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CORPORATE GOVERNANCE AND FINANCIAL GROWTH OF SAVINGS AND CREDIT CO-OPERATIVE SOCIETIES

A CASE OF SACCO'S IN KIRINYAGA COUNTY, KENYA

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Abstract

This study mainly analyzed the concept of corporate governance and it influence on the financial growth co-operative societies in Kirinyaga County, Kenya. This study identified some salient aspects of corporate governance and recognized it as one that is more relevant to the distinct governance features of Sacco societies. For this a descriptive research design was used. The population of interest for the study was 31 SACCOs operating in Kirinyaga County. The study targeted 327 members of SACCO's staff. A sample of 104 respondents was randomly selected. The primary data were collected through the administration of questionnaires to the staff of these SACCOs. Data was analysed using a multiple linear regression model. The study indicates that board leadership, financial performance disclosure, corporate social responsibility and compliance with legislation predict financial growth of SACCOs. The study, recommends that the SACCOs should adopt sound financial reporting and disclosure systems through adoption of universally accepted standards. Additionally, SACCOs need to engage in CSR activities in order to improve their corporate nature. Finally, the SACCOs need to comply with legislation as well as policy frameworks governing their operations and also adopt best practices to enable them survive and beat competition in the financial services sector.

Keywords: Corporate Governance, SACCOs, Financial Growth, board's leadership, financial reporting and disclosure, Corporate Social Responsibility

INTRODUCTION

The concept of corporate governance is currently receiving a great deal of attention worldwide in both private and public sectors. According to Solomon (2007) corporate governance has gained importance due to increased demand for transparency and accountability in the management of corporations. The shareholders who are not regularly involved into the daily running of corporations require assurances that those in the management of the company, particularly the directors and managers were safeguarding their assets and acting diligently while reporting accurately the financial performance of the business activities. Corporate governance has thus become an important factor in managing organizations in the current global and complex world. Governance refers to mechanisms, processes, customs, policies and structures that drive the way an organization is directed, administered, and controlled (Cadbury report, 1992). The objective and purpose of corporate governance has been articulated in different ways. The quotations below depict some key dimensions of Corporate Governance; “Corporate governance involves a set of relationships between a company’s management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined.” (OECD Principles of Corporate Governance, 2nd Edition, 2004) “Corporate governance is therefore about what the board of a company does and how it sets the values of the company” (The UK Corporate Governance Code, 2014).

Corporations consider corporate governance to be a critical issue towards maintenance of business integrity and shareholders trust and thus an integral part of a business philosophy (Co-operative Bank, 2014). The basic principles in good corporate governance system include transparency, accountability, fairness, responsibility and leadership, direction and control which are put in practice by a combination of statutory rules and self-regulation. The foundation of corporate governance is disclosure; this encourages the confidence of the stakeholders. Good corporate governance ensures that varying interests of stakeholders are taken into consideration, decisions are made in a rational, informed and transparent fashion that contributes to the overall efficiency and organization of the business concerns (Crawford, 2007).

Much of the contemporary interest in corporate governance is concerned with mitigation of the conflicts of interests between stakeholders (Goergen, 2012). In large firms where there is a separation of ownership and management and no controlling shareholder, the principal–agent issue arises between upper-management (the "agent") which may have very different interests, and by definition considerably more information, than shareholders (the "principals"). The danger arises that, rather than overseeing management on behalf of shareholders, the board of directors may become insulated from shareholders and beholden to management (Lucian Bebchuk & Jesse Fried 2004). Ways of mitigating or preventing these conflicts of interests include the processes, customs, policies, laws, and institutions which have an impact on the way a company is controlled (Cadbury, 1992).

Historical perspective of corporate governance

The concept of corporate governance has its origin in the 19th century arising from the need to have separation of ownership and control following the incorporation of joint stock companies. The current concept of corporate governance started in United Kingdom (UK) with the formation of the first corporate governance committee known as Cadbury committee. The Committee was set up in May 1991 by the Financial Reporting Council, the London Stock Exchange to review aspects of corporate governance specifically related to financial reporting and accountability. At the heart of the Committee's recommendations in their report that they complied was a Code of Best Practice designed to achieve the necessary high standards of corporate behavior. Concerns about the working of the corporate system were heightened by some unexpected failures of major companies' and by criticisms of the lack of effective board accountability for such matters as directors' pay.

In the US corporate governance ushered after there were the so called the WorldCom and the Enron scandals that were brought on by the failure of boards of directors not acting as an effective check on rogue senior management and by investors not acting as checks on boards which were supreme in the face of management. Such scandals prompted legislation in the USA inform of Sarbanes-oxley Act 2002 which was ushered in to restore confidence in US Companies. Fortunately there haven't been any failures on such scale in the UK although there was failure of good governance at equitable life where the board appeared to have been equipped to address very complex business.

In Kenya, corporate governance has been an important topic on policy reforms and discussion for almost now 15 years. Kenya has recognized the value of good governance as demonstrated in the Constitution. Chapter 2 Article 10 (i) on National values and principles of governance commits all persons, state organ, and other parties to the national value, good governance being one of them. Chapter six of the Constitution on leadership and integrity stipulates the responsibility of leadership which is a good tenet of good governance. Article 73-78 and subsequently the Leadership and Integrity Act prescribe a code of conduct for all state officers and public officers. The provision in the new Constitution on national values and principles of good governance and on leadership and integrity underscore the principle of good governance contained in Kenya code in regards to provision of ethics leadership, declaration of conflict of interest, promoting transparency and accountability. The Public Office Ethics Act 2003 on the other hand provides guidance on the conduct of public officers by way of a code of conduct and ethics; it outlines what is expected of public officers in the course of their duties including declaration of their incomes, assets and liabilities. The Act recognizes co-operative society officers as public officers hence its applicable to co-operatives.

In the corporate scene, the Centre for Corporate Governance (CCG) was established by a private sector initiative for corporate governance in 1999 to foster the highest standards of corporate governance in all types of corporations. At inception, the Centre was registered as the Private Sector Corporate Governance Trust (PSCGT) which was renamed the Centre for Corporate Governance in 2002.The CCG has developed a code of best practice for state owned corporations and co-operative societies that has been harmonized with other codes internationally.). In February 2014, CMA through its steering committee developed a corporate blue print for Kenya intended to be a high level strategic statement on a series of concrete recommendations to strengthen the laws, regulations and intuitions that impact corporate governance in Kenya. The blue print has contributed immensely to the effort in enhancing tenets of good corporate governance as well as helping Kenya achieve its ambition of vision 2030 target.

In the co-operative scene, the co-operative movement is governed using universal corporate governance principles with some adjustments to suit their operations. In the year 2008, the Centre for Corporate Governance in collaboration with the MOCD& M developed some guidelines for adoption by co-operative societies .These guidelines were aimed at facilitating decision making, accountability and responsibility of stakeholders. The SACCO movement in Kenya is faced with numerous challenges and threat emanating from weak governance structures. The enactment of SACCO's Societies Act 2008 created the SACCO Society Regulatory Authority (SASRA) which was a deliberate intervention by the government to inculcate professionalism into governance and management of SACCO's to ensure that they are competitive viable business entities for the benefit of members.

The Minister for Co-operative Development and Marketing further issued the SACCO Societies Deposit Taking Regulations 2010 whose objective is to provide minimum operational and prudential standards required for deposit taking societies. These regulations under part (X) provide governance practices that should guide the operations of SACCO's. In 2012, the Ministry of Co-operative Development and Marketing developed a governance and anticorruption policy for co-operative societies. The formulation of this policy provided an enabling environment for the government and co-operative societies to address measures geared towards improvement of corporate governance, eradication of corruption and eventually enhance financial growth of co-operative societies.

SACCO's in Kirinyaga County

The co-operative sector has the ability to generate and accumulate savings for its members to boost the much needed investment capital in the County. This apart from empowering and enabling their members start small and medium enterprises, it has led to the growth of well-established financial infrastructure in the County. A strong structure, process and diligent practice of corporate governance is imperative to inspire investor confidence, expand the private sector, stimulate economic growth, and reduce opportunity for fraud, thus creating a healthy and robust investment climate.

Kirinyaga County has 31 registered SACCO's with a membership of 223,877 of these 6 societies are operating front office services. SACCO's in the County have mobilized savings from its members to the tune of kshs 4,352,178,075.70 and a share capital of kshs 557,153,875.60(KNBS Statistical Abstract, 2015 Volume I).

