were greater than 0.05 ( $p > 0.05$ ). The values of coefficients of independent variables were all positive with exception of CEO duality. This shows that corporate governance generally has positive effect on debt-asset ratio even though the effect is not significant. The multi-collinearity tests indicated that none of the Variance of inflation factor was around or equal to 5. This signifies that there was no multi-collinearity between the independent variables. Model 1 can thus be estimated as;

**Model 3**       $Y = 0.307 + 0.2578 X_1 - 0.0895 X_2 + 0.0694 X_3 + 0.1515 X_4 + 0.0417 X_5$

### SUMMARY OF FINDINGS

From the data it is evident enough that majority of boards of the sampled deposit taking Sacco's had a composition of one and above ( $1 <$ ) this is shown by a frequency of 14 (50%). 7(25%) had a composition of 1 and another 7(25%) had board composition of less than one. From this composition it is clear that most of the boards of sampled Sacco had more non-executive members to executive members. Board composition was found to be positively but weakly correlated with debts ratio, debt/equity ratio and interest cover. This suggest that increased board composition ratio (increased number of non-executive board members) leads to increased usage of debts this can be due to the fact that the non-executive board members are not involved in day to day running of the Sacco's hence if they are the majority in the board, they will not be involved closely in the implementation of deliberations at the board, leading to increasing usage of debts and risks of the Sacco's. This finding is in conflict with studies by (Kee et al, 2003; Hutchinson and Gul , 2003). It is suggested that higher proportion of non-executive directors in the board helps to reduce the agency cost. Kee et al. (2003) and Hutchinson and Gul (2003) support this view by showing that that higher levels of non-executive directors on the board weaken the negative relationship between the firm's investment opportunities and firm's performance.

Majority of Sacco's have the CEO and board chairpersons as being different people. This may be attributed to the fact that all licensed Sacco's under SASRA should meet minimum requirements in terms of board structure. To improve transparency and accountability SASRA requires all deposit taking Sacco's licensed by it to have chairperson and CEO as different people. Additionally, CEO duality was found to have a weak negative relationship with debt equity ratio and interest cover except for debt ratio. This suggests that when the CEO's and board chairperson are one and the same people; usage of debts increases and when CEO and board chairperson are different individuals, the usage of debts reduces. This can be explained

by the facts that when CEO and board chairperson are the same people, the board decisions tend to be dominated by the CEO who is also the chairperson of the board due to their ability to vote twice in board decisions when there is a tie during voting on various decisions. CEO duality lead to worse performance as the board cannot remove an underperforming CEO and can create an agency cost if the CEO pursues his on interest at the cost of the shareholders (White and Ingrassia, 1992)

From the data collected, it is evident that most Sacco's board members earn less than 50 million annually as shown by a frequency of 19 (67.8 %). Very few boards had members earning a salary of 150 million and above as shown by a frequency of 1(3.5%).Most boards members earn salary of less than 50 million due to relatively small income levels that Sacco's earn compared to established banks.

Majority of Sacco's had a Board size of members between (9-12) shown by frequency of 18 (64.3%) members of the board with only 10 (35.3%) Sacco's having board size of between 5-8 .The Sacco's had a board size between 6-12 members since the licensing authority (SASRA) requires a minimum of four members of the board of directors including the chairperson, the treasurer, the secretary and vice. Chair person. The correlation results of the study indicated that there was a positive but a weak correlation between board size and debt management. This is given by r values of 0.147, 0.245 and 0.12 between board size and debt/equity, interest cover and debt ratios respectively. However, there was no statistical significant relationship between board size and debt management (Debt/equity ratio, Interest cover ratio and debt ratio) among the 27 Sacco's licensed by SASRA given by P values greater than 0.05 ( $p > 0.05$ ). This suggests that the size of the board has no significant impact on the debt management of the Sacco's; this further suggests that an increase in board size leads to increased usage of debts in Sacco's. This could be due to large number of board membership where no meaningful deliberation on debt management policies takes place.

Majority of boards of sampled Sacco's had board meeting frequency of 10 (35.7%) for 5-7 meeting per year and frequency of 10(35.7%) for 8-10 meetings per year. And 6 Sacco's had average meetings of 11-12 per year .This shows that majority of boards of sampled Sacco's hold board meetings every two months or every month of the year as show by equal frequency of 10 (35.7%). A few boards hold more than one meeting every month of the year.

Furthermore, correlation results indicated that there was a weak negative relationship between board meetings frequency and debt ratio and interest cover ratio except for debt/equity ratio. This suggests that an increase in the number of board meetings leads to reduced usage of debts. This could be explained by the fact that increased number of meetings enables the board

to have enough time to deliberate on policies affecting debts management and to reduce unnecessary debts that might lead to increased risks in the Sacco's licensed by SASRA

## CONCLUSIONS

The results from the multiple regression analysis indicated that there is a positive but a weak relationship between corporate governance and debt management as shown by small values of overall correlation coefficients ( $R < 0.5$ ) and the coefficient of determination ( $R^2$ ) also shows that corporate governance only explain a small variation in debt management. This is evidenced by  $R^2$  of 0.119 for Model 1, 0.164 for Model 2 and 0.030 for Model 3. This indicates that corporate governance contributes only to a small variation in debt management and the rest of variations in debt management can be explained by factors not included in the models of this study. ANOVA tests and regression analysis of the three models indicated that the impact of corporate governance on debts management as measured by debt ratio, debt/equity ratio and interest cover was not statistically significant at 0.05 level of significance (Model 3,  $p = 0.8154$  with an F value of 0.44, Model 2,  $p = 0.5463$  with an F value of 0.82. Model 1  $p = 0.7233$  with an F value of 0.57. Therefore, this study concludes by accepting the null hypothesis that there is no significant impact of corporate governance on debt management of Deposit taking Sacco's in Kenya licensed by SASRA.

## RECOMMENDATIONS

SASRA should continue encouraging Sacco's to have a meaningful and optimal board size that can encourage fruitful deliberations as the research shows that extremely large board sizes are not effective enough in making meaningful deliberations concerning debt management.

Concerning CEO duality, SASRA should ensure that no deposit taking Sacco should have the CEO and the board chair person as being the same people. CEO should never be allowed to double up as the board chairperson of any Sacco as that would reduce transparency and accountability in board deliberations.

Frequent board meetings should be encouraged by SASRA for Sacco's licensed by it. This is because the research findings show that increased board meetings lead to board members having enough time to deliberate on issues about debt management so as to have optimal debts that do not affect risks faced by Sacco's.

## LIMITATIONS OF THE STUDY AND FURTHER RESEARCH

The major limitation of the study was lack of qualitative evidence on the impact of corporate governance on debt management. The small size of the sample could have limited confidence in the results and this might limit generalizations to other situations.

Future studies should be conducted to determine the impact of corporate governance practices on Debt management using larger samples and longer time periods. Furthermore, future studies should include SASRA non-Licensed deposit taking Sacco's.

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