

**CORPORATE GOVERNANCE AND FINANCIAL SUSTAINABILITY OF SAVINGS
AND CREDIT COOPERATIVES (SACCOS) IN UGANDA: A CASE OF THE HUNGER
PROJECT SACCOS.**

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OCTOBER, 2019

DECLARATION

I **Namuli Annet** do hereby affirm that this dissertation is my original work and has not been presented to any institution of higher learning for any award before.

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DEDICATION

I dedicate this work to my family for they were supportive of me in the course of my studies.

I will forever be indebted to you and live to remember you.

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I thank the Almighty God for his blessings, mercy, peace, patience and good health that has enabled me to successfully complete my research project.

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LIST OF ABBREVIATIONS/ ACRONYMS.

AGM.....	Annual General Meeting
BOD.....	Board Of Directors
CBK.....	Central Bank of Kenya.
CEO.....	Chief Executive Officer
CGAP.....	Consultative Group to Assist the Poor.
CRS.....	Corporate Social Responsibility.
DV.....	Dependent Variable
FSS.....	Financial Self-Sufficiency
IFFI SACCO.....	Iganga Food Farmers' Initiative Savings and Credit Cooperative.
INTV.....	Intervening Variable.
IUCG.....	Institute of Uganda Cooperative Government
IV.....	Independent Variable
KESACCO.....	Kiruhura Epicenter Savings and Credit Cooperative.
KIFFI SACCO.....	Kiboga Food Farmers Initiative Savings and Credit Cooperative.
MECSACCO.....	Mbale Epicenter Community Savings and Credit Cooperative.
MESACCO.....	Mbarara Epicenter Savings and Credit Cooperative.
MFI.....	Micro Finance Institutions
MOU.....	Memorandum Of Understanding
NESACCO.....	Namayumba Epicenter Savings and Credit Cooperative.
NPL.....	Non-Performing Loans

OECD.....Organization of Economic Community Development

OMOV.....One Man One Vote.

OSS.....Operational Self-Sufficiency

PAR.....Portfolio At Risk

RDT.....Resource Dependency Theory

RE.....Return On Earnings

ROA.....Return On Assets

SACCO.....Savings and Credit Cooperative

SADC.....Southern Africa Development Community

SPSS.....Statistical program for Social scientists.

THPU.....The Hunger Project Uganda

UMRA.....Uganda Microfinance Regulatory Authority

WOCCU.....World Council Of Credit Unions

WWFFI SACCO.....Wakiso Womens' Food Farmers' Initiative Savings and Credit Cooperative.

ABSTRACT

The purpose of this study was to examine the effect of corporate governance on financial sustainability of SACCOs, with a view of addressing governance issues within THPU SACCOs. The study had three basic objectives; to examine the effect of Board Composition on financial sustainability of THPU SACCOs, to analyze the effect of Board Leadership on financial sustainability of THPU SACCOs and to assess the effect of Board size on the financial sustainability of THPU SACCOs.

The researcher adopted a case study research design. To enable the researcher have an in-depth investigation into THPU SACCOs, the researcher involved multiple sources of data collection instruments including questionnaire, interviews and review of documents to allow triangulation of findings. The population size was the management staff and the BODs of THPU SACCOs.

The investigation revealed a high degree of correlation between Board Composition and financial sustainability, with a correlation coefficient of 0.721 and a positive significance level of 0.000. The study further revealed that 52.1% of financial sustainability can be explained by Board Composition. The investigation further indicated that Board Leadership has a correlation of 0.329 with a significant level of 0.008 and a variance of 10.8%, meaning that only 10.8% of financial sustainability can be explained by Board leadership. Board size however, indicated a weak correlation of 0.225 with an insignificant value of 0.071, implying that, financial sustainability of THPU SACCOs cannot be explained by the size of the Board.

The study recommended that SACCOs should appoint more outside directors, emphasize effective use of sub committees, design a policy that attracts the young blood on Board and hire experienced managers with knowledge and skills. The study further recommended that, the attendance during Board meetings for all board members should be emphasized. Lastly, the study recommended an optimal Board size. This will enable SACCOs improve their performance and eventually achieve their objective of financial sustainability.

Key words: Corporate governance , Financial sustainability, Savings and credit cooperatives , Board composition, Board leadership and Board size.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

Over the past three centuries, corporate governance took center stage in the whole world. This prompted a number of scholars and researchers to discuss and document about this important phenomenon. According to Choge (2013), in Africa corporate governance became an important key factor in managing corporations, and one of the prerequisites for the developing world to attract foreign investors. Corporate governance describes how organizations should be operated based on the shareholders' interests Agumba, (2008). Therefore, most donor funded organizations including microfinance institutions adopted a corporate governance structure.

According to Gomez (2005), various changes in the structure of corporate governance, led to poor implementation of the corporate governance mechanisms in the existing corporations and realization of low returns across the globe. This raised questions on the credibility within these corporate structures. For example, the failure of Enron and WorldCom, made investors become more concerned about corporate governance and the firms' financial sustainability (Michael Seitzinger, 2002). Although, many scholars have investigated the Board of Directors in driving corporations, very few have studied a direct link between corporate governance and financial sustainability of institutions. Therefore, this study will examine the effect of corporate governance on the financial sustainability of THPU SACCOs.

Corporate governance is referred to as the procedures and processes within which an organization is directed and controlled (OECD, p. 2005). In this study, corporate governance is measured in terms of BOD composition, BOD leadership and BOD size. On the other hand

financial sustainability is measured in terms of financial self-sufficiency (FSS) and operational self-sufficiency (OSS). The rest of the chapter will focus on background of the study, statement of the problem, objectives of the study, research questions, research purpose, scope of the study, significance of the study and the conceptual framework.

1.1 Background of the study.

1.1.1 Historical Perspective.

In the whole world, financial sustainability of Micro finance institutions of which savings and credit cooperatives belong started in India, after 2010 crisis of the southern state of Andhra Pradesh, also known as the Mecca of Micro finance. During this crisis, members failed to pay back the borrowed money, which led to the shutting down of many emerging and small Micro finance institutions and a great loss of loan portfolio (Srinivasan, 2008).

In Africa, the widespread failure of Microfinance institutions in Southern Africa Development Community (SADC) prompted recommendations to come up with financial means for ailing Micro finance institutions (Karim et al, 2011). During this period, academicians and practitioners felt that it was time to move away from concentrating on mere social impact but also focus on financial sustainability.

In Uganda, microfinance services were strictly in micro credit program, subsidized by either government or the donor community with emphasis on agricultural sector (Glaubitt et al, 2007). Coupled to that, the success of the program depended on the outreach to the target clients, poor households and micro enterprises with no need for collateral which had some loopholes (Glaubitt et al, 2007). Therefore, due to the shortcomings during that period, there was a gradual

integration into main stream financial sector, building cost efficient operations and expanding the customer base. This led to micro finance program transformation into micro finance models imposing financial sustainability as one of their objective and extending their clients generally as poor clients (Glaubitt et al, Hamada, 2010).

1.1.2 Theoretical Perspective.

This study was based on Agency theory. Agency theory has its roots in economic theory and was exposted by Alchian and Demsetz (1972). It was further developed by Jensen and Meckling (1976), Haslinda Abdullah & Benedict Valentine, (2009) .The theory is about the relationship between the principal (owner) and the agent (manager or executive). The theory suggests that given chance, agents will behave in a self-interested manner, a behavior that may conflict with the principal's interest of utility maximization, (Chrisman et al, 2004). In such a scenario, principals are required to form structural mechanisms that will monitor and control the agents' opportunistic behavior and align their own interests (Cruz et al, 2010). Hence, firms create governance structures that will enable monitoring and assessment of the actual behavior of the agents (Schmidt,GK and Zimmerman AM., 2004) . This enables the owners of the firm to control and predict the performance that leads to financial sustainability of the organization. Agency theory was preferred due to its assumption based on the economic model, which assumes that individuals will seek first to optimize their own utility.

In line with this study, shareholders appoint the BOD to oversee the SACCOs operations. The BOD hires staff with knowledge and experience to run the SACCO business on their behalf. In this study the principal was the BOD and the agent was the management staff of the SACCO. This is the corporate governance structure, that was intended to direct, control, monitor and ensure effective performance and finally lead to financial sustainability of the institution.

1.1.3 Conceptual Perspective.

According to Baver, R and Guenster, (2003), corporate governance is a system by which companies are directed and controlled. Jabet, (2009), states that, corporate governance is a system that takes into account the interests of all stakeholders with a relevant interest in a company's business. The OECD's Principles of Corporate Governance (2004) states that Corporate Governance involves a set of relationships between a company's executive and supervisory board, shareholders and other stakeholders. It provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. The study adopted a board system that comprises of both executive and non-executive directors (Mallin, 2004). The board was responsible for the corporate structure and compliance (Dutch code 2003). Therefore, the researcher examined the Board of Directors (BOD) composition, its leadership and size and their effect on financial sustainability of THPU SACCOs.

On the other hand, Financial sustainability is an organization's capacity to obtain revenues in order to sustain productive processes at a steady or growing rate and obtain a surplus (Leon, 2001). Financial sustainability is an indicator that shows how SACCOs can run independently from subsidies (Basu and Woller, 2004). According to Meyer, financial sustainability has two dimensions i.e. financial self-sufficiency and Operational sustainability. For the purpose of this study, Financial sustainability means that SACCOs can collect savings and cover all costs, including crediting to members, sufficiently enough such that the lending operation can continue, and reaching out to increasing numbers of clients. Financial self-sufficiency (FSS) was portrayed in terms of return on assets (ROA), Return on equity (ROE) and Portfolio at risk above 30days. On the other hand, according to Meyer (2002), operational sustainability refers to the ability of the MFI to cover its operational costs from its operating income regardless of whether it is

subsidized or not. Operational sustainability (OSS) was measured in terms of Portfolio yield, percentage of female borrowers and Breadth & Depth of Outreach.

1.1.4 Contextual perspective.

As part of its mission of ending Hunger and poverty, THPU implemented a Microfinance program. Through this program, THPU has so far supported nine fully registered Savings and Credit co-operative organizations (SACCOs), namely; Kiruhura Epicenter SACCO, Mbarara Epicenter SACCO, Kalamba Food Farmers' Initiative SACCO, Kiring'ente Food Farmers' SACCO, Namayumba Epicenter SACCO, Wakiso Food Framers' Initiative SACCO, Kiboga Food Framers' Initiative SACCO, Mbale Epicenter Community SACCO and Iganga Food Farmers' SACCO. It started from mobilization and training of members in partnership with Local Government in its areas of operation (Project, The epicenter strategy, 2007). Majority of the members are rural women farmers who do not have where to save and lack collateral to stake in other financial institutions to access loans.

According to the cooperative statute 1991, a SACCO is an autonomous organization with its own corporate governance structure. Therefore, the affairs of THPU SACCOs are directed and controlled by the Board of Directors (BOD). This is divided into two; Supervisory and the management/ Executive board. The supervisory board provides oversight of the society activities. Both the management and supervisory board report to the AGM (Annual General Meeting), which elects them. The BOD operates through specialized sub committees responsible for various society activities. Each SACCO has its own BOD comprising of seven management board of Directors and three supervisory board committee members. The management BOD appoints a management team with experience in SACCO operations. The team is responsible for daily operations of the SACCO (Nations, 2018).

However, almost all these SACCOs have been hit by corporate scandals which include; wrangles between staff and management, embezzlement of funds, conflict of interest, fraud, lack of accountability and politicization (Bibi, 2006). This has led to poor performance leading to financial sustainability challenge.

1.2 Problem Statement.

The Hunger Project Uganda in partnership with the rural community and the District Local Government established 9 SACCOs, with an objective of supporting them to achieve financial sustainability within a period of six years. Unfortunately, none of them has achieved its financial sustainability within the planned period. This has been evidenced by fraud, misappropriation of funds, increase in loan loss provisions, conflict of interest, politicization, internal control weaknesses, presence of non-performing loans and non-compliance with applicable policies, revealed within these SACCOs (Team & Co, 2017), (Evlo & Co, 2018). More so, the 2016 consolidated audit report also mentioned poor corporate governance and weak financial management as causes of poor performance that has hindered financial sustainability in THPU SACCOs. With such a background, there was a need for clarity on SACCO governance and operations through an investigative study. Therefore the researcher sought to investigate and establish whether corporate governance has any effect on financial sustainability of THPU SACCOs.

1.3 Purpose of the study.

The purpose of this study was to examine the effect of corporate governance on the financial sustainability of THPU SACCOs, with a view of addressing corporate governance issues that existed within these SACCOs.

1.4 Research objectives.

The general objective of this study was to investigate the effect of corporate governance on financial sustainability of THPU SACCOs, while the specific objectives include:

- (i) To examine the effect of Board composition on financial sustainability of THPU SACCOs.

- (ii) To analyze the effect of Board leadership on financial sustainability of THPU SACCOs.
- (iii) To assess the effect of Board size on financial sustainability of THPU SACCOs.

1.5 Research Questions.

Based on the above presented problems, the main research question that was addressed in this research was; what is the effect of corporate governance on financial sustainability of THPU SACCOs? To answer this, the following questions were invoked:

- (i) To what extent does the composition of the Board affect financial sustainability of THPU SACCOs?
- (ii) To what extent does Board leadership affect the financial sustainability of THPU SACCOs?
- (iii) To what extent does the size of the Board affect the financial sustainability of THPU SACCOs?.

1.6 Significance of the study.

The findings of this study are expected to add to the existing body of knowledge on financial cooperatives, and it is also expected that future researchers in this field will use the same findings as referential material. The study is also expected to improve the practice for future THPUNSACCOs, to streamline their corporate governance. The policy makers such as the Uganda Micro finance regulatory authority (UMRA) and the registrar of cooperatives will find the study useful because it will make recommendations on the BOD composition, BOD leadership and BOD size. Knowledge from this study will help to improve the quality of the

directors and managers of cooperative societies in Uganda. The study will also provide additional knowledge to the directors of the Institute of Uganda corporate governance (ICGU).