In the current world, the issue of corporate governance is not uncommon as it is in the media, internet, and billboards and even in church thank God. However, the question is has the issue of corporate governance fully been addressed exhaust fully. Most corporations today strive to have high level of corporate governance as these days it's not enough for a corporate to merely be profitable; it needs to demonstrate good corporate citizenship through environmental awareness, ethical behavior and social corporate governance practices (Alessia D'Amato ,2009). Corporate governance plays a vital role in influencing or imposing a significant impact on the financial performance of a corporation given that transparency and disclosures boosts the trustworthiness of any venture. Indeed good corporate governance leads to high firm valuation (performance) hence investors are willing to pay a high premium.

Co-operatives in the County have tried to embrace the concept of corporate governance in the management of the affairs of their society in order to ensure that they are run in such a way that achieves its objectives. However, good governance has remained as one of the most important challenges to management, stability, sustainability and growth of the co-operative sub-sector in Kirinyaga County. There is therefore a need to get the SACCO's back to sustainable prosperity through good governance in order, to ensure that they achieve their objectives and eventually realize their dreams. Good corporate governance involves board members acting in the best interest of the co-operatives based on transparency, accountability and responsibility. This paper will therefore be addressing the aspect of corporate governance, principles of governance and how they impact on the growth of SACCO's Kirinyaga County, Kenya.

Statement of the problem

The co-operative movement in Kenya continues to experience major setbacks that include poor management, corruption, weak legal frameworks, neglect to undertake risk management and failure by leaders in the sector to practice good governance and ethics (ECCOS, 2012). Absence of efficient management and safeguard measures have exposed the co-operative movement to leadership and management shortfalls that are manifested in disregard for norms of effective and efficient management practices. Lags and gaps in instituting prudent management and safeguard measures have often led to suboptimal performance of the sector, reduced returns to affected Sacco members thus reducing member's patronage to societies.

Ideally, SACCO's are social organizations that mobilize savings from members and use these mobilized savings to lend to the same members as loans. However, member's enthusiasm to increase their savings has been affected by governance challenges facing these SACCO's. Top on the list of governance problems facing these SACCO's are poor leadership by management, lack of clear policies and procedures; and non-financial performance disclosures. Members of SACCO's in Kirinyaga County have a high credit demand relative to saving levels. To bridge this gap SACCO's have gone to other financial institutions to borrow funds for onward lending to their members.

The SASRA regulations 2010, requires SACCO's operating front office services activity to maintain a minimum core capital of not less than 8% of total deposits. Majority of the SACCO's in the County have not been able to meet this requirement as members have not judiciously increased their savings with their SACCO's. To this end, SACCO's have been forced to convert part of the member's deposits to share capital in order to comply within this legal provision. This has reduced members' deposits with the SACCO's and has ultimately affected the financial growth of SACCO's. These Sacco's have instead opted to convert part of member's savings to share capital in order to raise their minimum required capital. Further, SACCO's in the County have not fully embraced the concept of corporate social responsibility; instead, they have put members at the heart of all their business in order to ensure social cohesion. SACCO's have concentrated very much on realizing surplus for payment of dividend to their members and neglected the aspect of being socially responsible. By not being socially responsible; SACCO's loose good reputation in the market leading to a low market share as well as lost credit worthiness thus leading low financial growth.

Good corporate governance helps SACCO's to preserve physical and social environment thus making them to be sensitive to the needs of the society while contributing to the wellbeing of the communities in which they operate. This makes SACCO's to be more sustainable enough to attract local and international investments. This has a positively impact on the financial growth of SACCO's through increased share capital, members deposits and return on equity. This study therefore sought to explore the aspects of corporate governance and how it affects the financial growth of Sacco's in Kirinyaga County, Kenya.

Objectives of the study

The general objective of study was on corporate governance and financial growth of co-operative societies in Kirinyaga County, Kenya. The Specific objectives of the study were, to establish the extent to which the board leadership affects the growth of SACCO's , investigate the extent to which financial performance disclosure influences SACCO growth , establish the influence of corporate social responsibility on the growth of SACCO's , assess the influence of compliance with legislation on growth of SACCO's in Kirinyaga County, Kenya.

THEORITICAL REVIEW

Corporate governance includes all types of forms and its definitions could extend to cover all of the economic and non-economic activities. Literatures in corporate governance provide some form of meaning on governance, but fall short in its precise meaning of governance. Such ambiguity emerges in words like control, regulate, manage, govern and governance. Owing to such ambiguity, there are many interpretations. It may be important to consider the influence a firm has or affected by in order to grasp a better understanding of governance. Owing to vast influential factors, proposed models of corporate governance can be flawed as each social scientist is forming their own scope and concerns. Hence, this study will now analyze various fundamental theories underlining corporate governance.

Agency theory

Agency theory has its roots in economic theory and was fully developed by Jensen and Mackling (1976). It posits that in the presence of information asymmetry, the agent (in this case directors and managers) is likely to pursue interests that are not favorable to the principal or shareholders. It explains the relationship between principals, such as shareholders and agents such as co-operative management committee and managers. In this theory, members (principal) who are owners of the corporation elect the management committee to run the operations of the corporations. The board members then delegate the running of the business to the managers and employees (Clark, 2004). Padilla (2002) contends that in agency theory, the members expect the agents to act and make decisions in the principal's interest; on contrary the agent may not necessarily make decisions in the best interest of the principals.

In agency theory, the agent may succumb to self-interest, opportunistic behavior that falls short of congruence between the aspirations of the principals and those pursued by the agents. In such a principal agency relationship, there is bound to have inherent potential conflicts within a corporation because the economic incentives faced by agents are often different from those that are expected by the principals (Karra et al, 2006). Essentially agency theory demonstrates the relationship between the ownership and the management structure.

The agency problem in Sacco's arises when the management committees make decisions and act in a manner that is not in the best interest of the principal. The shareholders are therefore put into situation of exercising control to the Sacco board members by demanding a leadership style that demonstrates integrity and fairer judgment in directing the affairs of the Sacco's in the best interest of the shareholders by being transparent and accountable. Sacco's faced with agency problems have to some extent developed action plans to mitigate them. These action plans include monitoring and controls on the actions of the agents and offering financial incentives of the agents in order to act in the best interest of the principals. This has won the confidence of the members and ultimately made them to increase their investment with Sacco's.

Stakeholders Theory

Stakeholder theory can be defined as "any group or individual who benefit from or are harmed by, and whose rights are violated or respected by, corporation's actions. Stakeholder's theory was embedded in the management discipline in 1970 and was gradually developed by Freeman (1984) incorporating corporate accountability to a broad range of stakeholders. Corporations have stakeholders, who themselves have some special claim on the firm. Just like stockbrokers have a right to demand certain actions by management, so do other stake holders have a right to make claims.

Stakeholder theorists suggest that managers in organizations have a network of relationships to serve – this include the suppliers, employees and business partners. On the other hand, Sundaram & Inkpen (2004) contends that stakeholder theory attempts to address the group of stakeholders deserving and requiring management's attention. Clarkson (1995) suggests that a firm is a system, where there are stakeholders and the purpose of the organization is to create wealth for its stakeholders.

Members of SACCO's have a financial stake in form of savings and they expect some kind of financial return from the SACCO's in form of interest on deposits. Employees on the other hand have their jobs and usually their livelihood at stake. In return for their labour they expect security, wages, benefits, and meaningful work.

Suppliers on their part are vital for they provide raw materials that determine the final product and price. In return the Sacco is a customer of the supplier and it's therefore vital to the success and survival of the supplier. Customers on the other hand exchange resources for the products of the co-operative and in return receive the benefits of the products. Indeed customers provide the lifeblood of the co-operatives in form of revenue. The local community when interpreted in a stakeholders sense, grants Sacco's the right to build facilities and in return it benefits from the tax base and economic and social contributions of the firm. In return for provision of local services, the Sacco is expected to be a good citizen as is any person, either 'natural or artificial'. Sacco's cannot therefore expose the community into unreasonable hazards in form of pollution, toxic waste and so on.

Stewardship theory

Stewardship Theory is mainly concerned with identifying the situations in which the interests of the principal and the steward are aligned (Donaldson and Davis, 1991 & 1993).Stewardship theory is about the employment relationship between two parties, the principal (owner) and the steward (manager). It examines this relationship from the behavioral and structural perspective. Stewardship theory holds that there is no inherent problem of executive control, meaning that organizational managers tend to be be-nign in their actions (Donaldson, 2008). The theory suggests that stewards will behave in a pro- social manner, a behavior which is aimed at the interest of the principal (Zahra et al, 2009). This behavior is fostered by the quality of the relationship between the principal and the steward and the environment and the ideas of the organization (Corbetta and Salvato, 2004). A steward protects and maximizes shareholders wealth through firm's performance and by doing so the steward's utility function are maximized (Davis et al, 1997).

Stewardship theory assumes that managers are stewards whose behaviors are aligned with the objectives of their principals. Where the steward puts the principle interests first, a positive impact on the performance of the organization is realized as both parties are working towards the same goal (Eddleston and Kellermanns, 2007). The theory argues and looks at a different form of motivation for managers drawn from organizational culture. The dominant motive, which directs managers to accomplish their job, is their desire to perform excellently. Specifically, managers are conceived as being motivated by a need to achieve, to gain intrinsic satisfaction through successfully performing inherently challenging work, to exercise responsibility and authority, and thereby to gain recognition from peers and bosses. Therefore, there are non-financial motivators for managers. The economic benefit for the principal in a principal-steward relationship results from lower transaction costs associated with the lower need for economic incentives and monitoring (Davis et al., 1997).

EMPIRICAL REVIEW

There are very few specific studies that have been done on corporate governance aspects as they impact on co-operatives in the developing countries and this of course presents some difficulty in arriving at any definite conclusions. However, there are some clear starting points that can be derived from existing studies to analyze key issues on the co-operative sector. There is an increasing recognition of corporate governance as a critical element for sustainable economic growth in developing countries.

The board leadership on growth of SACCO's

Corporate governance is all about use of power in the organizations. It's primarily concerned with leaders who are people to govern, direct and control these organizations. Thus corporate governance seeks to ensure that leaders act in the best interest of the organization and that power of the organizations is exercised in a manner that ensure that there is efficiency, effectiveness, probity, fairness, transparency and accountability (Murtishaw and Sathaye,2006). The board members and the management have an obligation to maintain ethical conduct and professionalism in discharge of their obligations. Board members are also expected to possess the skills and technical capacity necessary to fulfill their duties (WOCCU, 2002**).** Various researchers have done studies on the effect of leadership on financial growth of organization and each has come up with mixed results.

Maina (2007) in his study on corporate governance practices in insurance industry in Kenya examined the existing corporate governance practices in the insurance sector against the universally accepted principles of corporate governance. His study majored on supervision, regulation, ownership and control; and information distribution between insiders and outsiders. His study reveals that those companies with high gross turnover and profits were also found to have highly qualified directors, existence of code of conduct and separation of ownership and management. He recommends that all the above governance issues be addressed.

Another significant contributor in the field of corporate governance is Mutisya (2006) who looked into the relationship between corporate governance and financial performance of listed companies on the NSE. In her study, Mutisya identified size of the board, number of meetings held in a year and the proportion of shares held by top directors and management as having significant influence on the performance of the listed companies. Her recommendation is to have an increase of women representation in the board meetings.

In the co-operative scene, Dorries kiplagat (2008) did a research on factors influencing corporate governance of SACCO's in Kenya. In her study she underscored the importance of employing corporate governance practices in SACCO's in order enhance transparency and accountability in the running of SACCO's. Wambua (2011) conducted a study on the effects of corporate governance on saving and credit co-operatives and the financial performance of deposit taking SACCO's in Kenya. The study concluded that the board size and composition did not affect the financial performance of SACCO's while reducing ownership concentration, employee involvement, SACCO leadership and financial monitoring by board members does affect the financial performance in the SACCO's.

Financial performance disclosure and SACCO growth

The corporate financial reporting is a system of communication between the management and the user groups of the financial statements; in order to report the results of the business activities of a corporate enterprise and also to demonstrate the credibility, accountability and reliability of its working (Saeed, 1990). Good corporate reporting has an important role to play in helping to restore the trust that is dearly needed. Companies need to communicate more clearly, openly and effectively with investors and other stakeholders about how they plan to grow in a sustainable way. For their part, stakeholders are demanding greater transparency around strategy, business models and risks, and the commercial prospects of the enterprises and institutions with which they engage. The adoption of International Financial Reporting Standards has brought increased comparability of financial information for the global capital markets (KPMG International, 2013).

Overall, transparency and disclosure are crucial for the market-based monitoring of companies and are central to a shareholder's ability to exercise his or her ownership rights. Disclosure is a powerful tool for influencing companies and protecting investors. Disclosure allows all stakeholders to understand a company's activities, policies and performance with regard to environmental and ethical standards, as well as its relationship with the communities where the company operates. It can help to attract capital and maintain confidence in the markets. Weak disclosure can contribute to unethical behavior and loss of market integrity. Insufficient or unclear information may hamper ability of markets to function, increase cost of capital and result in poor resource allocation (Corporate Governance Blueprint for Kenya, 2014).

A study conducted by (Robert Mugo et al, 2013) on effects of Corporate Governance on financial performance of SACCOS in Kenya found out that there was a significant relationship between financial reporting and financial performance of savings and credit co-operatives. SACCO's with more frequent financial reporting structures showed better financial performance. The study recommended that financial reporting should be done as frequently as possible, and management should use a leadership style that is most comfortable to employees.

Corporate social responsibility on the growth of SACCO's

Corporate social responsibility is a concept whereby companies integrate social, environmental and health concerns in their business strategy and operations and in their interactions with stakeholders on voluntary basis. The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that the society has of organizations at a given point in time (Carroll 1979).

Business has been experiencing increasing pressure from the society to be socially responsible (Howard Bowen, 1953). The business case for CSR also revolves around the fact that firms that fail to engage parties affected by their activities can jeopardize their ability to create wealth for themselves and society, and increase the risk of legal or other responses. Modern theoretical and empirical analyses indicate that firms can strategically engage in socially responsible activities to increase private profits. Given that the firm's stakeholders may value the firm's social efforts, the firm can obtain additional benefits from these activities, including: enhancing the firm's reputation and the ability to generate profits by differentiating its product, the ability to attract more highly qualified personnel or the ability to extract a premium for its products.

Several studies have been carried out on the relationship between CSR and corporate financial performance resulting in different conclusions. Mugambi et al (2015) did a study on corporate social responsibility programmes by commercial banks and access to public secondary education in Kenya.. The study established that CSR could contribute a great deal in enhancing access to public secondary education in Kenya. The study recommends that there is need by the government to review the country's tax regime to encourage more organizations to roll out CSR programmes. The government should also initiate work plans and review CSR activities and management to allow the commercial banks to respond to areas where the Government is found to be inadequate.