1.7 Scope of the study.

1.7.1 Subject scope.

The study aimed at investigating the effect of corporate governance on financial sustainability of THPU SACCOs. The study specifically examined the effect of BOD composition on the financial sustainability of THPU SACCOs, analyzed the effect of BOD leadership on financial sustainability of THPU SACCOs and assessed the effect of BOD size on financial sustainability of THPU SACCOs.

1.7.2 Geographical scope.

The study was conducted in 8 districts where THPU SACCOs are located. These include; Mbale, Iganga, Wakiso, Kiboga, Mbarara, Kiruhura, Butambala and Mpigi District.

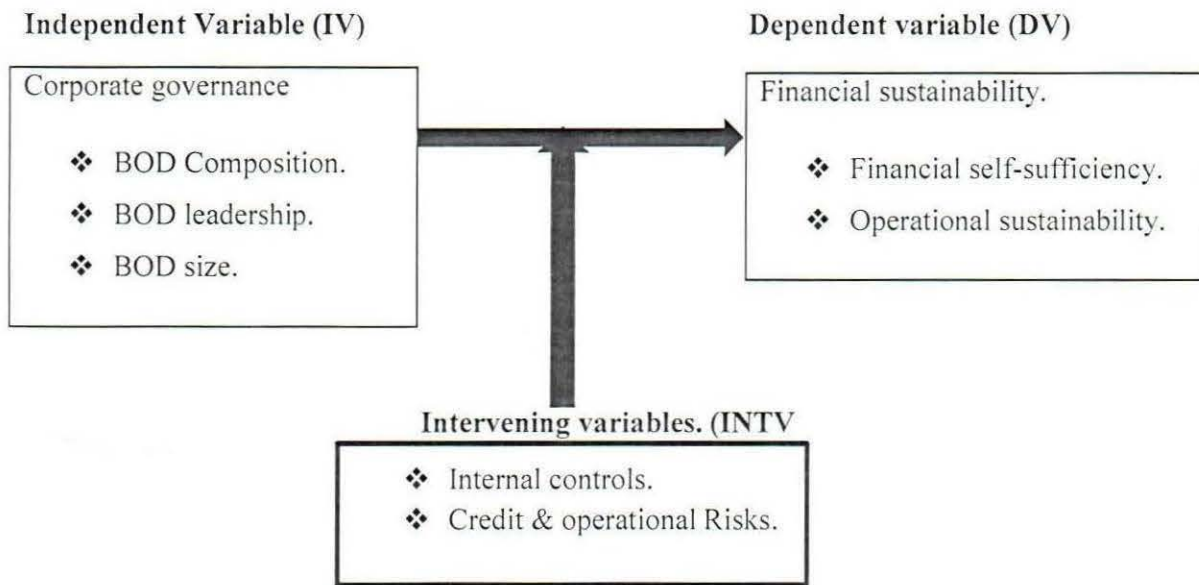
1.7.3 Time scope.

The study was carried out for a period of six months that is from April to November 2018. The study focused on data from the annual Board reports, Workplans, Budgets and audited accounts, Board files of 2016, 2017 and 2018.

1.8 Conceptual framework.

This conceptual framework explained graphically and in narrative form, the main variables of the study (Miles & Huberman, 1994). The independent, dependent and intervening variables were identified and labeled, including the descriptions on how they are connected, However, the researcher didn't investigate more on the intervening variables.

Figure 1: The Conceptual Framework of Corporate Governance on Financial Sustainability of the SACCOS.



Source: de Andres et al (2005): “Corporate boards in OECD Countries”& Richard Meyer (2002):”The Triangle of Microfinance” modified by the researcher”,(2019).

From the above figure, Corporate governance was conceptualized along three dimensions of BOD composition, BOD leadership and BOD size, while financial sustainability was conceptualised with Financial self-sufficiency and Operational sustainability, Zeller& Meyer,(2002).

As seen from the above, Cuevas & Fischer (2006) as well, observed that SACCOs have a high exposure to credit risk; the risk that borrowers are unable to pay back or risk of delayed payments, as well as operational risks; the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events, (Basel Committee report, 2001).

Coupled to that, Hillary, et al, (2018), observed that if SACCOs improve on their internal controls in monitoring their operations, they can control the management staff consciousness. They also observed that SACCOs should identify and analyze the relevant risks that could hinder them from achieving their objective of becoming financially sustainable.

1.9 Conclusion.

The Hunger Project Uganda has registered several success stories attributed to the role played by its Microfinance program. This has been through supporting SACCOs to sustainably provide financial services to the rural poor especially women. However, despite THPU's contribution, these SACCOs have since failed to achieve financial sustainability within a stipulated period of time. This situation has always been questioned by relevant stakeholders. Therefore, this became a motivation factor for the researcher, to investigate whether corporate Boards of THPU SACCOs play their role of monitoring, controlling and directing these SACCOs to enable them achieve a financial sustainability status.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction:

This section recapitulated the information from other researchers who carried out research in the same field of study. The specific areas covered here include theoretical review, which described theories related to corporate governance. The chapter also reviewed the literature on Corporate Governance and financial sustainability and a summary gap in the literature. The study was conceptualized under the objectives of the study and focused mainly on BOD composition, BOD leadership BOD size and their effect on financial sustainability of SACCOs.

2.2 Theoretical review.

The theoretical background of the study was based on the available literature on corporate governance theories. Therefore, to investigate the effect of corporate governance on financial sustainability of THPU SACCOs, Agency and resource dependency theories were adopted. According to (Dalziel, Gentry, & Bowerman, 2011; Hillman & Dalziel, 2003), Agency and resource dependency theories present a better explanation on the dual board functions of monitoring and provision of resources to the firm.. While each theory provides a unique perspective, the collaboration of the two provides a more complete lens to view the role of the board in a corporate governance structure.

2.2.1 Agency theory.

Corporate governance is based on agency theory. This theory suggests a contract that abides both owners and executives in a relationship known as principal-agent relationship. In reference to this contract, managers have an obligation to serve and satisfy the interests of owners, failure on

this, results in agency problems (David, 2012). An agent is a person who acts on behalf of the principal, and the principal affects the actions of an agent (Fama et al, 1983).

The aim of agency theory proponents is not only minimizing the conflict of interests resulting from the separation of ownership and management of firm resources, but also between all external and internal stakeholders (Fama et al, 1983).

Mostly, the deviation of interests between the principal and agent is due to lack of corporate governance mechanisms for efficient and effective control, and approval of management decisions (Robert et al, 2013). Sound corporate governance mechanisms, control management's behaviors and actions with an aim of protecting shareholders' interests and align these interests with management's interests to reduce agency problems (Elghouti, 2014). Shareholders choose individuals to represent them on the Board to guarantee their capital to its intended purpose and improve its control (Robert et al, 2013).

Principals hire external auditors to control the actions of management and approved by the board (Vincent et al, 2011). Agency costs arise from the misalignment of interests between the owners and management. This cost can be reduced if there is a close alignment between the goals of principal and agent (Georgeta et al, 2013).

Some corporate governance scholars (Carter and Lorsch, 2004; Leblanc and Gillies, 2005) also argue that at the heart of good corporate governance is not board structure, but instead board process especially consideration of how board members work together as a group and the competencies and behaviors both at the board level and the individual directors level. In a principle-agent relationship, there is always "inherent potential for conflicts within a firm

because the economic incentives faced by the agents are often different from those faced by the principals” (ISDA, 2002). According to ISDA (2002), all companies are exposed to agency problems, and to some extent develop action plans to deal with them. These include establishing measures such as: “controls on the actions of agents, monitoring the actions of agents, financial incentives to encourage agents to act in the interest of the principals, and separation of risk taking functions from control functions” (ISDA, 2002).

2.2.2 Resource dependence theory.

The theory concentrates on the role of board directors in providing access to resources needed by the firm. Hillman, Canella and Paetzold (2000) contend that resource dependency theory focuses on the role directors play in providing or securing essential resources to an organization through their linkages to the external environment.

Indeed, Johnson et al, (1996) concurs that resource dependency theorists provide focus on the appointment of representatives of independent organizations as a means for gaining access in resources critical to firm success. For example, outside directors who are partners to a law firm provide legal advice, either in board meetings or in private communication with the firm executives that may otherwise be more costly for the firm to secure. It has been argued that the provision of resources enhances organizational functioning, firm’s performance and its financial sustainability (Daily et al, 2003). According to Hillman, Canella and Paetzold (2000), directors bring resources to the firm, such as information, skills, access to key constituents such as suppliers, buyers, public policy makers, social groups as well as legitimacy.

Studying corporate governance through a resource dependency theory lens leads to great benefits and many studies have asserted that RDT provide a better understanding of boards

through theoretical and empirical analysis including topics such as board size and composition (Johnson et al., 1996; Pfeffer, 1972). Directors with access to various resources provide valuable impacts at the firms in which they sit (Boyd, 1990). These resources are not one dimensional and in fact, can be broken down into a number of subcategories.

Pfeffer and Salancik (1978) provide insight to the four primary ways in which directors add value to organizations. These include; provision of advice, legitimacy, and access to information and resources.. Hillman and colleagues developed a taxonomy also suggesting directors provide varying degrees of expertise and resources in resource dependency roles. (Hillman, Cannella, & Paetzold, 2000).

In conclusion, since both theories provide unique perspectives in a corporate governance setting, the researcher referred to them while analyzing the role of the Corporate Board in THPU SACCOs.

2.3 Review of related literature on the study.

2.3.1 Corporate governance in SACCOs.

According to Beasley et al, (2000), corporate governance is a framework for accounting for decision making. It is an effective management relationship within the organization's integrity to enhance firm performance for the benefit of all stakeholders. Beasley et al (2000), outlined specific benefits of corporate governance to include moral uprightness among organization workforce and it could be counted upon to safeguard the resource and entitlements of all stakeholders. It improves the confidence of the investing public and attracting foreign investors to the companies in particular and the economy in general.

Corporate governance enhances the performance and ensures the conformance of organizations to creating and maintaining a business environment that motivates managers to maximize firm operational efficiency, returns on investment and long-term productivity growth (Adams & Mehram, 2008).

Corporate governance describes how the organization should be operated based on the stakeholders' interests so as to improve its performance that can lead to financial sustainability, (Agumba, 2008). Many researchers assert that leaders following the good governance principles whether in SACCOs or other institutions should operate in a democratic way. They should also act as stewards and agents for their clients, use the organization resources and make good decisions for the benefits of clients and other stakeholders.

(Agumba, 2008); (Odera et al, 2012); (Lukwago, 2012); (Dirk Zetsche & Christian Strenger, 2013). (Lukwago, 2012), stressed that good corporate governance promotes efficient management and hence help to maintain the institution's reputation and the clients' trust. (Dirk Zetsche & Christian Strenger, 2013), argued that corporate governance places the structure, processes and management mechanisms to enhance the firm's performance towards achieving its financial sustainability. Zhuraskaya (2013) affirmed that Corporate governance regulates the relationship between members of cooperatives and committee representatives. In this regard, control and supervision by committee members shall set a monitoring mechanism to assess the performance of cooperative societies since monitoring and control of managerial actions is a key aspect of cooperative governance.

Further more, SACCOs are usually governed by a volunteer board elected by and from the membership, (CGAP report). (O.Odera, 2012), asserts that when SACCOs become large and

more complex, they require specific knowledge and skills to make a range of credible decisions. Since individual owners may not possess the required managerial skills and technical knowledge, it may require that managers be hired to make the credible management decisions (Fama and Jensen, 1983). The specialized decision making makes it possible for the organization to be able to operate in an entrepreneurial manner by hiring professional expertise. The separation of ownership and decision making leads to principal-agent problems, therefore, owners vote for representatives to serve on the management board (Branch & Baker, 1998). They also add on the supervisory committee as a further element of decision, monitoring and member control. These two are elected through the OMOV principle by the members during the AGM and hence become directors.

However, despite the presence of corporate governance in SACCOs, problems frequently occur. Branch & Baker (1998) suggested some of the causes to include; inadequate managerial competitiveness, failure of membership and boards to exercise fiduciary responsibility, borrower domination and lack of clear rules combined with credit rationing. These problems create risks in SACCO operations which may include; conflicts between owners and managers (Fischer and Desrochers, 2002), i.e. expense preference behavior of management and entrenchment issue, the conflict between SACCO employees and volunteers, conflict between members and their elected management board and the moral hazard conflict between “net borrowers” and “net savers. Therefore, SACCOs need good corporate structure, with clear rules in their by-laws in order to achieve financial sustainability.

2.3.2 Financial sustainability.

Financial sustainability refers to the ability of any financial institution including (SACCO) to cover all its costs from its own generated income from operations without depending on external

support or subsidy (Bayeh A. Kinde, 2012). On the other hand, Dunford (2003) explained that financial sustainability is the ability of a firm to keep on going towards a micro finance objective without continuing donor support. Naser (2002) refers to financial sustainability as the ability of an institution to develop and sustain a diverse resource base for a long period that would serve the interest of client population without or with financial donor or assistance.

When an institution achieves its financial sustainability, it means that its able to stay in operations and achieve its objectives without continued donor support (Dunford, 2003). For any institution to attain financial sustainability, it must have the capacity to depend on self-operation, and at the same time remain profitable.

Financial sustainability can be measured in two ways namely; Operational sustainability and Financial self-sufficiency (OSS & FSS). Operational sustainability is the ability of the institution to cover its operating expense from the operational income whether subsidized or not. Financial self-sufficiency is when an institution is able to cover its costs from its own generated income, both operating and financial costs and any other form of subsidy valued at market prices (Zeller M. and Meyer, 2002). OSS indicates whether enough revenue has been earned to cover the SACCOs direct costs, excluding the cost of capital but including actual financing costs. Thus formula for calculating OSS is:
$$\text{OSS} = \frac{\text{Operating Income}}{\text{Operating Expenses} + \text{provision for loan losses}}$$
. FSS depicts the actual financial health of SACCOs. This in addition to OSS includes adjusted cost of capital. (Pollinger, Outhwaite & Guzman, 2006), states that organizations that can survive and add value to their asset base wholly, on the basis of income derived from their lending and related operations are financially sustainable.

2.4 Effect of BOD composition on financial sustainability of SACCOs.

Scholars who carried out research on the effect of corporate governance on financial sustainability of SACCOs, came up with varying conclusions. Among these researchers include; (Okoye et al, 2016); (Oyewale, B and Adewale, B, 2014); (Chenuos Nehemiah Kosgei, Mohamed Abdi & Bitok Stephen Kosgei, 2014); (Odek Robert, Okoth Elmad, Anyira Francis, 2018); (Alexander Mugendi Kanyi, Kimani E, Maina Samuel Kariuki, 2018); (George Ndiwalana, Johnson Ssekakubo & Freddie Lwanga, 2014), (Otieno, Mugo, Njeje & Kimathi, 2015); (Maundu, 2016), (Abigail, L. & Lutgart, V.B, 2013).

According to Abigail (2013), the directors need to have a proper structure which include dimensions such as diversity, proportion of inside directors and outside directors, experience and knowledge of directors and size of the board. She further contended that an appropriate board should comprise of a mix of members with different personalities and educational, occupational and functional backgrounds.

Chenuos et al,(2014) in his study on the effects of corporate governance on Microfinance institutions' financial sustainability in Kenya, indicated that corporate governance has a strong positive and significant effect on microfinance institutions. In this study, researchers considered board composition among corporate governance variables and financial sustainability of MFIs in Kenya was measured using ROA. The study recommended a higher board independence.

According to Okoye et al. (2016) in their study on corporate governance and financial sustainability of Microfinance institutions in Nigeria. Findings reveal that there is no significant relationship between corporate governance mechanisms of board independence and gender

diversity on financial sustainability of MFIs in Nigeria. Based on the findings, the study concluded that corporate governance practice in microfinance institutions in Nigeria is still quite shallow and has not supported sustainability of the institutions there was need to improve on corporate governance practice in the Nigerian microfinance sector to enhance the sustainability of the institutions in Nigeria. In line with the above findings, the paper recommended an improvement in corporate governance practice in the Nigerian microfinance sector to enhance the sustainability of institutions. The study also recommended that, more women should be engaged on the boards of microfinance institutions to take advantage of their managerial capabilities. Results from this study revealed a negative and non-significant relationship between board independence and gender diversity on financial sustainability.

Oyewale & Adewale, (2014), in their study, examined the sustainability of microfinance institutions using Kwara State, Nigeria as the case study. Eight microfinance banks were used for the study. The study adopted return on assets (ROA) as a sustainability indicator. Their findings revealed a low sustainability with reference to aggregate ROA values.

Similarly, (Hartarska, 2004), examined the relationship between financial performance and corporate governance of microfinance institutions in Central and Eastern Europe. The study used board diversity and board independence as corporate governance variables. The study revealed that board diversity improves financial performance that can enhance sustainability while large independent board tends to lower financial sustainability.

Coupled to that, an investigation on Board of directors composition, Board independence and financial performance of selected SACCOs in Kericho County, Isaac Kiprotich Nabei et al, (2017), revealed that diversity of the board, increases the resources brought in by individual

directors and the ability of an institution to access external resources. The study further established that women and minority board members have a positive influence on SACCOs' performance. The study recommended that SACCOs should maximize their employee's multi-dimensional abilities for better performance. Underperforming SACCOs should also review their composition and the directors' independence to enhance financial performance that can enable them achieve their financial sustainability status.

According to Vu Quang et al, (2018) , in the study that examined the effects of female leadership, at both board-level and individual-level, on the corporate value of UK FTSE100 stocks. The study revealed a strong evidence that, the existence of female directors on board is positively associated with firm value (Satwinder Singh, Naeem Tabassum, Tamar K, Darwish & George Batsakis , 2017). Testing for the female director positions, they interestingly found the competing results that the relation between the female chairman and firm value is significantly positive whilst there exists an adverse link between female CEO and firm value. The findings imply a significant effect of quota laws for gender diversity of boards of directors and female directors' positions on UK corporate market value.

(Hartarska, 2004), in his study on governance and performance of MFIs in Central and Eastern Europe and the Newly independent states, concluded that Board diversity improves both outreach and sustainability while larger and less independent boards lower sustainability.

A study carried out on analysis of corporate governance practices and financial performance of savings and credit cooperative societies: a case study of Kite SACCO society limited Kisumu city, Kenya, Odek Robert et al, (2018). The study concluded that board composition is the most prevailing factor that affects financial performance at KITE SACCO and as well affects the

SACCO leadership. Also, the study showed that existence of non-executive directors within the SACCO positively affects financial performance but weakly affects board composition and strongly affects SACCO's financial sustainability status.

Alexander Mugendi et al.(2018), conducted a study on Corporate Governance and Financial performance of savings and Credit Co-operatives in Embu County in Kenya. Their findings indicated that corporate governance positively affects the financial performance. In specific the board composition and corporate risk management for SACCOs had positive effect on the financial performances of the SACCOs. The study recommends gender parity consideration and balanced mix of skilled board members during appointments of the board members.

In a research paper presented by George Ndiwalana et al. (2014) in his study on Corporate Governance and financial performance of SACCOs. From the analyses, it was established that, there is a positive relationship between corporate governance and financial performance. This indicates that better corporate governance is positively associated with better financial performance of SACCOS in Uganda. Likewise, poor corporate governance is associated with poor financial performance of these SACCOS. This means that an improvement in board composition of these SACCOs is positively associated with an improvement in their profitability and portfolio quality that leads to financial performance and therefore enhances financial sustainability.

Maundu, (2016), conducted a study on the effects of corporate governance on financial performance of SACCOs in Machakos and Athi-River sub counties. His study revealed a strong positive correlation between board composition and financial performance of SACCOs. The study also indicated Education qualification and occupation as the highest in influencing

SACCO's financial performance. The study recommended that SACCOs delegates should ensure that the members to be elected on board comprise of professions, with good academic qualifications and diversified gender so as to have an effective board composition that can influence financial performance geared towards achieving financial sustainability.

2.5 Effect of BOD leadership on financial sustainability of SACCOs.

An active BOD is expected to be able to lead and monitor the SACCO effectively. In corporate governance, directors are entrusted with the responsibilities and duties about a company's affairs where they are accountable in steering the organisation to maximise shareholders' value. Evidence from literature provided that the support and commitment from BOD leadership are essential for the firm's enhancement towards financial sustainability, (Maclean & Rebernak, 2007, Janggu, Darus, Mohamed Zain and Sawani, 2014). Such support and commitment by BOD leadership can result in organisations gaining competitive advantage.

Various scholars have studied the effect of corporate governance on financial sustainability of SACCOs, indicating board leadership as a proxy for corporate governance. These include (Godfrey Wafula Munyaisa, 2016), Wambua (2011); Kiprotich et al (2014); John Mwangangi Makai & Tobias Olweny, (2016); Kennedy Otieno et al, (2015); Duncan Maundu Mutuku, (2016); de Andres et al, (2005); Van de Berghe and A levrau, (2004); Vefas et al, (1999); Zenner, (2004) and others. Each of these scholars came up with their findings and drew different conclusions.

Godfrey Wafula Munyaisa, (2016) made an assessment of Corporate Governance on performance of Savings and Credit Cooperative Societies in Kakamega County. His findings revealed that, management assessment of SACCO governance has a significant effect on

SACCO performance. The study concluded that the board committee should embark on assessing the performance of the SACCOs. The study recommended that managers should continuously monitor and assess the SACCO performance.

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. In his study, he concluded that reducing ownership concentration, employee involvement, SACCO leadership and financial monitoring by board members affects the financial performance of SACCOs, which hinders their financial sustainability.

Coupled to that, in line with the provisions of Corporate governance codes, boards of directors increasingly delegate duties to the sub-sets of their members, called board committees. There are typically three main board committees distinguished: audit, compensation and nomination. However, at times, institutions install additional committees, such as corporate social responsibility or technology committees among others. The idea behind this institutional solution is further delegation and specialisation of processes for which the board is responsible. The audit committee provides accurate and high quality financial information, the compensation committee generates well-designed incentive plans for managers and the nomination committee is responsible for the optimisation of the director nomination and selection process. The regulator recommends that, as a rule, all three committees are composed of independent, non-executive directors (Conyon and Mallin, 1997; Sarbanes-Oxley Act (SOX), 2002; UK Corporate Governance Code, 2014).

Coupled to that, Co-operative governance structures that are put in place to control management should ensure that management is accountable for their actions. Management committees should

n't engage themselves in pursuing activities that compromise their independence. Such activities include supply of goods and services to the SACCOs, employment and promotion of relatives, requesting for financial favors from credit institutions (SACCO Star Journal, 2012).

Coupled to that, Joseph Magali et al, (2014), in their analysis on the impacts of corporate governance on efficiency and sustainability of the best rural SACCOs in Tanzania. Their findings revealed that SACCOs in Morogoro outperformed the Dodoma and Kilimanjaro best rural SACCOs, because they have enough experience in conducting the SACCO business, were committed in loans screening, processing and recovery, they adhered to good leadership and corporate governance principles, possessed the loyal staff and its management has proper credits risk mitigation techniques. This paper recommended that SACCOs should apply the corporate governance principles and imitate some strategies of the overall best rural SACCOs to improve their efficiencies and promote their sustainability.

Boateng (2015), in his study on examining the challenges and prospects of microfinance institutions in Ghana, discovered that among the constraints faced by Microfinance institutions include; inadequate skills, lack of professionalism, frauds and forgeries among staff members. His study recommended among others an establishment of an Microfinance institutions fund to support capacity building for the sector on an ongoing basis and provision of logistics such as telecommunications and information technology to support the operations of MFIs and make them more efficient in rendering affordable services.

According to (WOCCU,2002), 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 skills and technical capacity necessary to fulfill their duties.

Tobias et al, (2016) conducted a study on the effect of corporate governance on financial growth of SACCOs in Kirinyaga County Kenya. The study indicated that board leadership predict financial growth of SACCOs. The study recommended that, BODs should constantly organise for capacity building trainings for all the committee members on necessary managerial skills since leadership influences SACCO's financial performance positively. The BOD in conjunction with the management team of the SACCOs should also ensure that the SACCO staff at all levels undergo leadership enhancement trainings. Besides, the directors should evaluate the management staff at the point of recruitment to ensure that they bring on board people who have considerable track record of leadership so as to improve SACCOs' financial performance in order to achieve financial sustainability.

In addition to that, performance-based compensation is not effective in aligning the interest of managers and stakeholders, and underpaying managers reduces outreach, (Hartarska, 2004). Therefore, management board should ensure that the staff is well compensated.

Kennedy et al, (2015) conducted a study on the effect of Corporate Governance on financial performance of SACCOs in Kenya. The study found out that there was a significant relationship between management style and financial performance of savings and credit cooperatives. In addition, the study revealed that participative management with democratic leadership enhanced the financial performance of SACCOs.

According to Robert et al, (2015) in their study on the effects of corporate governance on financial performance of SACCOs, their results indicated a strong positive correlation between board leadership and SACCO's financial performance. The study further recommended that BODs should constantly organise for capacity building trainings for all the committee members

on necessary managerial skills since leadership influences SACCO's financial performance positively. The board of directors and the management team of the SACCOs should also ensure that the SACCO staff in all levels undergo leadership enhancement trainings. Besides, the directors should evaluate the management staff at the point of recruitment to ensure that they bring on board people who have considerable track record of leadership so as to improve SACCOs' financial performance, to enhance financial sustainability.

Carolyne Ruto et al, (2017) in their study recommended that, motivational factors of employee improves organization performance. They added on that, it promotes career development and reduces monotony and motivates employees in the organization. They further recommended that the organization should put in place strategic management in order to enhance application of employee methods. This normally enables the organization to maximize employee's multi-dimensional abilities for better performance.

Coupled to that, the frequency of meetings is related to the internal administrative structure of boards, Andres et al,(2005). According to (Van de Berghe and A Levrau, 2004), board meetings are a procedural aspect that improves board effectiveness and they are used as a proxy for board activity. (Vefas et al, 1999), studied how the number of meetings affects firm performance and its financial sustainability. Boards should be ready to increase meetings frequency if the situation requires a high supervision and control (Zenner, 2004). Other studies suggest that boards should balance the costs and benefits of frequency. For example, if the board increases the frequency of its meetings, the recovery from poor performance is faster (Vefas et al, 1999).

More to that, some scholars found out that boards meet more regularly in years with lower performance. Nonetheless, years with more frequent meetings are followed by an increase in

performance that can lead to financial sustainability in the period that follows. This result suggests that board meetings contribute to financial performance and financial sustainability in the longrun and that monitoring increases when firms face problems. Other authors agreed with this conclusion as they found out that the number of board meetings promote board monitoring, Andres et al,(2005).

According to corporate governance rating, systems and Codes of Best Practices, SACCOs should promote the establishment of different committees to improve board effectiveness and its functioning (Van de Berghe and A Levrau, 2004). For instance, firms with audit committees and remuneration committees are related to higher performance and can easily attain financial sustainability, Chen & Nowland, (2010). Klein (2002) argued that board committees should be divided into two categories to contribute to board effectiveness; monitoring committees (supervisory, human resource and vetting committees) and productivity committees (finance, investment (loans) and strategic committees).

On the other hand, appointments to the board should be held through a managed and effective process, ensure that a balanced mix of proficient individuals is made and that each of those appointed is able to add value and bring independent judgment to the decision making process. The board of directors should determine the purpose and values of the corporation, determine the strategy that purpose and implement its values in order to ensure that the corporation survives and thrives and that procedures and values that protect the assets of the corporation are put in place (Central Bank of Kenya, 2013).

It is imperative that, members of the sub-committee should have sound knowledge of financial management. The investment committee should always be guided by the trend in the economy,

return on investments, and performance of the property market, requirement regulations and laws which pertains to investments, shareholders and members interest. The committee should always be on alert to ensure that the transactions are carried out with accuracy and honestly. It is for this reason that the supervisory committee organizes regular audits of affairs of the organization, Central Bank of Kenya,(2013).