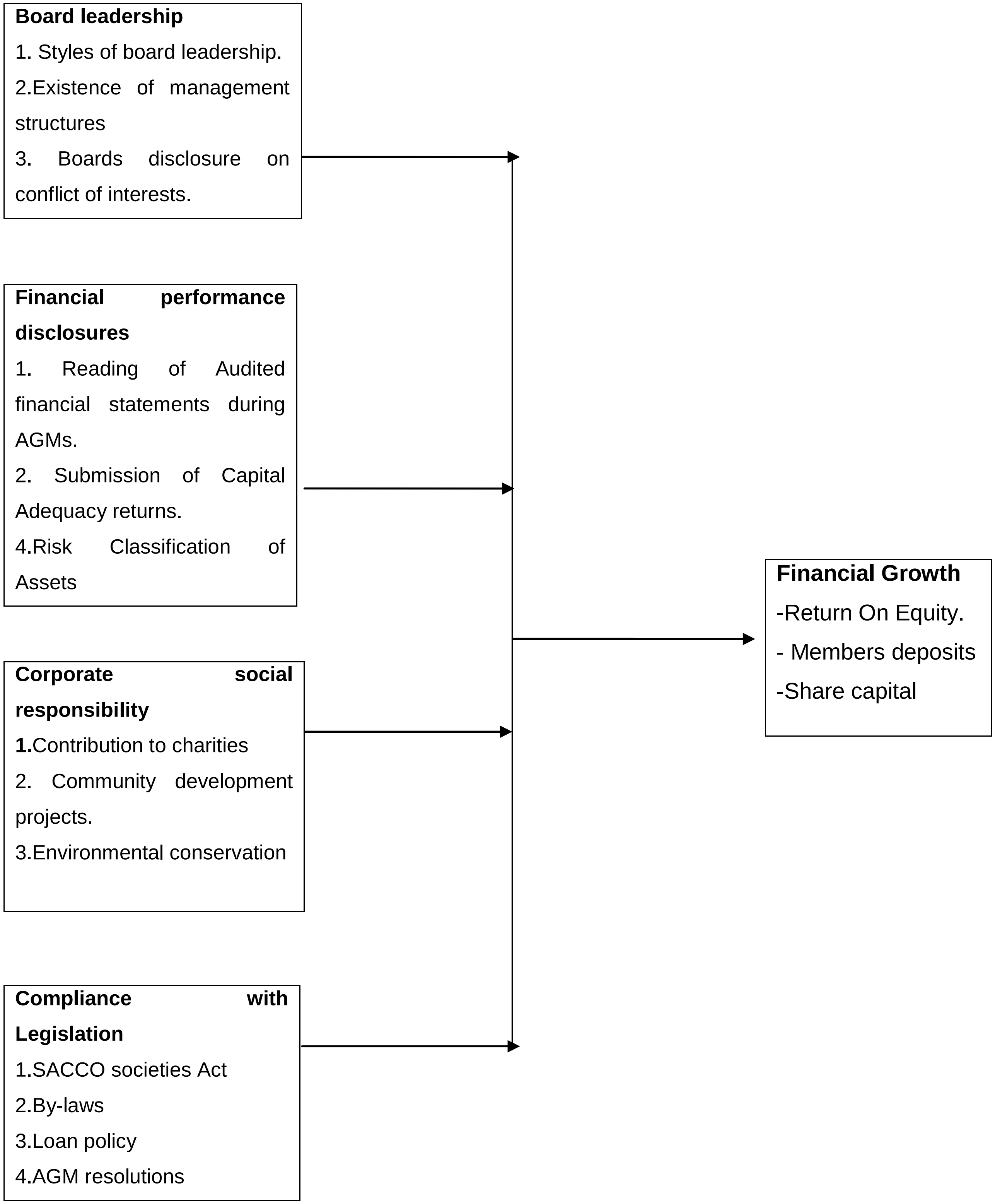
Mutuku (2015) did a study on effects of corporate social responsibility on organizations' profitability of the banks listed on Nairobi stock exchange. The main objective of this study was to assess the effects of corporate social responsibility programs on organizations' financial performance in Kenya. The study concludes that CSR has a positive impact on an organizations financial performance and recommends that the banks should have a well-planned and effective CSR approaches in order to enhance brand and company reputation as well as improve efficiency, reduce the risk of business disruptions, and open up new opportunities driving innovation.

Compliance with legislation on growth of SACCO's

Sound legal frame work is crucial to sustainable growth as it plays a pivot role in enhancing development of a vibrant cooperative movement and thereby alleviates poverty (Kibanga, 2004). Chambo et al (2010) in their study on the social economic impact on co-operatives in Africa observed that there was very poor implementation of policies and legislation in Kenya. They observed that non- implementation of the existing regulatory framework for SACCO's attracting large deposits from the public is an issue of concern. Crawford (2007) in his study on compliance and conviction of corporate governance reinforces the view that corporate governance seeks to establish corporations that are governed transparently and with integrity and accountable. In a related survey, Miring'u (2009) studied the effect of corporate governance on the performance of commercial state corporations. Her study, found that all the independent variables taken (Board size, board composition and CEO duality) were positively correlated to performance of commercial state corporations. She recommends that enforced compliance with prescribed governance structures; intensified regulation by agents concerned and that the post of the CEO and that of the chairman should not be held by one person.

Kenneth Muriuki et al., (2013) carried a study on the impact of SASRA regulations on corporate governance of co-operative in Kenya. The study adopted descriptive research design and found that compliance with the SASRA legislation by SACCO's have improved their management components and ultimately good corporate governance. His study recommends that governance provisions that are provided for in the SACCO Societies Act (2008) be implemented to the letter so that SACCO's are not exposed to mismanagement of funds by the SACCO officials. Kobia (2011) on his part observes that compliance guidelines to be followed by co-operatives touch the following areas; authority and duties of co-operative members, role / functions and responsibilities of the management committee, values and strategies, co-operative communication, monitoring performance of the management committee.It's evident from the preceding review of work done that despite the growing awareness of corporate governance issues, not much has been done on corporate governance and financial growth in SACCOs, hence the reason for undertaking this study.

Figure 1. Conceptual framework



Interpretation of the key variables

Board Leadership

Co-operatives in Kenya are faced with leadership wrangles and conflicts of interest among the stakeholders; this has been as a result of having in place mechanisms and structures that are unethical leading to misappropriation of members funds. Poor corporate governance practices by the management committees or other organs entrusted with the responsibility of governing the co-operative societies may be a contributor to the poor performance of co-operatives. Further, other challenges such as corruption, ineffective leadership and poor management are great hindrance to the attainment of their objectives.

Co-operative governance structures that are put in place to control management should ensure that management is held to account for their actions. Management committees have engaged themselves in pursuing activities that compromise their independence. These activities include seeking to be providers of goods and services to the SACCO's, employment and promotion of relatives, requesting for financial favors from credit institutions (SACCO Star Journal, 2012). Lari (2009) argues that the principle/agency conflicts affect the performance of co-operatives. Conflict of interest between board members and management has increased with the growth of co-operatives leading to a slow financial growth (Cuevas & Ficher, 2006). Pertinent to the success of co-operatives is therefore good corporate governance.

The leadership style exercised by the board members and the management staff is an issue of concern in SACCO's in Kirinyaga County. Committee members have in some instances operated without exercising integrity and judgment in directing the co-operatives so as to achieve continuing prosperity and to act in the best interest of the enterprise in a manner based on transparency, accountability and responsibility. SACCO society officials in carrying out their duties have acted for their own personal interests in disregard of organization benefit as required. Clear guidelines on where for example the management committee authority ends and where staff members' authority begins are not in place. Lack of clear roles leads to delay in decision making and also slow financial growth of these SACCO's.

Financial performance disclosure

The primary function of accounting is recording the economic data of a business enterprise and to facilitate the administration of its financial activities. It has to measure the economic activity i.e. employment of its assets for profit; and disclose it in the financial statements and reports of the financial aspects of the activities of the enterprise for a particular period (Saeed, 1990). Thus all the activities of a business enterprise have to be disclosed to the shareholders and other users so that they can develop their own attitude towards the firm and know that how efficiently the limited resources of the organization are being utilized through sound decision. Maintaining proper books of accounts highlights quickly areas where problems could arise and help in detecting thefts within the business itself enable remedies to be put in place (Co-operative Society Financial Policies and Procedural Manual, 2008).

Additionally, annual financial statements are a vital tool for SACCO's management and decision making of operating investments. SACCO's are required to improve their financial records by including adequate information on yearly basis on cash flows, assets and liabilities, together with feasibility studies to assist them to determine whether they should commit funds for investment or not. In essence, all co-operative societies are supposed to prepare books of accounts on a going concern basis and this means that there will be sound financial control system. This cannot happen in the absence of good corporate governance. According to SACCO Societies regulation 2010, SACCO's are supposed to prepare and submit to SASRA at the end of every month a return on capital adequacy which discloses capital components, on-balance sheet assets and capital ratios. The board/management committee of SACCO's is obliged to ensure that there is fair presentation of financial report in accordance with international financial standards (SACCO societies Act, 2008).

Corporate social responsibility

Corporate social responsibility is a concept that has elicited worldwide attention and has acquired a new resonance in the global economy. A firm implementing corporate social responsibility goes beyond compliance and engages in actions that further some social welfare, beyond the interests of the firm and that which is required legislatively. Corporate social responsibility aims to embrace responsibility for corporate actions and tries to encourage a positive impact on the environment and stakeholders including consumers, employees, investors, communities, and others (Jamali, 2006).

Governments have traditionally assumed the roles of sole responsibility for improvement of the living standards of the population but lately society needs have surpassed the government capabilities to fulfill them (Jamali, 2006). It's against this backdrop that the business community is now drawing its focus towards differentiating themselves by assuming the role of corporate social responsibility. Corporate social responsibility is therefore the commitment of a business entity to contribute to sustainable economic development, working with employees, their families, and the community at large (WBCSD, 2001).

Actions which an organization undertakes have an effect not just upon itself but also upon the external environment within which that organization resides. This effect of the organization takes many forms, such as; the utilization of natural resources as a part of its production processes ,the effects of competition between itself and other organizations in the same market ,the enrichment of a local community through the creation of employment opportunities, transformation of the landscape due to raw material extraction or waste product storage ,the distribution of wealth created within the firm to the owners of that firm (via dividends) and the workers of that firm (through wages) and the effect of this upon the welfare of individuals and more recently the greatest concern of climate change and the way in which the emission of greenhouse gases are exacerbating this (David Crowther & Güler Aras, 2008).