Apart from formal auditing, the committee should also be on the look-out for potential problems that can affect the firm's financial sustainability. For example, they should take note of any money handling officials who are anxious to handle certain accounts. It is also essential that employees dealing with finances should take their annual leave. The board should monitor and evaluate the implementation of strategies, policies and management performance criteria and the plans of the corporation. In addition, the board should constantly review the viability and financial sustainability of the financial institution and must do so at least once a year (Central Bank of Kenya, 2013). The board should identify the SACCO's internal and external stakeholders; agree on a policy or policies determining how the SACCO should relate to, and with them, increasing wealth, jobs and sustainability of a financially sound corporation while ensuring that the rights of stakeholders established by law or customs are recognized and protected. The Board should ensure that no one person or group of persons has uncontrolled power and that there is an appropriate balance of power over the board so that it can exercise objectives and independent judgment (Cooperative Societies Act, 1991). The extent to which THPU SACCOs' board implements their leadership role is another reason for carrying out this study.

2.6 Effect of BOD size on financial sustainability of SACCOs.

Among the scholars who studied the effect of corporate governance on financial sustainability of SACCOs and considered BOD size as a variable of corporate governance include but not limited to; (Chenuos Nehemiah Kosgei, Mohamed Abdi & Bitok Stephen Kosgei, 2014); (Okoye et al, 2016); (Otieno, Mugo, Njeje & Kimathi, 2015); (Maundu, 2016); (Dr. Henry Buwule Musoke, Senyonjo V.M.M, Kyeyune, MF, 2017).

Jensen (1993) concluded that a large board is less effective in coordination, communication and decision making and is more likely to be controlled by the CEO. However, Laiho (2011) found that large board size is believed to be able to monitor the management better than small board size as they internalize larger part of the monitoring costs and have sufficient voting powers to influence the corporate decisions thus reducing the agency costs. Darus, Mat Isa, Yusoff, and Arshad (2015) found that the number of directors on the board influences the CSR information disclosed in companies' annual and sustainability reports.

Chenuos et al, (2014), conducted a study on the effects of corporate governance on Microfinance institutions in Kenya. In this study, BOD size was considered among the corporate governance variables and financial sustainability was measured by ROA. The results of the study indicated that board size had a positive and significant relationship on the MFIs financial sustainability in Nigeria. The study recommended a moderate BOD size.

Okoye Lawrence et al, (2016), conducted a study on Corporate governance and financial sustainability of microfinance institutions in Kenya. In his hypothesis, he indicated that, there is no significant relationship between Board Size and Financial Sustainability of MFIs. However, the results of his findings showed a positive significant. This finding was consistent with the

studies of (Chenuos et al., 2014; Sharma, 2006). Both findings showed that board size has a significant impact on financial sustainability of MFIs in Nigeria.

At the same time, researchers (Siele, 2009; Muwamba, 2012; Chenuos et al., 2014), argue that since board size contributes to board activity in the governance process of any organization. It is believed that a board size of less than seven is generally not advisable. Also, it is advisable that board size should consist of an odd number for easy voting to decide the majority and minority members. And in cases where the size of board members is an even number, one would not vote and in most cases the board secretary who happens to be the institutional manager.

According to Dr. Buwule Musoke et al, (2017) in their study on board size and financial sustainability of Ugandan micro finance institutions. The study found that when the size of boards in SACCOs reduce, financial sustainability increases and it also culminates into board effectiveness. The key recommendation in this study is that, SACCOs in Uganda, should maintain small boards as stipulated in their legal guidelines.

Kennedy et al,(2015), in their study on the effect of Corporate Governance on financial performance of SACCOs in Kenya. Results to the study, indicated an insignificant relationship between Board size and financial performance. The study recommended that BOD size should be kept where financial performance is least affected adversely.

Duncan (2016), established that there is a negative correlation between Board size and SACCO's financial performance. He revealed that, the fewer the board members the better the financial performance of SACCOs. The study recommended that SACCOs delegates who are at the same time, shareholders should ensure that the members to be elected on board compose of a

good mix in terms of directors' profession, academic qualification and gender so as to have an effective composition since it influences financial performance.

The above results add to the on-going debate of how inconclusive the size of the board is on the various financial sustainability measures of SACCOs. More so, it has also been noted from the previous studies that the capacity of the board to function effectively partly depends on its size (Rock et al, 1998). Although there is no optimum number of board members, the number should not be too small or too big. A microfinance board should be large enough to incorporate the various skills, including audit skills, legal knowledge, knowledge of the target market and social perspective in order to complete their work effectively (without overburdening members), to provide continuity, and to ensure quorums for meetings (Council of Microfinance Equity Funds, 2005; Rock *et al.*, 1998; (JK Siele, 2009). It was further stated by the Council of Microfinance Equity Funds (2005) that it is important to have people on the board that are politically influential so that they can assist with political issues, tap funding, and to enhance public image. Jensen (1993), (Lipton & Lorch, 1992) and (Siele, 2009), observe that large boards can be less effective than small boards for a CEO to control. The idea is that when boards become too big, agency problems, such as director free-riding, increase within the board and the board becomes more symbolic and less a part of the management process.

To add on that, (Raheja, C, 2005), observes that larger boards have higher coordination costs and decision making process takes a long period of time though the decision is of equality. Arguably, board size must be small enough to accommodate the need for frequent meetings and for the group to work together to make substantive decisions (Council of micro finance Equity bonds, 2005); (Rock et al, 1998) (Rock *et al.*, 1998). (Lipton & Lorch, 1992), supported the

same number of board size 7-9 members, though effective boards may also have eleven or more members.

However, some researchers (Siele, 2009), argue that as the size of the board increases, board activity is expected to rise to compensate for rising process losses. Besides, fewer than seven is not generally advisable, as the quorum may be small, especially if the management is included in the board. In addition, boards should consist of an odd number of members to curb potential deadlocks when votes are taken but in some cases where the size of board members is an even number, one would not vote and in most cases the board secretary who happens to be the institution manager. The size of the board is measured by the number of directors on such boards.

Existing literature discusses the inefficiencies in the monitoring of the board of directors when the membership is too large and have found negative relationships between board size and firms financial sustainability in both large and small firms (Kajola, 2008); (Mak and Kusnachi, 2005); (Paul, 2009); (Shobod Deba, 2015); (Lee and Filbeck, 2006); (Eiseburg et al, 1998); (Lipton & Lorch, 1992) and (Jensen M., 1993). However, Sandra et al, (2005) found out that firm financial sustainability is positively correlated with small as opposed to large boards in Nigeria.

Locally, studies also exist on size of the board and firm's performance and financial sustainability measures. For example, (Akodo, 2007), established that board size had a negative effect on financial performance and sustainability of public universities in Uganda. Rossette (2002) established that board composition in terms of size, significantly affect board effectiveness, performance and financial sustainability in selected financial institutions in

Uganda. Jalla (2006) reported that, board size was inevitably a critical factor for long term survival of financial institutions in Uganda.

A large board is argued to benefit corporate performance and financial sustainability as a result of enhancing the ability of firm to establish external links with the environment, securing more resources and bringing more exceptional qualified counsel (Dalton et al., 1999 Lee & Filbeck (2006). Furthermore, large board size may improve the efficiency of decision making process as a result of information sharing. Other studies offered supportive evidence for the positive influence of large board size (Bozee and Dia, 2007); (Mak & Lee, 2001) and (Adams and Mechran, 2005).

Moreover, other scholars revealed no relationship between board size and corporate performance and sustainability. (Keymark and Bekats, 2008). Eisenberg et al., (1998) found a negative correlation between board size and profitability, which supported theories put forward by Lipton and Lorch (1992) and Jensen, (1993). All the above different results add to the on-going debate of how inconclusive the size of the board is on the various financial sustainability measures of SACCOs.

2.7 Literature gap.

According to the available literature, one of the principal challenges which Savings and Credit Co-operatives (SACCOs) face, is establishing proper governance systems (Odera, 2012). Yet good governance can improve the performance of SACCOs and help assure its financial sustainability, (Thomsen, 2008).

Apparently, very few scholars have studied directly the effect of corporate governance on financial sustainability found in the literature (Peter and Eyesan, p. 2015); (Oyewale and Ibitoye, 2015); (Oyewale, B and Adewale, B, 2014). And of the few, non of them considered BOD composition, BOD leadership and BOD size as measures of corporate governance and also used Financial self sufficiency and Operational sustainability as measures of financial sustainability. Coupled to that, empirical evidence indicates a positive relationship between financial performance and financial sustainability , Nabwonya et al, (2016), for any institution to achieve financial sustainability, it must register good financial performance without subsidized resources or funds. In regards to the available literature, good Corporate Governance is of paramount importance in all organizations regardless of their industry, size or level of growth. Therefore, the scarcity of empirical evidence on the effect of corporate governance on financial sustainability of SACCOs in Uganda, became a motivating factor for the researcher to carry out this study.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This Chapter presents a detailed description of the research methodology that was applied by the researcher. Methodology is the detailed procedure used to answer the research questions.

Methodology includes a description of the research design, study population, sampling techniques, data collection instruments and methods, administration of instruments, validity and reliability of instruments, data processing, analysis, presentation and measurement of variables. It comprised of several sub-sections which were presented in the order given below.

3.1 Research Design

This section describes the pattern that the researcher followed, the plan or strategy for conducting the research. The research design refers to the overall strategy that was adopted by the researcher to integrate the different components of the study in a coherent and logical way. The research design ensures the researcher that the problem can effectively be addressed, Trochim, William M.K,(2006). It constitutes the blueprint for the collection, measurement, and analysis of data. . It is a plan of the methods and techniques that were adopted for the collection and analysis of data that was required in obtaining answers to research questions, Martin, K.&Acuna,C(2002).

The researcher adopted a case study design. A case study is a research strategy and an empirical inquiry that investigates a phenomenon within its real-life context. Case studies are based on an in-depth investigation of a single individual, group or event to explore the causes of underlying principles, Press academia, (2018). The case study design enabled the researcher to have an in-depth investigation into THPU SACCOs while involving multiple sources of data including

questionnaire, interviews and review of documents to allow triangulation of findings, (Gomma et al 2000, Yin 2009). Descriptive research described the conditions and attitudes through observations and interpretation techniques (Mugenda, O.M. & Mugenda A.G, 1999). According to (Cooper and Schindler, 2003), a descriptive study was concerned with finding out the what, where and how of a phenomenon. Descriptive research design involved either identifying the characteristics of an observed phenomenon or exploring possible correlations among two or more phenomenon. This research design described the phenomenon as it is. In other words, it did not involve changing or modifying the situation under investigation. Inferential statistics enabled the researcher to use samples to make generalizations about the populations from which the samples were drawn. Strategies that were employed included sampling, interviewing, questionnaire administration and documentary checklist. The design was deemed appropriate because the main interest of the study was to investigate the effect of Corporate governance (IV) on financial sustainability (DV).

The study adopted both qualitative and quantitative approaches (triangulation) because the phenomenon under study had both quantitative and qualitative values. Qualitative methods were used for collection of verbal data to understand the opinions and expressions of the employees and the directors of THPU SACCOs. On the otherhand, quantitative methods were used to generate numerical data and hard facts by employing statistical, logical and mathematical techniques. (Babbie et al, 2003). The application of these two research methods ensured that the defects in one design were compensated for by the other. This was intended to enable the researcher investigate the effect of corporate governance on financial sustainability of THPU SACCOs.

3.2 Target or Study Population.

According to (Bryman & Bell, 2009), a population is a well-defined or set of people, services, elements, events, group of things or households that are being studied. Thus the population should fit a certain specification, which the researcher studies and the population should be homogenous. Population refers to the group of items in the scope of the research study. It is an aggregate of all the subjects, objects or members that conform to a set of specifications. The target population is the population to which a researcher wanted to generalize the results of the study (Mugenda, O.M. & Mugenda A.G, 1999).

The population of interest in this study were the savings and credit co-operatives of THPU. There are nine active THPU SACCOs fully registered with the Ministry of trade, industry and cooperatives through the registrar of cooperatives.

Table 3. 1: Target population; THPU SACCOs.

Name of the SACCO	Year of registration	District
Iganga Food Farmers' Initiative SACCO	2009	Iganga
Mbale Epicenter Community SACCO	2008	Mbale
Namayumba Epicenter SACCO.	2014	Wakiso
Wakiso Womens' Food Farmers' Initiative SACCO.	2011	Wakiso
Kiboga Food Farmers' Initiative SACCO	2007	Kiboga
Kalamba Food Farmers' Initiative SACCO	2007	Butambala
Kiring'ente Food Farmers' Initiative SACCO	2008	Mpigi
Mbarara Epicenter SACCO	2012	Mbarara
Kiruhura Epicenter SACCO	2011	Kiruhura

Source: Secondary data (2018).

3.2.1 Sample size

A sample is part of the target population that has procedurally been selected. The sample consisted of 73 out of 90 board members from the 9 SACCOs and 123 staff members out of 180 staff members from the 9 SACCOs. Interviews were administered to 123 staff members and questionnaires were distributed to 73 Board members through drop and pick method. This number was chosen because it had equal representation from the three operational regions i.e. East, West and Central region. This sample size was determined using Krejcie and Morgan's table (1970), refer to appendix iv.

3.2.2 Sampling Techniques.

This study employed simple random and purposive sampling, which are part of probability and non-probability sampling strategies. Choice of simple random sampling technique for the 73 Board members, was justified on the ground that this specific category was not homogenous the fact that these SACCOs are located in different regions, the researcher needed representatives from each region. Simple random sampling ensured that each member of the target population had equal and independent chance of being included in the sample. And purposive sampling was chosen because the respondents to be selected were supposed to give focused information and these are staff members of these SACCOs, therefore were expected to have significant information pertaining these SACCOs. This enabled the researcher to collect data at the spur of the moment without rigidity on the procedure.

Table 3. 2: Population and Sampling.

	Population size	Sample size	Techniques / Strategies
Board of directors (MB & SC)	90	73	Purposive sampling.
Staff members	180	123	Simple random sampling.
Total	270	196	

Source:Primary data, (2018).

3.3 Data collection methods

The study used interviews, questionnaires and documentary review as methods of data collection. The selection of these tools was guided by the nature of data to be collected, the time available as well as the objectives in the study. The researcher was concerned with views, opinions and expressions of the Board of directors (BOD) and management staff from the these SACCOs. Such information can easily be collected through the use of questionnaires and interview guide (Bell, 1993; Touliatos & Compton, 1988). Document analysis technique was used to obtain quantitative data on the independent and dependent variables. The choice of semi-structured interviews as a method of data collection was justified on the grounds that the study was both quantitative and qualitative in nature and required an intensive interaction with informants in order to gain a better insight into the research issues to ascertain in-depth information. This method of data collection was applied to staff members. The researcher also collected data through questionnaires because of the low cost that was involved since the sample size was large and widely spread geographically. This method also ensured that data collected was free from the researcher's bias because answers were in the respondents own words and respondents had adequate time to give well thought out answers. This tool was applied to all the 73 Board members.

3.4 Data collection instruments.

3.4.1 Questionnaire.

As specified above, the primary data collection instruments were questionnaires and interview guides which were supplemented by information obtained from documentary review. According to (Wegner, 2001), the design of a questionnaire is critical to ensure that the correct research questions are addressed and that accurate and appropriate data for statistical analysis is collected. Questionnaires as data collection instruments were dictated because the study design was both qualitative and quantitative in nature. Accordingly, the questionnaire for the study was designed to take into consideration the three objectives to the study.

3.4.2 Interview Schedules.

Interview schedules were used as data collection instruments where open-ended and partially categorized questions were used. The choice of interview schedules data collection instrument was dictated by the fact that the study design was both qualitative and quantitative in nature and the fact that it allowed probing more deeply into issues of interest that were being raised and also issues that were not previously thought of when planning the study, were explored, thus providing valuable insights into the research problem (Kothari, 2004).

3.4.3 Documentary Checklist.

A documentary review checklist gave the researcher a structure and a leeway to review some of the relevant documents to compliment other information and facilitate the understanding of how operations were running. For analysis the interviewer used a checklist to find out the required documents that were of interest. A documentary review method was used to source out secondary data from relevant documents such as audited financial reports, budgets and work plans, staff registers, Board minutes book, Chairperson management board file, chairperson

supervisory board file, Management letters, Memorandums of understanding (MOU) and other Board sub-committee files.

3.5 Research Procedure

The researcher developed a proposal over a period of about one month under the guidance of supervisors, upon proposal approval, the researcher proceeded to collect data. Qualitative data was collected from 123 respondents through interviews, and questionnaires through a drop and pick method, from a target population of 70 during the month of October using purposive and simple random sampling techniques. With permission from management of these SACCOs, quantitative or secondary data was collected from audited financial reports, Chairperson Management board files, chairperson supervisory board files, Management letters, work plans and budgets, different Memorandums of understanding and other Board and sub-committee members' documentations and files. Data was collected by the Epicenter program officers who were assisted by the credit officer of THPU. This was because the two oversee the SACCO's operations and are representatives of some stakeholders and known by all shareholders who are members in these SACCOs. Therefore, with them, the researcher was able to collect the necessary information concerning these SACCOs. Collected data was also analyzed through a Statistical program for social scientists (SPSS) whereby, frequency descriptions, and descriptive statistics that shows the mode, mean, median, Range, standard deviation and variance reports were extracted. Further still, data analyzed using inferential data analysis techniques such as regression, analysis of covariance (ANOVA) and coefficient of determination information.

3.6 Data Quality control

To control the quality of data, the researcher endeavored to attain validity and reliability coefficients of at least 70%. Tests to establish the validity and reliability of qualitative data are important to determine the stability and quality of data obtained. According to (Leedy, 2009), validity of a measurement instrument is the extent to which the instrument measures what it's supposed to measure. It takes different forms each of which is important in different situations. Validity is the extent to which research results can be accurately interpreted and generalized to other populations. It is the extent to which research instruments measure what they are intended to measure (Oso & Onen, 2008) .

3.6.1 Validity

According to Leedy (2009), validity of a measurement instrument is the extent to which the instrument measures what it's supposed to measure. It takes different forms each of which is important in different situations.

To ensure validity of the instruments, various copies of the instrument were given to Research Supervisors for further analysis to point out areas in which the instrument was deficient and on the basis of their expert opinion various changes were made to the instruments so as to increase their validity. In addition, to ensure content validity, the researcher constructed data collection instruments with an adequate number of items and made sure that each item or question on the scale had a link with the objectives of the study and ensured that all items covered a full range of issues which were being measured.

3.6.2 Reliability

On the other hand, (Leedy, 2001) explains that the reliability of a measurement instrument is the extent to which it yields consistent results when the characteristic being measured has not changed. In other words, reliability is the degree to which an instrument measures the same way each time it is used under the same conditions with the same subjects.

Reliability of the data collection instruments was measured using Cronbach's Alphas test. Cronbach's alpha is a test reliability technique that requires only a single test administration to provide a unique estimate of the reliability for a given test. Cronbach's alpha is a function of the average inter-correlations of items and the number of items in the scale, the closer the alpha to 1, the higher the reliability of the instrument. The instruments were subjected to a pre-test where 30 respondents from the population which was not part of the sample size were used to test the reliability of the questionnaire. Therefore, items with reliability coefficients of at least 70% were accepted as reliable in this study (Kathuri & Pals, 1993).

Table 3. 3: Cronbach's Alpha test for reliability.

Variable	Cronbach's Alpha at Pre-test	No of Items	Post-test Cronbach's Alpha	No of Items
BOD Composition	0.885	5	0.871	5
BOD Leadership	0.741	6	0.778	6
Financial self sufficiency	0.767	6	0.767	6
Operational self sufficiency	0.765	6	0.837	5

From the reliability results in Table 3.3 above, the variable BOD composition had an Alpha coefficient of 0.885 at pre-test, after standardization it changed to 0.871. BOD leadership had an

Alpha coefficient of 0.741 at pretest, after standardization it increased to 0.778. Financial self-sufficiency had an Alpha coefficient of 0.767 at pretest, which remained constant after standardization and Operational self-sufficiency had an Alpha coefficient of 0.765, which increased to 0.837 after standardization. All the coefficients revealed a high consistency of the items at pre-test. However some of the questions in the questionnaire were rephrased and others removed while putting in new ones. Thus, the coefficients at post-test improved and therefore the internal consistency of the parameters hence, reliability of the information collected.

3.7 Data Analysis.

The researcher provided two types of data analysis namely descriptive data and inferential data. Descriptive analysis refers to the use of measures of central tendencies such as mean, median, mode and measures of dispersion such as range, percentiles, standard deviation and variance to describe a group of subjects. The descriptive analysis helped the researcher to describe the relevant aspects of the phenomena under consideration and provided detailed information about each relevant variable. Descriptive analysis was used because the researcher didn't want to generalize her findings beyond the sample.

For the inferential analysis, the researcher used regression analysis statistics. This enabled the researcher to determine the effects of Corporate governance as an independent variable on financial sustainability as a dependent variable.

Furthermore, Test of significance, R-Square, ANOVA and t-test was also be used to establish the significance of the difference in the financial sustainability of the SACCOs. ANOVA is usually used when the data is made up of individual scores and the researcher wants to estimate the individual as well as the group differences as a result of treatment and determine if one variance is larger than the other (Oso & Onen, 2008). In this study, ANOVA was used to determine the

level of significance between the independent variables to dependent variable i.e. financial sustainability. Overall data was analyzed using the Statistical Package for Social Scientists (SPSS) and excel this helped the researcher to summarize the coded data and facilitate quick interpretation.

3.7.1 Data Analysis Procedure.

Data was collected using the hypothesis testing for Likert scale, where the independent variable represented the groups and the dependent variable represented the construct being measured. In this case, data was collected in form of strongly agree, agree, Neutral, disagree and strongly disagree. A response of Strongly agree was scored at 5, Agree at 4, Neutral at 3, Disagree at 2 and strongly disagree at 1, and the scores of each respondent on each variable were added together. Since each main variable had a minimum of two dimensions, the maximum score for each variable on each objective was 15 and the minimum was 2 on each variable for each respondent. The responses of all respondents for the SACCOS, were pooled together to get the overall score for all SACCOS. The scores for all SACCOS were then converted to percentages by expressing each score a percentage fraction of the total. The scores for all SACCOS were rated as follows; less than 20 percent, very poor; between 20 to less than 40 percent is poor, above 40 and below 60 is moderate, above 60 and below 80 percent is good, and 80-100 percent is very good. For further analysis and summary, those rated very good and good were regarded as good while those very poor and poor were regarded as poor.

3. 8 Measurement of Variables.

The variables were measured relating to the available literature on corporate governance and Financial sustainability, using similar constructs. Each of the variable has its respective proxy, sources of literature and consideration of measurement.

3.8.1 Financial sustainability.

Kinde, (2012) states that the financial sustainability of MFIs is measured in two levels, firstly Operational sustainability, and secondly, Financial self-sufficiency. Meyer (2002), cited in Kinde (2012), defines operational sustainability as the ability of an MFI to service its operating expenses from operating revenue irrespective of whether the institution is subsidised or not.

Meyer defines financial self-sufficiency as the ability of an MFI to service both operating expenses and finance charges from the institution's operating revenues. In tune with the literature, this study applied Kinde (2012) and Meyer (2002) definition as measures of financial sustainability. The FSS is considered to be 100% and operational self sufficiency is considered to be 110%, (Bogan et al,2007)

In reference to the study carried out by Ayayi & Sene (2010). This study used Return on assets (ROA), Return on equity (ROE) and portfolio at risk above 30 days, as measures of financial self sufficiency, and considering Rai (2012) the study used Breadth & depth of outreach, yield on gross portfolio and percentage of female borrowers as measures of operational self sufficiency.

ROA is considered as an indicator of Financial Sustainability which represents how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. It is commonly defined as net income divided by total

assets. Net income is derived from the income statement of the company and is the profit after taxes.

Return on equity ratio or ROE is a profitability ratio that measures the ability of a firm to generate profits from its shareholders investments in the company. Return on Equity (ROE) is a measure of a company's annual return (net income). Return on Equity (ROE) is generally net income divided by equity.

Portfolio yield is an indicator of an MFI's revenue during a specific period of time. Yield on gross loan portfolio, or portfolio yield ratio, measures income from the loan portfolio as well as the average interest rate charged to borrowers by the MFI (including loan-related fees). Generally, yield on gross portfolio is the initial indicator of an institution's ability to generate revenue with which to cover its financial and operating expenses.

Table 3. 4: Measurement of Financial sustainability.

Variables	Proxies	Measurement	Basis for measurement.
Financial self-sufficiency (FSS)	Return on Assets.	Net Income / average total assets.	Over 5% ROA is good.
	Return on Equity.	Net Income/ equity	Between 15-20% is good.
	Portfolio at risk above 30days.	Outstanding loan balance in arrears/ gross loan portfolio	At least not more than 10% of the total portfolio.
Operational sustainability (OSS)	Yield on gross loan portfolio	Financial revenue from the loan portfolio /gross loan portfolio.	An increasing portfolio yield is considered positive.
	Female borrowers	% of female vs male borrowers.	70% females is good.
	Breadth & depth of outreach.	Total number of clients vs active clients.	At least 85% of the total number of clients are active.

Source: Microfinanza, Micro rate and Planet Rating, (2014).

3.8.2: Corporate Governance.

In a Corporate Governance setting, Board composition is one of the important factors affecting financial sustainability of firms. According to Habbash et al (2014), the board is set to achieve three critical roles; Agency theory responsibilities, resource dependence responsibilities, and legal responsibilities. According to the study, Board Composition is broken down into three categories ie Board independence, Board diversity and Board professionalism and experience.

The independence of the Board is related to corporate governance practices in the sense that they are obliged to consider corporate decisions carefully and challenge management channeling all their efforts towards enhancing financial sustainability of the SACCO. A director may be compromised not only if he has a financial interest, but also by virtue of the existence of personal or other relationships to the interested party and thus existence of outside directors would limit such acts within the SACCO. Further, independence of committees is also related to financial sustainability in that they consist entirely of independent committees in which at least one financial expert is included in the audit committee to detect and report misappropriations.

Siele, (2009) explained that gender diversity on the BOD produces a higher expectation in terms of effectiveness, productivity and value creation. Also it is believed that women generally have higher expectations in terms of responsibilities as directors which could influence the board's effectiveness towards productivity. Fonda and Sassalos (2000) viewed gender diversity on the board as a step in the right direction because women directors are perceived to be more active and produce significant results that could add value to different stakeholders. Mersland and Strom (2007) explained that having a substantial number of women on the board could help in customer drive and retention because many of MFIs clients are women. A study by Ngoungo (2014), found that younger boards generally outperformed older boards, suggesting the

likelihood that younger boards might be more innovative and possibly more willing to participate in the monitoring process.

More to that, Professionalism and experience of the BOD is crucial to corporate governance. An effective board depends on both the diverse collection of skills and competencies that individual directors bring with them and the training that the board provides to help directors master board issues and develop the skills needed to participate effectively. Therefore, professionalism of the directors' committee and their experience is so crucial in corporate governance.

BOD leadership and corporate governance are related in the sense that if there is proper leadership, it would be reflected by proper management structure, existence of corporate integrity, reputation of the firm through implementation of strategies, policies and general management performance and thus enabling financial sustainability. 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).

There is no optimal size for the board (Kumar et al, 2012). Smaller boards can help enhance firm performance because they allow members to engage in genuine interaction and debates (Al Mamun et al , 2013).

According to the Council of Microfinance Equity Funds, Siele, (2009), a microfinance board should be large enough to incorporate the various skills, including audit skills, legal knowledge, knowledge of the target market and social perspective in order to complete their work effectively, without overburdening members, to provide continuity, and to ensure quorums for

meetings. It was further stated that it is important to have people on the board that are politically influential so that they can assist with political issues, tap funding, and to enhance public image.

Table 3. 5: Measurement of Corporate Governance.

Variables	Proxies	Measurement	Basis for measurement
BOD Composition	Board independence.	Number of inside and outside directors.	At least 75% should be outside directors.
	Board diversity.	% of female vs male directors & % of young directors vs old.	75% of directors are women & at least 70% are young directors.
	BOD profession and experience.	% of professional directors with experience.	70% should be professionals and experienced.
BOD leadership	Frequency of BOD meetings.	Number of Monthly & Quarterly meetings.	One quarterly meeting for MB& SB & one quarterly for each committee
	BOD sub-committees.	Number of BOD sub committees.	At least 4 sub committees.
	Quality of executives.	Percentage of knowledgeable and skilled managers.	100% knowledgeable and skilled staff.
BOD Size	Small Board	Number of directors on both MB & SB committee.	Not more than 7 members on MB and not more than 3 on SB committee.
	Big Board	Number of directors on both MB & SB committee	More than 7 members on MB & more than 3 on SB committee.