SACCO's have concentrated very much on making huge surplus in order to pay high dividend to their members in disregard of corporate social responsibility activities. When available surplus is always distributed to members as dividends, it leads to a cash outflow from the SACCO's and this does not contribute to society's financial growth. SACCO's could instead expand their financial base if the available surplus was ploughed back to the society and be reinvested for community projects. Behaving responsibly towards the society and the environment is win-win solution as it benefits the society as well as the business itself. A business is able to measure its performance and therefore judiciously put place best practices in waste reduction, recycling and other cost saving and environmental protection measures such as safe sewage disposals, less air and water pollution (ICPAK Journal, 2016).

Compliance with co-operative legislation

All financial institutions in the world all over have basic tenants that include official resolution and supervision to govern the conduct of business. From some quotas, official regulation and supervision of SACCO's sector has been resisted due to the sterling of the aims and objectives of regulations and supervision. Broadly speaking, supervision and regulation entails all means by which regulators enforce compliance with a given legal and regulation framework. Regulations enable authorities to define procedures for guiding operations, set entry requirements, operating standard ultimately creating an environment for fair competition and efficiency in the sector.

Cambo et al (2010) noted that on emerging issues SACCO's in their endeavor to offer financial services the co-operative movement has a poor implementation of policies and the laws in place. In many instances societies don't comply with the laid down legal framework that is supposed to make them remain relevant and legitimate in the society. The Co-operative Societies Act (2004) and the rules are meant to put proper legal structures that ensure that sanity of co-operative governance and management is restore and gives government supervisory powers to ensure compliance (Co-operative Digest, 2005). The registered bylaws of a society are the internal regulations made by each co-operative society to bind and govern its members. They bind all the members irrespective of when they joined the society.

The Public Ethics Act 2003 requires all co-operative officials to declare their wealth. The enactment of the SACCO societies Act of 2008, created SACCO Society Regulatory Authority (SASRA) as a deliberate intervention by the government to inculcate professionalism into governance and management of SACCO's so as to ensure that they are competitive and viable business entities for the benefit of their members. Issues of governance such as declaration of wealth and provisions of indemnity by leaders of co-operatives are viewed positively by all people of goodwill (SACCO Star, 2011).

RESEARCH METHODOLOGY

Research Design

This study employed a descriptive design aimed at determining the corporate governance practices and how they affect the financial growth of SACCO's in Kenya in their implementation. A descriptive study is chosen for the research. According to Mugenda(2003) descriptive study is a process of collecting data in order to answer questions concerning the status of the subjects in the study. Mugenda & Mugenda, 2003 further notes that it portrays the fact as it really is; if another researcher goes to the field now, he or she will find the situation as described. The study involved both qualitative and quantitative data. The design was relevant to this study because it ensured an in-depth analysis and description of various phenomena under investigation (Babbie 2002).

The target population

A population is defined as a complete set of individuals/objects that have common observable characteristics that are naturally distinct from other sets of population. Mugenda & Mugenda, (2003) defines a population as an entire group of individuals, events or objects having common characteristics that conform to a given specification. Population is more representative as every item in the population has equal chance of being drawn in the final sample. The population of interest was analysis of all the 31 SACCO's operating in Kirinyaga County. The target population was 327 members of staff composed of the top managers, middle level staff members and lower level management staff.

Sampling Technique

Probability sampling technique involves random selection of items from a population, a controlled procedure that assures that each population element has an equal chance of being selected. Sampling technique produces estimates of overall population parameters with greater precision that ensures a more relative representative sample that is selected from a relatively homogenous population (Mugenda & Mugenda, 2003). Stratified Radom sampling technique was used to select the sample. This reduced the standard error by providing some control over the variance. A sample size of 20 SACCO's from random sampling of 31 Sacco societies in Kirinyaga County was used for the study.

Data Collection Instruments

A structured questionnaire and planned oral interview with guided questions was used to collect and gather information from the respondents.

Data Collection Procedure

Both Primary and secondary data was collected using a self-administered questionnaire containing both open ended and closed questions. The close-ended questions selected guided and restricted the response to the study area of interest. Open-ended questions were used to enable the respondent express their opinions not captured by the close-ended questions. Secondary data that took form of financial reports were also used to extract relevant data.

Pilot Test

A pilot study was carried first to test the reliability of the questionnaire. The validity shows the degree to which the instruments measure the constructs under investigation while reliability ascertains the degree to which the measuring items gives the same results over a series of repeated trials. The questionnaire was dropped to the respondents during working hours to fill and collected after a certain period for analysis.

Validity

This is the degree by which the sample test items are a representative of the content designed to be measured. It shows the degree to which the instruments measure the constructs under investigation (Mugenda 2008). The process of validity and development of an instrument is mainly done to reduce the errors during measuring process. The questionnaire to be provided will be and adequate measure covering the content area of the research questions.

Reliability

The reliability was measured so as to find out the degree to which the measuring items would give similar results over a number of repeated trails. The study used test-retest method to evaluate the reliability which assessed the degree to which test scores were consistent from one test administration to the next. Measurements were gathered from a single rate which used the same test conditions. The correlation was found to be 0.74. According to Mugenda (2008) correlation between separate administrations of 0.7 or higher, then it can be regard as a good test re-tests reliability hence the instrument was considered reliable enough.

Data processing and analysis

Data collected was mostly quantitative and was analyzed using linear regression analysis to test the relationship between the independent variables and dependent variables. Statistical package for social sciences (SPSS) was used to process and display the study data. Descriptive statistics such as frequencies and percentages were also applied to analyze the data. Output of the data analysis was interpreted, presented and inferences made using frequencies, percentages, tables, graphs and charts.

The study used Linear Regression Model to investigate the relationship between the financial growth of SACCO's and various governance principles. The study investigated the causal effect and the strength of the relations. The determinants considered were corporate social responsibility, compliance with legislation, financial performance disclosures, and board leadership.

From the variables identified, the regression equation estimated was as follows:

$$y=\beta0+\beta1\chi1+\beta2\chi2+\beta3\chi3+\beta4\chi4+\varepsilon$$

Where,

y= financial growth

β0=Constant term representing financial growth that is not explained by other factors other than board leadership, financial performance disclosures, corporate social responsibility and compliance with legislation

β1-β4= beta coefficient

X_1= Corporate social responsibility

X_2 = Compliance to legislation and laws

X_3 = Financial reporting and disclosure

X_4 = SACCO board leadership

ε = Error term

ANALYSIS AND DISCUSSION OF FINDINGS

Response Rate

The researcher distributed 104 questionnaires. A total of 100 dully filled questionnaires were returned. The results were presented on table 1.

Table 1: Number of Respondents who gave their responses

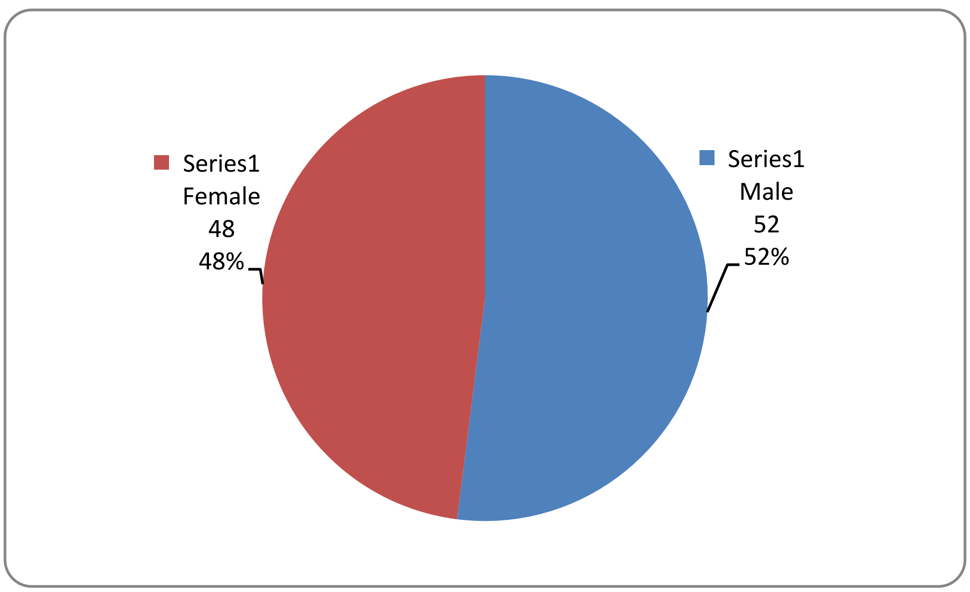
Level	Sample Size	Actual respondents
Top management	10	10
Middle level management	50	50
Lower level management	44	40
TOTAL	104	100

Table 1 indicates that the total response rate was above 96.2%. According to Edward et al. (2000) a response rate of 80% and above is absolutely satisfactory while 60-80% is quite satisfactory. A rate below 60% is barely acceptable. This response rate was therefore considered sufficient to credence the findings.

Gender of the Respondents

The respondents of the study included 52% male and 48% female. This distribution is as shown in Figure 1.

Figure 41: Gender of the respondents



Distribution of the Respondents by Age

On the distribution of the respondents by age, Table 2 displays the results obtained.

Table 2: Distribution of respondents by age

AGE OF THE RESPONDENT	%
18-35 Years	9
36-45 Years	11
46-55 Years	29
Over 56 Years	51
TOTAL	**100**

From Table 2, it can be evidenced that majority of the respondents (51%) were aged over 56 years, 29% were aged between 46 and 55 years, 11% were aged between 36-45 years and 9% were aged between 18-35 years. This implies that majority of the respondents were above middle age.

Distribution of the SACCOs by Leadership Style

The respondents classified the leadership style in their SACCOs into dictatorship, charismatic, transactional or laissez faire. Table 3 displays the distribution of the SACCOs according to the leadership style that is manifested.

Table 3: Leadership Style

Leadership style	%
Dictatorship	19
Charismatic	25
Transactional	47
Laissez- faire	9
Total	100

From table 3 above, it is clear that majority of the respondents (47%) said transactional leadership is manifested in their SACCOs, 25 % said that charismatic leadership is exercised in their SACCOs, 19% said that dictatorship is exercised in their SACCOs and only 9% of the respondents said that laissez faire is exercised in their SACCOs. The findings imply that in majority of the SACCOs, the style of leadership is participatory. Democratic leadership is an aspect of good corporate governance as it gives members a chance to voice their concerns on how Sacco's will be managed in order to attain theirs objectives .

Empirical Findings

Leadership and Corporate Governance

The first objective of this study sought to establish the extent to which the board leadership affects the growth of SACCO's in Kirinyaga County. The respondents were asked to rate the extent to which SACCO leadership affects the financial growth of the SACCOs. Table 4 summarizes the responses obtained.

Table 4: Influence of Leadership on Financial Growth

Extent of influence	f	%
Very great extent	26	26
Great extent	34	34
Moderate extent	21	21
Little extent	11	11
No extent	8	8

On a 4-point likert scale, the respondents were asked to rate the extent to which various aspects of leadership qualities affects the financial growth of the SACCO. Table 5 summarizes the responses obtained

Table 5: Influence of SACCO leadership on financial growth

KEY: VGE= Very Great extent, GE**=** Great extent, ME=Moderate extent and LE=Little Extent

Aspect of Leadership	**VGE (5)**	**GE (4)**	**ME (3)**	**LE (2)**
Accountability& Transparency	27	39	23	11
Right mix of skills and competences	21	35	28	16
Evaluation of performance with set objectives	19	42	26	13
Exercises Fairness, Probity and Integrity	12	38	29	21
Innovative and with sound business acumen	32	42	17	9

Descriptive statistics percentages and frequencies were used to summarize the study findings as shown on Tables 5. From the findings, cummulatively, 66% of the respondents said that accountability& transparency influence financial growth of SACCOs to a great or very great extent and only 34% of the respondents said that accountability& transparency influence financial growth of SACCOs to a moderate or very little extent. This implies that the respondents rate the influence of accountability& transparency on the financial growth of SACCOs to be high.

From the findings, cummulatively, 56% of the respondents said that right mix of skills and competences influence financial growth of SACCOs to a great or very great extent and only 16% of the respondents said that the right mix of skills and competences influence financial growth of SACCOs to a little extent. 28% of the respondents said that that right mix of skills and competences influence financial growth of SACCOs to a moderate extent. This indicates the influence right mix of skills and competences on the performance of Sacco's as perceived by the respondents are high.

From the findings, cummulatively, 61% of the respondents said that evaluation of performance with set objectives influences financial growth of SACCOs to a very high or to a high extent and only 39% of the respondents said that evaluation of performance with set objectives influences financial growth of SACCOs to a very low or to a moderate extent. This implies that majority of the respondent's rate the influence of evaluation of performance with set objectives on financial growth of SACCOs to be high.

From the findings, cummulatively, 50% of the respondents said that exercising fairness, probity and integrity influences financial growth of SACCOs to a high or very high extent and only 21% of the respondents said that that exercising fairness, probity and integrity influences financial growth of SACCOs to a low or to a moderate extent. The findings imply that the respondents rate the influence of that exercising fairness, probity and integrity on financial growth of SACCOs to as high.

The findings obtained indicate that majority of the respondents (74%) rate the influence of innovative and sound business acumen on financial growth of SACCOs to be high on very high extent. Only 9% of the respondents rated innovative and sound business acumen to have low or very low extent on financial growth of SACCOs. 17% of the respondents said that innovative and sound business acumen has a moderate influence on financial growth of SACCOs.

The findings obtained indicate that all the aspects of SACCO leadership aspects tested were found to have high or very high influence on the financial growth of SACCOs. The findings of the study indicate that SACCO board leadership has a significant influence on the financial performance of SACCOs. The findings are consistent with those of other researchers such as Adeyemi Babalola (2014) who in a survey on corporate governance and co-operative societies of tertiary institutions in Nigeria recommended that the executives should demonstrate high level commitment towards the sustainability of co-operative societies and that these societies should embrace the principles of good corporate governance that is capable of fostering total accountability, adequate transparency , sound internal control and full disclosure of all activities since this greatly impact on the financial growth of an organization. Mugenyi (2010) in his study of Corporate Governance and Strategy in SACCO's in Uganda found out that that most of the boards are manned by individuals that lack the appropriate skills to govern a financial institution ranging from peasant farmers to primary school teachers thereby adversely affecting the financial growth of the SACCOs since those in leadership lack key competencies required for effective service delivery in the SACCOs. Similar findings were documented by Maina (2007) that those companies with high gross turnover and profits were also found to have highly qualified directors, existence of code of conduct and separation of ownership and management. The present study and the reviewed past studies therefore concur that the quality of board leadership is a determinant of the financial growth of SACCOs just like other financial institutions.

Financial Performance and Reporting and Financial performance of SACCOS

The second objective of this study sought to examine the extent to which financial and reporting influences the financial performance of SACCOs. The study sought to establish the extent to which the respondents agreed or disagreed with statements on SACCO financial performance disclosures on the financial growth. A 5- point likert scale was used to quantify the responses obtained.

Table 6: Financial reporting in the SACCOs and financial growth

KEY: VGE= Very Great extent, GE**=** Great extent, ME=Moderate extent and LE=Little Extent and NE= no extent

FINANCIAL REPORTING AND FINANCIAL GROWTH	VGE	GE	ME	LE	NE
Financial statement presented on time to members during AGM	17	47	14	12	10
Integrity of SACCO financial reporting	21	39	19	12	9
Accurate accounts provide information for proper decision making	27	36	17	11	9
Proper financial disclosure and timely communication to all stakeholders	19	38	21	16	6
Audited financial statements enhance transparency and give confidence to investors for re investment	17	43	15	14	11

SACCO members address the use of financial performance tools adequately	15	40	19	14	12
Financial reports enhance safeguard of SACCO assets	24	37	22	11	6
Enhances management and decision making of operating investments	22	35	18	14	11

Frequencies were used to summarize the study findings as shown on Tables 6. From the findings, cummulatively, 64% of the respondents said that financial statements presented on time to members during AGM influences financial growth of SACCOs to a very high extent, and only 22% of the respondents said that financial statement presented on time to members during AGM influences financial growth of SACCOs to a low or to a very low extent. This implies that the respondents rate the influence of presenting financial statement on time to members during AGM on financial growth of SACCOs as high.

From the findings, cummulatively, 60% of the respondents said that integrity of SACCO financial reporting influences financial growth of SACCOs to a high or very high extent and only 21% of the respondents said that integrity of SACCO financial reporting influences financial growth of SACCOs to a little or to no extent. Majority of the respondents therefore were of the opinion that integrity of SACCO financial reporting influences financial growth of SACCOs to a great or very great extent.