Source: M-CRIL, Microfinanza, Micro rate and Planet Rating.

3.8.3 Internal controls and operational risks.

Internal controls and operational risks. Hillary Maru and Kennedy Ombaba (2018), in their study on internal controls and corporate governance, recommended that SACCOs should improve on the use of internal controls in monitoring their operations in order to control consciousness of its

employees, they should contact accounting assessment by identifying and analyzing the relevant risks to the achievement of objectives, forming a basis for how the risks should be managed, the policy makers and stakeholders should ensure that SACCOs comply with rules and regulation of the ministry and taxes payment.

Cuevas & Fischer (2006) as well, observed that SACCOs have a high exposure to credit risk; the risk that borrowers are unable to pay back or risk of delayed payments, as well as operational risks; the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events, (Basel Committee report, 2001).

Table 3. 6: Measurement of Internal controls and risks.

Variables	Aproxies	Measurement	Basis for measurement.
Internal controls	Monitoring, accounting and policies & procedures	Presence of policy manuals and management information system,	Operations, Human resource, Accounts, Governance and lending policies.
Risks	Credit and operational risks.	Presence of insurance.	Credit policy and cash policy insurance.

Source: M-CRIL, Microfinanza, Micro rate and Planet Rating.

3.9.0 Conclusion.

The purpose of the study was to investigate the impact of corporate governance on financial sustainability of THPU SACCOs. Therefore after thorough administration of the study instruments and examination of all variables, the researcher was able to draw conclusions on the findings best on the research objectives and made recommendations on the study.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction.

This chapter presents analysis and findings of the study as set out in the research methodology. The study findings are presented on the effect of corporate governance on financial sustainability of THPU SACCOs. Secondary data was exclusively from audited accounts for 2016, 2017 and 2018. Chairperson Board files, work plans and budgets for the same years. Primary data was extracted from the questionnaires and interviews were conducted by the researcher.

4.1 Response Rate.

The respondents to the interview guide were 73 out of 90 board members of THPU SACCOs. These included supervisory and management board members. Questionnaires were distributed to 123 out of the 180 staff members from the 9 SACCOs, through drop and pick method.

Table 4. 1:Response rate

Targeted respondents	Actual respondents	Response rate	Category of respondents
123	105	85.4%	Management staff.
73	65	89.0%	Board members
196	170	86.7%	Overall response

Source: Primary data, (2018).

Information in Table 4.1, shows that out of the targeted 196 respondents, 170 participated in the study (86.7%). According to the available literature, a response rate of 52% and above is high enough, Kombo and Tromp (2009). To the researcher, a response rate of 86.7% is more than the recommended percentage, hence this enabled the researcher to continue with the study. The

response rate was attained because the study employed one research assistant per each epicenter SACCO, where the study was carried out. The assistants were the assistant program officers per THPU's epicenter. They facilitated administering of questionnaires and interviewing of the respondents.

4.2: Results from descriptive statistics.

Table 4. 2: Descriptives on financial sustainability of THPU SACCOs.

Variable	Minimum	Maximum	Mean	Standard Deviation
Return on Assets	-0.1	5.6	2.5	2
Return on equity	-1.4	46.3	22.6	16.9
PAR>30 days	35	54	45	7.2
Gross portfolio yield	16	21	19	1.8
Female borrowers.	60	67	63.5	2.7
Active borrowers	58	72	63.7	5.2

Source: Secondary data, (2018).

Return on Assets indicated a negative minimum value of -0.1% and maximum value of 5.6% implying that among THPU SACCOs, some didn't make any profits within the study period despite the resources invested in them hence recording a loss of -0.1%. This indicates poor performance which hinders the financial sustainability of THPU SACCOs. The highest ROA indicated was 5.6% and the mean value was 2.5 %, indicating that on average, THPU SACCOs recorded 2.5% from their return on assets. This is not good since the recommended ROA for any institution should be above 5%. The standard deviation for return on assets for THPU SACCOs

was 2% implying that, the deviation from the mean was significant. This implied that some THPU SACCOs indicated some good performance within the study period unlike others.

Further, Return on Equity showed a negative minimum value of -1.4% and a maximum value of 46.3% an indication that during the study period, some THPU SACCOs, did not earn profits in relation to the investments made by their shareholders, while others did. This was seen by the highest ROE which was indicated to be at 46.3%. The mean value for Return on Equity was 22.6% within the study period. This implies that on average THPU SACCOs registered some good performance in relation to ROE, since the recommended ROE is between 15% to 20%. The standard deviation for Return on Equity was 16.9%, implying that the deviation of the minimum and the maximum value from the mean value was highly significant. This indicates a very poor performance of some of THP SACCOs, which affects their financial sustainability.

The data further indicated that the minimum portfolio at risk above 30 days, of THPU SACCOs within the study period was 35%. This implied that a minimum of 35% of Outstanding loan portfolio of THPU SACCOs, was in arrears. At the same time, the data indicates a maximum portfolio at risk above 30 days of 54%. This implied that over half of the total Outstanding loan portfolio within the study period was in arrears. The study further indicated a mean portfolio at risk above 30 days to be 45%. This PAR>30 days indicates that THPU SACCOs performance was very poor within the study period, since according to the microfinance ratings, PAR>30 days of any microfinance institution must not be more than 10%, therefore the mean PAR> 30days of 45% is an indicator of poor performance of THPU SACCOs, which affects their financial sustainability.

According to the data presented, minimum yield on gross loan portfolio indicated a minimum of 16% and maximum of 21%. This indicates a lower yield on gross loan portfolio which affects the performance of THPU SACCOs hence causing a delay in attaining their Financial sustainability. The data further indicated mean yield on gross loan portfolio of 19%, indicating a low yield from the portfolio of THPU SACCOs within the study period. The study further showed a standard deviation of 1.8%. The low standard deviation indicates a close variation of data from the mean indicating a slightly positive significance between the performance of THPU SACCOs in regards to portfolio yield within the study period. According to Microrate, a positive portfolio yield is an indicator of good performance. Therefore, a big portfolio yield indicates good performance of THPU SACCOs.

The study further indicated a minimum of 60% and a maximum of 67% active female borrowers for THPU SACCOs. This is an indicator of social impact for these institutions whose focus was women as key change agents. And according to the Microrate, Microfinanza and planet rating, more women borrowers in an institution is an indicator of financial and social viability of an institution which can lead to financial sustainability. The study further indicated a mean value of 63.5%, meaning that on average 63.5% of the total borrowers are women. The study also indicated a standard deviation of 2.7%, implying a significant dispersion of data from the mean. This shows that THPU SACCOs' performance is fair when it comes to the ratio of women and men and this is likely to accelerate their financial sustainability.

According to the study, the minimum percentage of active clients within the study period is 58% and the maximum is 72% out of the total number of clients for these SACCOs. The study further indicated a mean active number of clients to be 63.6%. This implies that on average 63.6% of THPU SACCOs' clients are active. This indicates a significant percentage of THPU SACCOs

whose clients are dormant. This is just a fair performance and not in accordance with the Microfinance rating which indicates that at least 85% of the institutional clients should be active. The study further shows a standard deviation of active clients at 5.2 %, implying a huge dispersion from the mean, implying that there are some THPU SACCOs whose active number of clients is very low compared to others. This is not good, since these clients do not contribute to the profitability of THPU SACCOs which has affected their financial sustainability.

Table 4. 3: Descriptives on Corporate Governance of THPU SACCOs.

Variable	Minimum	Maximum	Mean	Standard Deviation
Board Independence	0.18	0.36	0.27	0.8
Board diversity	65	75	70	3
Professionalism & Experience	10	16	13	2.
Board meetings	7	11	9.3	1.5
Board sub committees	2	3	2.5	0.5
Quality of executives.	20	40	31.3	7.
Board size	8	11	9	1

Source:Secondary data,(2019)

Descriptive statistics provided in this study, the minimum percentage of outside directors to inside directors is 18% and the maximum is 36%. This implies that majority of the directors on board are inside directors who are shareholders of the SACCO. And on average, only 27% of the directors on board are outside directors. This is very low compared to the microfinance institution planet rating on BOD composition which stipulates that at least 85% of the directors on board should be outside directors. The small percentage of outside directors on board is an

indicator of poor performance of THPU SACCOs' corporate governance. The study further indicated a standard deviation of 0.8, which shows a normal distribution percentage value of directors among THPU SACCOs. This implies that throughout the THPU SACCOs majority of the directors are inside directors, which has affected their performance hence hindering their Financial sustainability.

The results from the study on the diversity of the board indicated that a minimum of 65% and a maximum of 70% of board members are women below 35 years of age. The study further indicated a mean of 70% of women directors and those directors below 35 years on of age. This is in accordance with the M-CRIL rating which recommends that the board should comprise of majority women on board. The M-CRIL rating also recommended young directors on the board of microfinance institutions, for them to register good governance. The study further indicated a standard deviation of 3.5, indicating a normal distribution of the women and young directors on boards of THPU SACCOs. Therefore, the fact that majority of directors are women and young, its an indicator of good performance of THPU SACCOs in governance.

According to the study, the minimum percentage of directors who are professionals and experienced is 10 and the maximum is 16. This implies that very few THPU SACCOs have professionals on the Board with experience in the operations of these SACCOs. The study further indicated that on average 13% of the board members have professionals and are experienced. This is very low compared to the industrial rating of 70% professionals on board. The standard deviation indicated by the study was 3.5, implying that there's a slightly small deviation of the value from the mean and therefore the data was normally distributed. The low percentage of professional directors on board is an indicator of poor governance which affects financial sustainability of THPU SACCOs.

The study results on the frequency of meetings revealed that the minimum number of board meetings for THPU SACCOs within the study period was 7 meetings per year and the maximum is 11. The study further revealed that on average 9 meetings were held by the board of directors within the study period. The standard deviation value of 1 showed that THPU SACCOs' meeting frequency is normally distributed due to slight variance of the standard deviation from the mean value. According to Micro rate rating for Microfinance institutions, management board should have a minimum of 4 quarterly meetings in a year, and the supervisory board is recommended to have 12 monthly meetings in a year. In addition each board committee should convene at least one meeting every quarter of the year. Therefore, a mean of only 9 meetings per year is an indication of poor monitoring and control by THPU SACCO boards, which affects the performance of these institutions and financial sustainability.

According to the study on THPU SACCOs' board committee, it was indicated that the minimum board committees are 2 and a maximum was 3. On average, it was indicated that the SACCOs' boards had only 2 committees on their boards. The standard deviation value was indicated at 0.5. This implied that on average, THPU SACCOs had only two sub committees on the board. This is not in line with the recommended number of sub committees on the board which is supposed to be 4. Since the reduced number of committees affects the monitoring, controlling and advising responsibilities of the directors on board, it also affects the financial performance and hence hinders the financial sustainability of these institutions.

The minimum value on the quality of managers or executives of THPU SACCOs was indicated to be 55% and maximum is 73%. The study also indicated that on average 64% of SACCO managers and executives are qualified with the required knowledge and skills. The standard deviation showed a significant value of 7, implying that some of THPU SACCOs have

unqualified directors while others have some how qualified directors. This is contrary with the recommendation by the Micro rating of microfinance institutions, indicating that the performance of MFIs partly depend on the knowledge, skills and experience of directors in executing the day to day operations. It recommends managers and executives of an MFI to be 100 qualified.

Lastly, the study indicated a minimum of 8 directors on board and a maximum of 11 directors. The study also indicated a standard deviation of 7 from the mean value. This implies that most of THPU SACCO boards have a small size of between 5 to 11 directors. This is in line with the recommended number of directors which is not supposed to be more than 11. This implies that the number of directors is enough to execute all the duties and responsibilities of the board. Hence a good indicator of good governance of THPU SACCOs that can lead them towards financial sustainability.

4.3: Regression Analysis.

The researcher used regression analysis to understand the relationship between the corporate governance variables and financial sustainability variables. Regression analysis enabled the researcher to understand the relative strength of corporate governance variables' effect on financial sustainability. The model also enabled the researcher to predict the value of financial sustainability based on corporate governance..

4.3.1 Regression results on the effect of BOD composition on financial sustainability of THPU SACCOs.

This section presents the first objective of the study which is to examine the effect of BOD composition on financial sustainability of THPU SACCOs. The section thus presents an analysis

and interpretation of data from the field. Therefore, the Table below presents the regression analysis of BOD composition on financial sustainability.

Table 4. 4: Model Summary for BOD composition of THPU SACCOS.

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.721 ^a	.521	.513	.25385	.521	68.401	1	63	.000

a. Predictors: (Constant), BOD COMPOSITION

Table 4.4 above, provides the R and R^2 values. The R value represents the simple correlation and is 0.721 (the "R" Column), which indicates a high degree of correlation. The R^2 value (the "R Square" column) indicates how much of the total variation in the dependent variable, financial sustainability, can be explained by the independent variable, BOD Composition. In this case, 52.1% can be explained, which is more than the average.

According to the results, there is a strong positive relationship between BOD composition and financial sustainability of THPU SACCOS. The results also indicate that on average, financial sustainability challenge is due to the poor composition of the board of directors' committee of THPU SACCOS.

The ANOVA table below reports how well the regression equation fits the data (i.e., predicts the dependent variable) and is shown below:

Table 4. 5: ANOVA for BOD composition for THPU SACCOs.

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.408	1	4.408	68.401	.000 ^a
	Residual	4.060	63	.064		
	Total	8.467	64			

a. Dependent Variable: FINANCIAL SUSTAINABILITY

b. Predictors: (Constant), BOD COMPOSITION

Table 4.5 above, tests whether the overall regression model is a good fit for the data. The Table show F-test with a smaller value of 0.000 which is less than 0.05 and therefore the model is a good fit. This means that the independent variable BOD composition can do a good job in explaining the variance in the dependent variable which is financial sustainability. This was indicated by the statistical significance of the regression model that was run, where, $p < 0.000$ which is less than 0.05, and indicates that, overall, the regression model statistically significantly predicts the outcome variable. Therefore, financial sustainability of THPU SACCOs can be predicted by their BOD composition.