From the findings, cummulatively, 63% of the respondents said that presention of accurate accounts to provide information for proper decision making influence financial growth of SACCOs to high or very high extent and only 20% of the respondents said that presention of accurate accounts to provide information for proper decision making influence financial growth of SACCOs to a little or to no extent. Only 17% of the respondents said that presention of accurate accounts to provide information for proper decision making influence financial growth of SACCOs to a moderate extent.

From the findings, cummulatively, 57% of the respondents said that proper financial disclusure and timely communication to all stakeholders influences financial growth of SACCOs to a high or to very high extent and only 22% of the respondents disagreed with the statement that proper financial disclosure and timely communication to all stakeholders influence financial growth of SACCOs to a little or to no extent. This implies that the respondents rate the influence of proper financial disclusure and timely communication to all stakeholders as high.

From the findings, cummulatively, 60% of the respondents agreed that audited financial statements enhance transparency and give confidence to investors for re investments to a high or to very high extent and only 22% of the respondents disagreed that presentation of audited financial statements enhance transparency and give confidence to investors for re investments to a little or to no extent. This implies that the respondents rate the influence of a audited financial statements enhance transparency and give confidence to the investors for re investment to a high extent.

From the findings, cummulatively, 55% of the respondents agreed with the statement that SACCO members address the use of financial performance tools adequetely to a high or to very high extent and only 26% of the respondents disagreed with the statement that SACCO members address the use of financial performance tools adequately to a little or to no extent. This implies that SACCO members address the use of financial performance tools adequetely.

From the findings, cummulatively, 61% of the respondents agreed that financial reports enhance safeguarding of SACCO assets to a high or to very high extent and only 17% of the respondents disagreed that financial reports enhance safeguarding of SACCO assets to a little or to no extent. This implies that the respondents agree to the statement that financial reports enhance safeguarding of SACCO assets which enhances the financial growth of SACCOs.

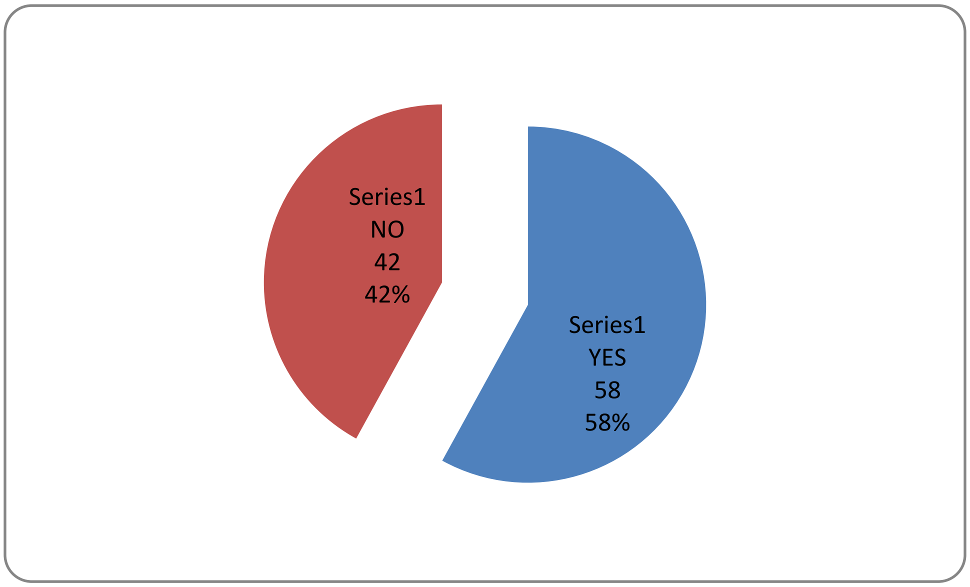
The findings of the present study echo those of a study by Mugo et al (2013) on effects of Corporate Governance on financial performance of SACCOS in Kenya which found out that there was a significant relationship between financial reporting and financial performance of savings and credit co-operatives. Further, the study found out that SACCO's with more frequent financial reporting structures showed better financial performance. In this sense, both studies underscore the relationship between financial reporting and disclosure and the financial growth of a financial organization such as a SACCO.

Corporate Social Responsibility

The third objective of this study sought to establish the influence of corporate social responsibility on the growth of SACCO's in Kirinyaga County, Kenya. First, the respondents were asked to give their opinion on whether their SACCOs have involved themselves in social matters of the community. Figure 2 summarizes the responses obtained.

The information presented in Figure 2 indicates that majority of the respondents (58%) were of the opinion that their respective SACCOs have involved themselves in the social matters of the community and only 42% of the respondents said that their SACCOs have not involved themselves in the social matters of their communities. The findings therefore indicate that majority of the respondents perceive their SACCOs as to not having participated in social matters of their communities.

Figure 2: Involvement of SACCOs in social matters of the community



Further A 5- point likert scale was used to quantify the extent of agreement or otherwise of the respondents to a set of statement on the SACCOs corporate social responsibility and financial growth. Table 7 presents a summary of the responses obtained.

Table 7: Influence of SACCOs social responsibility of financial performance

KEY: VGE= Very Great extent, GE**=** Great extent, ME=Moderate extent, LE=Little Extent and NE= No Extent

Influence of CSR on financial growth	VGE (1)	GE (2)	ME (3)	LE (4)	NE (5)
CSR enhancing the firm's reputation and the ability to generate profits by differentiating its product	19	34	21	17	9
CSR increases market share ,consumer confidence and the levels of trust in business	16	37	19	16	12
CSR enhances credit worthiness for SACCO's with other financial institutions	26	42	18	9	5
CSR has an impact on financial growth of SACCO's	18	39	21	13	9
CSR enhances ability to attract more highly qualified personnel or the ability to extract a premium for its products.	22	44	16	12	6
CSR can bring benefits in terms of risk management, cost savings, access to capital, customer relationships, and innovation capacity	13	37	34	9	7

Descriptive statistics percentages and frequencies were used to summarize the study findings as shown on Tables 7. From the findings, cummulatively, 53% of the respondents agreed to a great or to a very great extent that CSR enhances the firm's reputation and the ability to generate profits by differentiating its products and only 26% of the respondents disadreed with the statement. This implies that majority of the respondents rate the impact of CSR on the firm's reputation and the ability to generate profits as high.

From the findings, cummulatively, 53% of the respondents said that CSR increases market share, consumer confidence and levels of trust in the business and only 28% of the respondents disagreed with the statement. Therefore majority of the respondents were of the opinion that CSR increases market share, consumer confidence and levels of trust in the SACCO activities. The enhanced confidence in the SACCO activities translates into enhanced financial growth.

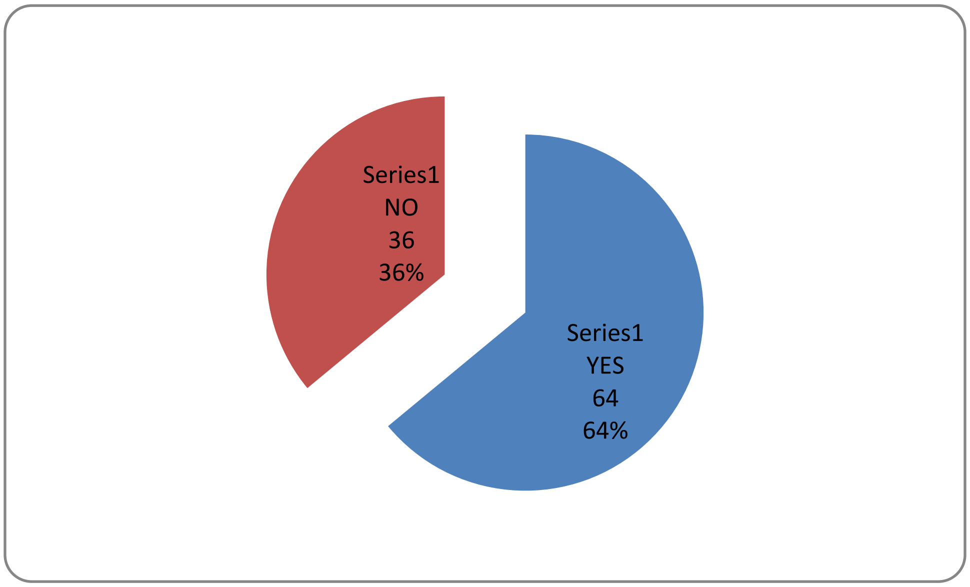
From the findings, cummulatively, 68% of the respondents said that CSR activities enhance credit worthiness for SACCOs with other financial institutions and only 14% of the respondents were of the contrary opinion. This implies that majority of the respondents rate the influence of enhanced credit worthiness as a result of involvement in CSR activities as high which translates into enhanced financial growth of the SACCO.

The study found out that there is exist a relationship between the SACCOs investment in CSR activities and its financial growth. Similar findings have been documented in other studies such as that by Mugambi et al (2015) which established that CSR could contribute a great deal in enhancing access to public secondary education in Kenya. In addition, Mutuku (2015) in a study reported similar findings that that CSR has a positive impact on an organizations financial performance just like Cheruiyot (2010) who concluded that there was a statistically significant relationship between CSR and organization performance.

Compliance with Legislation

The fourth objective of this study sought to assess the influence of compliance with legislation on financial growth of SACCO's in Kirinyaga County, Kenya. The researcher sought to establish the opinion of the respondents on whether there are laid down rules, policies and procedures in their respective SACCOs. The responses obtained were as displayed in Figure 3. The output shows that majority of the respondents (64%) were of the opinion that their SACCOs had laid down rules and regulations and only 36% of the respondents were of a contrary opinion. The findings indicate that most SACCOs ascribe to laid down rules and regulations.

Figure 3: Presence of laid down rules and regulations



Further, a 5- point likert scale was used to quantify the extent of agreement or otherwise of the respondents to a set of statement on the SACCO legislations on the financial growth of the SACCO. Table 8 presents a summary of the responses obtained

Table 8: SACCO legislations and financial growth

KEY: VGE= Very Great extent, GE**=** Great extent, ME=Moderate extent, LE=Little Extent and NE= No Extent

SACCO legislation and Financial Growth	To a very great extent (1)	To a great extent(2)	To a moderate extent (3)	To a little extent (4)	To no extent (5)
Leaders of the SACCO comply with legislative policies and laws	13	22	45	12	8
Leaders are well trained on legislative policies and laws in your SACCO	11	24	46	12	7
Legislation inculcates professionalism into management of SACCO's	25	39	17	11	8
Legislation enhances SACCOS to venture into viable business	23	43	19	9	6
Regulations set standards for fair competition and efficiency	29	45	12	10	4
Regulations helps in promoting transparency and accountably	33	51	10	4	2
Legislations has an impact on financial growth of SACCO's	31	43	15	9	2

From the findings, cummulatively, 74% of the respondents said that legislations has an impact on financial growth of SACCO's and only 11% of the respondents said that legislations has no impact on financial growth of SACCO's. This indicates that legislations have an impact on the financial growth of SACCOs.

The link between compliance to regulations and legislation and the low penetration of compliance among the SACCOs as found by the present study is also documented in other studies such as the study by Chambo et al (2010) found out that there was very poor implementation of policies and SACCO legislation in Kenya. Similar studies were also reported by Miring'u (2009) who found out that board size, board composition and CEO duality were positively correlated to performance of commercial state corporations. She recommends that enforced compliance with prescribed governance structures; intensified regulation by agents concerned and that the post of the CEO and that of the chairman should not be held by one person.

Kobia (2011) recorded similar findings that compliance guidelines to be followed by co-operatives touch the following areas; authority and duties of co-operative members, role / functions and responsibilities of the management committee, values and strategies, co-operative communication, monitoring performance of the management committee and they have a bearing on the performance of an organization. The findings of the present study thus strengthens previous studies in the related area of study.

Regression Analysis

A multiple regression was conducted to find out the influence of board leadership, financial performance disclosure, corporate social responsibility and compliance with legislation on the financial growth of SACCOs.The statistical significance of the relationships were also tested at .05 significance level.

Table 9. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.439[a]	.193	.154	.534

a. Predictors: (Constant), SACCO Board Leadership, Financial Reporting and Disclosure, Compliance to SACCO Legislations and Laws, Corporate Social Responsibility

Table 10. ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.579	4	1.395	4.900	.001[a]
	Residual	23.340	82	.285		
	Total	28.920	86			

a. Predictors: (Constant), SACCO Board Leadership, Financial Reporting and Disclosure, Compliance to SACCO Legislations and Laws, Corporate Social Responsibility

b. Dependent Variable: Financial Growth of SACCOs

Table 11. Regression coefficients

		Unstandardized Coefficients		Standardized Coefficients		
Model $Y = \beta_0 + \beta_1 X1 + \beta_2 X2 + \beta_3 X3 + \beta_4 X4$		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.157	.289		4.011	.000
	Corporate Social Responsibility	0.036	.085	0.043	.419	.676
	Compliance to SACCO Legislations and Laws	-.086	.096	-.090	-.894	.374
	Financial Reporting and Disclosure	-.003	.074	-.004	-.035	.972
	SACCO Board Leadership	0.380	.087	0.438	4.359	.000

a. Dependent Variable: Financial Growth of SACCOs

It was found that board leadership, financial performance disclosure, corporate social responsibility and compliance with legislation predict an insignificant amount of the variation in the variation of financial growth of SACCOs about its mean ($R^2_{Adjusted} = .154$). The output on Table 10 indicates that the F statistic is small ($p < 0.05$) implying that the relationship between the predictor variables (independent variables) and the dependent variable is significant and that the model can predict the dependent variable.

From the multiple regression analysis, a model for predicting financial growth of SACCOs can be represented as follows;

$$\mathbf{Y = 1.157 + .036X_1 - .086X_2 - .003X_3 + .380X_4}$$

Whereby Y = The dependent variable (Financial growth of SACCOs) X_1 = Corporate social responsibility, X_2 = Compliance to legislation and laws, X_3 = financial reporting and disclosure, X_4 = SACCO Board Leadership.

The standardised beta coefficient gives a measure of contribution of each variable to the model. If beta values are large it indicates a unit change in the predicator has a large effect on the criterion variable. The *t* and *p* values show the impact on each predictor variable, a large absolute *t* and a small *p* value demonstrates that a predictor variable has a large impact on the criterion variable.

The output displayed on Table 11 indicates that financial performance disclosure and compliance with legislation have a negative relationship with financial growth of Sacco's while board leadership and corporate social responsibility positively predict financial growth of Sacco's as indicated by their β values. However,for all the variables apart from sacco Board leadership, there was a weak statistical significance in predicting financial growth of Saccos since in all the cases, $p>.05$

CONCLUSION

The overall finding of the study showed that board leadership, financial performance disclosure, corporate social responsibility and compliance with legislation predict a significant amount of the variation in the variation of financial growth of SACCOs about its mean. The F statistic is small ($p< 0.05$) implying that the relationship between the predictor variables (independent variables) and the dependent variable is significant and that the model can predict the dependent variable. The study findings indicated that that board leadership, financial performance disclosure, corporate social responsibility and compliance with legislation predict financial growth of SACCOs as indicated by their β values.

RECOMMENDATIONS

The study, recommends that; the SACCO regulating authority should have in place constituted a board leadership of SACCOs that is able to conduct thier activities in the best interest of the organization, power should be exercised in a manner that demonistrate effectiveness and efficiency so as enhance the financial growth of SACCOs. Secondly, the SACCOs managers should adopt sound financial reporting and disclosure systems through adoption of widely accepted standards and comply with recommendations from the regulators. This will enable the SACCOs to demonistrate credibility, accountabilty and reliability in their working. This will also enable SACCOs to gain recognition in the financial services sector and be in a position to access financing and other benefits that other financial institutions enjoy.Thirdly, the SACCOs need to engage in CSR activities in order to improve their corporate nature. This will enable them improve the lives of the community members that they serve and thus improve their financial and social welbeing. Finally, the SACCOs need to comply with regulations as well as policy frameworks governing their operations and also adopt best practices. This will enable them identify the viable areas that the saccos can invest members deposits and also create an enviroment of fair competition in the financial services sector.

LIMITATIONS AND FURTHER STUDIES

The present study was limited to the impact of selected factors on financial growth of saccos using indicators of financial growth as trend of retained earnings as well as growth in member deposits. More research could go into other factors such income levels of members, savings habits and other factors that have the potential of influencing financial growth of SACCOS as well as using other indicators of financial growth such as return on investment, divided payout ratios and growth in investments among others. In addition, further studies may target markerting co-operatives and non profit making organizations to determine the corporate governance factors that influence the uptake of their services.

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