In order to know the relative importance of independent variable in predicting the dependent variable. The researcher considered the unstandardized (B) coefficients as the coefficients of the estimated regression model.

Table 4. 6: Coefficient of determination for BOD composition.

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.053	.256		8.033	.000
BOD COMPOSITION	.507	.061	.721	8.270	.000

a. Dependent Variable: FINANCIAL SUSTAINABILITY

The Coefficients Table 4.6, provides us with the necessary information to predict financial sustainability from BOD Composition, as well as determine whether BOD Composition contributes statistically significantly to the model (by looking at the "Sig." column). Furthermore, we can use the values in the "B" column under the "Unstandardized Coefficients" column, as shown above.

Therefore, financial sustainability=2.053+0.507 (BOD Composition) which equal to 2.56. This means that BOD Composition significantly predicts the financial sustainability of THPU SACCOs.

At the same time, information from the documentary review, revealed that there are no professional directors on BOD. It indicated that majority of the directors have ordinary level certificates. This also came out clearly from the background information which indicated that 61.5% of the directors have an ordinary level certificate.

However, information about management staff indicated that they hold a minimum of a diploma in business studies and most of them are degree holders.

During the interview session, the chairperson executive board of WWFFI SACCO had this to say “ *All of us on the committee are qualified and posses a minimum of an ordinary level as stipulated in the SACCOS’ by laws*”. Such a statement encouraged the researcher to investigate more about the respondents argument that they are highly qualified and professionals, yet they hold only ordinary level certificates. The researcher had to investigate more about the cooperative by-laws. Surprisingly, the SACCO by-laws put it clear that the board of directors should possess a minimum of an ordinary level. At the same time, the researcher reviewed the by-laws, and found out that within the SACCOS by-laws, directors with an ordinary level certificate are considered to be qualified.

During the interview sessions, the Board treasurer of WWFFI SACCO had this to say “*Generally, as Board members, we do not have enough knowledge and skills to analyze the trends in business, therefore we leave that to management staff, since they are knowledgeable in that area*”. To the researcher, this has affected the performance of THPU SACCOS. This is because, according to Odera, (2012), when SACCOS become large and more complex, they require specific knowledge and skills to make a range of credible decisions.

Coupled to that, the researcher wanted to investigate whether directors’ often make independent judgements. During interviews, Chairperson supervisory committee of WWFFI SACCO said that, “ *As a Board member, am happy because we are a team and we make independent decisions from management*” . To the researcher, this is good since a non-independent board can stifle the SACCOS financial sustainability. The respondents’ opinion shows that they have enough confidence which can prevent agency problems within the SACCO, and can enable the institution to maximize the shareholders’ wealth.

More so, on interviewing committee members of NESACCO, one of them said that, “ *most issues of financial cooperatives need technical knowledge, therefore as members, we rely on outside directors to make independent decisions*”. Through the documentary review, the researcher was able to identify the number of the outside directors and their qualifications.

Still from the interview sessions, the chairperson executive board of NESACCO had this to say “*majority of members on board are mature in age, ranging between 45-60 years in age*” . To the researcher, this indicates that there is no young blood joining the SACCO and no young professionals joining the board of directors committee. Young blood always ensures a good and bright future for any institution, without it the financial sustainability of these SACCOs may not be attained.

During the interview session, one committee member of NESACCO emphasised and said that “*the governance policy doesn’t not have a clause that attracts young cadres to join the board*” . To the researcher, board diversity means having a healthy number of employees from minority backgrounds, different sexual preferences and age groups. Therefore, it’s important for the SACCO to create affirmative criteria such that the youth can have avenues to be elected at the AGM.

To the researcher outside directors on the SACCO boards are members who are not shareholders but have a stake in the business. These are often profession people, therefore they influence better decisions on the Board.

During the interview guide, all respondents agreed to the fact their BODs comprise of outside directors. However, further investigations from the board files revealed that the number of outside directors is very small compared to that of the inside directors. When chairperson IFFI

SACCO was asked about the number of directors on IFFI SACCO Board, she said that “*On the Board, there are only two outside directors*” The researcher went ahead and checked in the chairperson management board and chairperson supervisor files. The results showed that 4 SACCOs had 4 outside directors and two had two outside directors and the rest didn’t have at all. Therefore the results were not so different from the interviewees responses.

4.3.2: Regression results on the effect of BOD leadership on financial sustainability of THPU SACCOs.

In this section the researcher wanted to find out the respondents opinion on the leadership of the board of directors. The Table below shows the contribution of BOD leadership on financial sustainability of THPU SACCOs and its significance level. This was also followed by responses from interview guides and documentary; this enabled the researcher to make conclusions on the findings of this study.

Table 4. 7: Model summary for BOD leadership.

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.329 ^a	.108	.094	.34624	.108	7.632	1	63	.008

a. Predictors: (Constant), BOD LEADERSHIP

From table 4.7 above, R stands at 0.33 and R Square is indicated to be 0.11. The R implies that there is a moderate positive significant relationship between BOD leadership and financial sustainability. The R Square stands at 0.11, meaning that only 10.8% of the dependent variable

can be explained by the independent variable. The adjusted R square from the table above stand at 0.094, thus giving the researcher a more realistic predictive power of the independent variable to the dependent variable. The table also indicates the significance level at 0.008 which is less than 0.05, meaning that there is a significant positive relationship between BOD leadership and financial sustainability of THPU SACCOS.

Table 4. 8: ANOVA for BOD leadership

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.915	1	.915	7.632	.008 ^b
	Residual	7.552	63	.120		
	Total	8.467	64			

a. Dependent Variable: FINANCIAL SUSTAINABILITY

b. Predictors: (Constant), BOD LEADERSHIP

From the ANOVA Table 4.8 above, the significance value of the F statistic is 0.008 which is smaller than 0.05, meaning that, the independent variable ie BOD leadership does a good job of explaining the variation in the dependent variable which is financial sustainability. This means that the model fits the data very well. Therefore, BOD leadership has a significant positive effect on the financial sustainability of THPU SACCOS.

After checking for the model fit, the researcher wanted to know the relative importance of the independent variable in predicting the dependent variable. The unstandardized (B) coefficient is the coefficient of the estimated regression model.

Table 4. 9: The coefficient of determination for BOD leadership

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.147	.727		2.954	.004
BOD LEADERSHIP	.547	.198	.329	2.763	.008

a. Dependent Variable: FINANCIAL SUSTAINABILITY

The B coefficients tell us how many units financial sustainability increases for a single unit increase in BOD leadership. Given only the scores on the predictor, the researcher predicted financial sustainability by computing $\text{financial sustainability} = 2.147 + 0.547 = 2.694$.

The researcher wanted to investigate more about the number of board meetings are conducted within a year. According to the minutes book, the researcher found out that executive meetings are quarterly. To the researcher, this is good for the SACCOs, because the available literature has it that a meeting is one of the board activity that can enhance the performance of the SACCO towards achieving its financial sustainability. According to the researcher, meetings enable the board to monitor management staff such that the institution achieves its efficiency and its productivity.

When asked about the number of meetings conducted in a year, the Chairperson MECSACCO had this to say “*Executive and supervisory board hold quarterly meetings, however, members on the supervisory board do an internal audit on the SACCO and compile the report, which is always presented to the executive board during the quarterly meetings*”. To confirm her statement, the researcher had to check the supervisory committee files. The reasearcher revealed

that reports from the supervisory board committee are presented and signed every quarter as well as the minutes for the quarterly management board.

The researcher went ahead to confirm the attendance of board members during the meetings from the board minutes book. The researcher found out that, the attendance during the board meetings is always good. To the researcher, Board meetings are so crucial for corporate boards, because in case of decision meeting the quorum should always be enough, for the decision to be considered valid.

However, one committee member from MESACCO commented on the attendance of outside directors, she said that “ *Outside directors are not consistent when it comes to attendance during board meetings which disrupts the decision making process*”.

The researcher sought for more evidence from the minutes book and the board secretary's file. The secretary board file revealed that, outside directors are not consistent with meetings. To the researcher, poor attendance by the outside directors can affect the decision making process, which affects the performance that can lead to financial sustainability.

From the Board minutes book, it was revealed that the secretary take minutes during board meetings. According to the researcher minute taking is so crucial to the corporate board because it enables the directors to review on what was discussed previously and make a follow up on its implementation. This enhances the efficiency and effectiveness of the board as far as implementation of the policies and procedures of THPU SACCOs is concerned.

More to that, from the board minutes book, it was revealed that the board secretary always read minutes from the previous meetings during the management board meetings. This was evidenced from the reactions for the previous meetings and the way forward.

However, the researcher went ahead to check the audit reports, work plans and budgets from the secretary board's file for the reports of the previous years i.e. 2016,2017 & 2018. Indeed everything had been properly noted down and filed.

During the interview session, the vice chairperson executive board of MECSACCO said that “*the board sub committees do not have the capacity to monitor and evaluate the implementation of policies*”. To the researcher, this is not a good indicator since the board sub committees are entitled to monitor the performance and productivity of the SACCO. The activeness of the sub committees enhances the performance of the SACCO and hence the institution can attain its financial sustainability.

When asked about whether these sub committees indeed exist he had this to say “*SACCO's board is divided into sub committees and they include the loans committee, Human resource committee and the finance committee, however, some committees are not very active except the loans committee*”.

The researcher went ahead and investigated about the Board sub committees and checked through their files. It was evident that there were two files for the sub committees i.e. the loans committee and the human resource committee. Therefore to the researcher it meant that the planning committee no longer existed and had no tracked or recorded documentation to facilitate or support our research.

However, from the loans committee files, the minutes are captured monthly, meaning that they were active, but the human resource committee file had very few documents.

From the supervisory board file, it was evident that at the end of every financial year, the team recommends an external audit to be conducted by the external auditors. To the researcher, this is good, since the SACCO takes the mantle to ensure that the transactions are carried out with accuracy and honestly and that books of accounts are prepared in accordance with the internationally accepted reporting standards. Therefore, apart from the formal auditing, the committees also look-out for potential problems that can affect the firm's financial sustainability, as it was in their management letters.

The respondents during the interviews also agreed that at the end of every financial year, the auditing exercise is done by the external auditors.

The researcher went ahead to look for financial audit reports conducted by the external auditors i.e. the financial accounts and the management letter. The researcher found out that the three reports of 2016, 2017 and 2018 were available and properly filed.

Coupled to that, committee members of MESACCO, agreed that the appointment of the board is through a managed and effective process by the AGM. This implies that the SACCO ensures that a right balanced mix of individuals is made and that each of those appointed is able to add value and bring independent judgment to the decision making process. This is because the boards of directors determine the purpose and values of the corporation determine the strategy and implement its values in order to ensure that the corporation achieves financial sustainability.

4.3.3: Regression analysis results on the effect of BOD size on financial sustainability of THPU SACCOs.

In this section the researcher wanted to find out the respondents opinion on the size of the board of directors committee. The Table below shows the contribution of BOD Size on financial sustainability of THPU SACCOs. It also includes opinions from the interviewees and the information from the documentary checklist. This enabled the researcher to draw conclusions for the study.

Table 4. 10: Model summary for BOD size.

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.225 ^a	.051	.036	.35720	.051	3.365	1	63	.071

a. Predictors: (Constant), BOD SIZE

From table 4.10 above the value of R is 0.225, and it denotes the relationship between BOD size and financial sustainability. Since the correlation is low, it means that to a small extent there is a relationship between the BOD size and financial sustainability of THPU SACCOs. The R square from the model summary of 0.051 means that only 5.1% of the dependent variable can be explained by the independent variable.

The table also show R square which is simply the square of R, indicates the proportion of variance in financial sustainability that can be explained by BOD size. In this table it is indicated to be 0.051. This implies that only 5.1 % of financial sustainability can be explained by the size of the Board. The adjusted R square estimates the population R square for this model and thus gives a more realistic indication of its predictive power.

Table 4. 11: ANOVA for BOD size.

ANOVA ^a					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	.429	1	.429	3.365	.071 ^b
Residual	8.038	63	.128		
Total	8.467	64			

a. Dependent Variable: FINANCIAL SUSTAINABILITY

b. Predictors: (Constant), BOD SIZE

From the ANOVA table 4.11 above, the significance value of the F statistic is 0.07 which is bigger than 0.05. Therefore, the size of the BOD can not explain the variation in financial sustainability of THPU SACCOs. This means that the model is insignificant and therefore not a good fit for this data.

Table 4. 12: Coefficient of determination for BOD size.

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	4.601	.249		18.466	.000
BOD SIZE	-.170	.093	-.225	-1.834	.071

a. Dependent Variable: FINANCIAL SUSTAINABILITY

The B coefficients tell us how many units of financial sustainability increases for a single unit increase in BOD size. From the given scores on the predictor, the researcher predicted financial sustainability by computing financial sustainability = $4.601 - 0.170 = 4.431$. This implies that BOD size has an insignificant effect on financial sustainability of THPU SACCOs.

From Board files, the number of directors on the SACCO board ranges between 9-11 members. According to the researcher this number is neither too small nor too big. Therefore members can be effective when executing their activities that can lead to good performance hence achieving financial sustainability without burdening each other. The documentary checklist wasn't any different from the questionnaire and interview guide. Therefore, to the researcher such a number can be effective while executing their activities.

While interviewing the chairperson loans committee of IFFI SACCO, said that *"Our loans officers have the capacity to collect repayments from SACCO members, however, most of SACCO members have a poor saving culture"*.

She narrated that some loans officers miss group meetings and when members realise that the loans officer has not come she/he doesn't pay her/ his repayment. This leads to the poor efficiency of SACCOs which affect its financial sustainability.

Majority of respondents during the interview agreed that the SACCOs have a good profit margin. One supervisory committee member said that *" Our SACCO is profitable however, if the staff put in more effort, profitability can increase"*.

4.4 Contribution of corporate governance on financial sustainability of THPU SACCOs.

The researcher used regression analysis to determine the overall fit (explained variance) of the model and the relative contribution of each of the predictors (independent variables) to the total variance explained. Therefore, this enabled the researcher to know the extent to which BOD composition, BOD leadership and BOD size affects the financial sustainability of THPU SACCOs.

Table 4. 13:Model Summary for Corporate governance.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.749 ^a	.562	.540	.24670	.562	26.044	3	61	.000

a. Predictors: (Constant), BOD SIZE, BOD LEADERSHIP, BOD COMPOSITION

Source : Primary data , (2018).

From Table 4.13 above, "R" column represents the value of R , which indicates a linear correlation coefficients. R can be considered to be one measure of the quality of the prediction of the dependent variable. A value of 0.749, in this case, indicates a high level of relationship prediction. The "R Square" column represents the R^2 value, also called the coefficient of determination, which is the proportion of variance in the dependent variable that can be explained by the independent variables. Technically, this is the proportion of variation accounted for by the regression model above and beyond the mean model. You can see from the table our value is 0.562, meaning that our independent variables can be explained by 56.2% of the variability of our dependent variable i.e. financial sustainability. However, "Adjusted R Square" ($adj. R^2$), also known as the coefficient of determination, indicates the variability response of this data and is indicated as 0.540 , which is 54.0% away from the mean. The coefficient of determination is intended to control the over estimates of dependent variables by the independent variables.

4.4.1 ANOVA

The F -ratio in the ANOVA Table 4.25 below tests whether the overall regression model is a good fit for the data. The Table shows that F -test is highly significant and therefore the model is

a good fit. This means that the independent variables statistically significantly predict the dependent variable. Therefore, financial sustainability of SACCOs can be predicted by the BOD composition, BOD leadership and BOD size.

Table 4. 14: ANOVA for Corporate governance.

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	4.755	3	1.585	26.044	.000 ^b
Residual	3.712	61	.061		
Total	8.467	64			

a. Dependent Variable: FINANCIAL SUSTAINABILITY

b. Predictors: (Constant), BOD SIZE, BOD LEADERSHIP, BOD COMPOSITION

Source: Primary data.

Table 4. 15: Coefficient of determination for Corporate Governance.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.699	.575		2.953	.004
BOD COMPOSITION	.472	.062	.672	7.600	.000
BOD LEADERSHIP	.218	.147	.131	1.485	.143
BOD SIZE	-.114	.064	-.151	-1.764	.083

a. Dependent Variable: FINANCIAL SUSTAINABILITY

Table 4.15 shows that when the researcher forced all variables into a linear regression, only BOD composition and BOD leadership are significant predictors. BOD size did not show any impact on the dependent variable. We can also see that BOD Composition has a higher impact on

financial sustainability than BOD leadership by comparing the standardized coefficients i.e. $\beta = .672$ versus $\beta = .131$. With BOD size having a negative $\beta = -0.151$

From the Table above, the researcher concluded that, the variables; BOD composition and BOD leadership had the greatest impact on the financial sustainability of SACCOs while BOD size had no effect on the financial sustainability of THPU SACCOs.

4.5 Conclusion.

From all the above findings conducted by the researcher, it's crystal clear that financial sustainability can highly be predicted by BOD composition, moderately be predicted by BOD leadership of the board of directors committee and cannot be predicted by the size of the boards of the THPU SACCOs.

CHAPTER FIVE

SUMMARY, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS.

5.1. Introduction

This Chapter presents the discussion of the research findings observed and inferred from the data presented from the previous chapter. The discussion is based upon the literature review in chapter two. The chapter also provides conclusions, recommendations and suggestions of areas for further studies. Specifically the chapter will give conclusions on the effects of corporate governance on financial sustainability of THPU SACCOs. Therefore the chapter is divided into three sections; discussion of results, conclusion and recommendation.

5.2: Effect of BOD composition on the financial sustainability of THPU SACCOs.

The study revealed that board of directors' composition strongly predicts financial sustainability of THPU SACCOs. This has been evidenced by the correlation coefficient of 0.721 which is close to 1 and a strong significance level of 0.000 which is less than 0.05. The study also revealed that 52.1% of financial sustainability can be explained by the composition of the board of directors of THPU SACCOs. Therefore, the study has answered the first research question, which sought to understand the extent at which BOD composition affects the financial sustainability of THPU SACCOs.

Findings reveal that the boards of directors are comprised of outside directors who are often involved in decision making. This was also discovered from the interviews and documentary review. This is good for the SACCOs because it enhances decision making.

However, according to the results from the descriptive statistics 73% of the BOD is composed of majority inside directors with only 27% being outside directors. The study also revealed that outside directors are professionals with technical knowledge and experience and are stakeholders of the SACCO. Therefore, the limited number of the outside directors on the board has greatly affected the decision process, since most of the decisions need technical guidance.

Steven Balsam et al.(2016) revealed that an outside chairperson on board is positively associated with firm performance as well as market and accounting measures of performance. However, he noted that the relationship between outside chairperson on board and firm performance varies with firm characteristics. Since firm performance to a big extent determines its financial sustainability, having less number of outside directors on THPU supported SACCO board committees, affects the financial sustainability.

More to that, findings from the documentary review indicate that SACCOs have no policy through which young people can join the Board of directors committee. To the researcher, without clear criteria of attracting young people into SACCO boards, THPU SACCOs will not be able to gain the competitive age.

According to Houle, (1990) age dispersion is divided into three categories with each having their own characteristics and functions. Younger groups are driven by energy to succeed and plan ahead for the upcoming future, whereas the middle groups are mainly focused on responsibilities in corporations and society. For these SACCOs to attain financial sustainability in future, it is important that they put in place mechanisms to attract and retain youthful directors to create a top management team. At the same time, institutions have been in the recent years pressurized by shareholders to appoint directors of different backgrounds and diverse expertise, with the

assumption that greater diversity should lead to less insular decision making process and greater openness to change (Westphal and Milton, 2000).

Majority of the respondents from the interview sessions, agreed that boards of directors studies the competition and supports management in reviewing comparative trends. However, this didn't correspond with the findings from the questionnaire, where majority of the respondents insisted that the biggest part is played by the management staff.

According to agency theory, employees or managers of SACCOs can be self-interested. Shareholders expect the agents to act and make decisions in the principal's interest. On the contrary, the agent may not necessarily make decisions in the best interests of the principals (Padilla, 2002). This may cause agency problems which in the end can hinder its financial sustainability. Therefore, to avoid this, the board should actively be fully involved in decision making to control the agents' opportunistic behavior. Therefore, the boards of directors should independently study the competition and review comparative trends without depending on management's views. This will enhance performance that can lead to financial sustainability.

According to the WOCCU report, (2002) the board must be independent and able to question management about issues they do not understand or are unclear. A report by Rural SPEED, (2007) agrees with the WOCCU report (2002), which states that independence of elected board members verses full time staff and management is critical for effective control and supervision of management. The independence of board enhances performance and can lead to financial sustainability.

More to that, Bald (2007) noted that elected officers should not be financially dependent on management, his argument was that the independence of board members may be compromised

once the board members become monetarily interested in attending board meetings, because they would depend on management to call meetings in order to earn allowances . This would be a hindrance for them to occasionally hold opposing views to management. A Rural SPEED report (2007) was in agreement with Bald (2007) adding that financial compensation for board members and committee members should be a reimbursement of incidental costs only, not a financial incentive or quasi-salary.

The descriptive statistics findings revealed that the board of directors' committee is comprised of majority female directors. This is in agreement with the available literature that insists that women can serve to fulfill board functions well than men. ,

Vu Quang et al,(2018) revealed strong evidence that the existence of female directors on board is positively associated with firm value (Tobin' Q). Testing for the female director positions, they interestingly found the competing results that the relation between the female chairman and firm value is significantly positive whilst there exists an adverse link between female CEO and firm value. The findings imply a significant effect of quota laws for gender diversity of boards of directors and female directors' positions on UK corporate market value.

At the same time, findings from the documentary review, revealed that there are no professional directors on BOD. It indicated that majority of the directors have ordinary level certificates. This also came out clearly from the background information which indicated that 61.5% of the directors have an ordinary level certificate.

A study carried out by Duncan, (2016), indicated that education qualification and occupation as the highest in influencing SACCO's financial performance. The study recommended that SACCOs delegates should ensure that the members to be elected on board comprise of

professions, have good academic qualifications and have diversified gender so as to have an effective composition since it influences financial performance that leads to financial sustainability. In relationship with the current study, SACCO members at the AGM should be encouraged to elect board members with good academic background.

The analysis from the directors documents revealed that the SACCO's BODs are not comprised of highly qualified directors with the skills needed to execute their tasks. According to the researcher, this is not a good indication because they may not be able to make credible decisions.

According Senbet, (1998), it is important for Board members to be qualified, as unqualified board members may hinder proper decision making. Bald (2007), also agreed with Branch and Baker (1998) and suggested that board members should have the same financial and technical skills as with management so that together they can engage themselves in a meaningful debate and at times challenge the interpretation of certain results. Mugabi (2009) concurs with Branch and Baker (1998), Bald (2007) stating that lack of skills among the board members to run the SACCOs was one of the challenges hence set backs of newly created SACCOs.

5.3: Effect of BOD leadership on financial sustainability of THPU SACCOs.

To answer the second research question, it was established that the Board of directors' leadership moderately affects financial sustainability of THPU SACCOs. This is proved by the moderate positive correlation coefficient of 0.329, which is close to the mean variable. The study also indicated that only 10.8% of the dependent variable ie financial sustainability can be explained by the independent variable which is board of directors' leadership. The significance level of 0.008 which is smaller than 0.05 indicates that there 's a positive relationship between the board of director's leadership and financial sustainability.

During the interview sessions, respondents accepted the fact that management meetings are often quarterly and supervisory meetings are held monthly. This was also revealed in the documentary review sessions. To the researcher, this is good, since different scholars have it that meeting frequency of the directors can affect the performance of an institution.

The frequency of meetings is related to the internal administrative structure of boards, Andres et al, (2005). According to Van de Berghe & A Levrau (2004), board meetings are a procedural aspect that improves board effectiveness and they are used as a proxy for board activity. According to Vefas et al, (1999), the number of meetings affect firm performance and its financial sustainability. Boards should be ready to increase meetings frequency if the situation requires a high supervision and control Zenner (2004). Other studies suggest that boards should balance the costs and benefits of frequency. For example, if the board increases the frequency of its meetings, the recovery from poor performance is faster, Vefas et al,(1999).

Descriptive findings from documentary checklists, revealed that the attendance during the management and supervisory quarterly meeting is always good. However, findings from the interview guide revealed that inside directors' attendance is good, however, outside directors' attendance is not consistent. To the researcher, both inside and outside directors' attendance should be consistent, since attendance of the board meeting is a very good corporate activity as it improves on the effectiveness and the implementation of decisions made by the corporate board.

Dalton et al. (1998) study, Dalton, Daily, Johnson and Ellstrand (1999) presented the idea that a board needs both inside and outside directors. This is due to the fact that, a board fulfills many different tasks which include exercising control, providing resources and advising management.

Dalton et al. (2009) argued that the different types of directors may be neither complementary nor substitutable. An inside director could be skilled in providing firm-specific advice to the CEO, but could also depend upon him or her for guidance and becoming unsuitable to exercise control. An outside director may be good at supplying resources, but may also lack independence from the management staff. An inside director, may be less skilled in giving specific advises to the firm compared to an outside director. Therefore, the whole board has a certain degree of independence which is a criterion when exercising control.

Findings reveal that the secretary records minutes during the board meeting for follow up purposes. This was supported by the documentary review. Taking minutes during board meetings is one of the indicators of good governance that can improve the performance of a corporation and leads to financial sustainability.

Board minutes are used to record the decisions of the board. They convey board decisions to the executives who will implement the decisions and serve as reference for the board if it wishes to revisit a decision. . Minutes can be used as evidence in legal proceedings, and as such care must be taken with the preparation of the board minutes. The board minutes should be approved by the directors as a true record of their meeting. This is best done immediately after the meetings and confirmed at the next meeting when the chair signs the minutes. The minutes are meant to be contemporaneous documents aimed at being a true and accurate reflection of the events occurring at the meeting. Boards have a responsibility to properly evaluate the minutes circulated after meetings. Directors may want to take notes during the meeting to refresh their memory when the minutes are circulated. They ought to request additions, clarifications or corrections where necessary.

Findings revealed that the board sub committees had no capacity to monitor and evaluate the implementation of policies. According to the researcher this is not a good commendation on the corporate board. This is because one of the responsibilities of the corporate board is to monitor and evaluate the implementation of policies. The monitoring role of the board of directors is an important component of corporate governance. The board of directors is presumed to carry out the monitoring function on behalf of share-holders because the shareholders themselves would find it difficult to exercise control.

(Hillman and Dalziel, 2003), assert that monitoring as well as directing is considered by Boards to be an integral part of the Board activities. (Chen and Nowland, 2010). (Klein, 2002), argued that board committees should be structured in two categories to contribute to board effectiveness: monitoring committees (supervisory, human resource and vetting committees) and productivity committees (finance, investment (loans) and strategic committees.

Findings reveal that the audit committee ensures that at the end of the financial year, the audit exercise is done by the external auditors. According to the researcher, apart from the internal audits done by the supervisory committee, it is important for SACCOs to have an external audit at the end of every financial year, this is called high quality auditing.

The available literature indicates that high-quality auditing services improve the confidence of investors in financial reporting and increase fundraising possibilities (Lin and Liu, 2009); moreover, prior research suggests that high audit quality is associated with lower costs of capital (Pittman and Fortin, 2004; Hartarska, 2009; Knechel et al., 2008). Thus, high-quality auditing is particularly important for companies that are frequently involved in raising funds, such as

financial institutions; accordingly, several studies have found that a firm's demand for high-quality audit services is related to its financing needs (Knechel et al., 2008) and its leverage (Broye and Weill, 2008). Moreover, prior studies indicate that audit quality is related to both corporate governance and firm complexity (Hay et al., 2006; Lin and Liu, 2009) .

Findings reveal that the appointment of the board is through a managed and effective process by the Annual General meeting. This is good for the SACCO because SACCOs are member owned institutions therefore members have the right to elect their own directors.

From the available literature scholars argue that, appointments to the board of directors should follow a managed and effective process, ensure that a balanced mix of proficient individuals is made and that each of those appointed is able to add value and bring independent judgment to the decision making process. The elected board of directors should determine the purpose and values of the corporation, determine the strategy for that purpose and implement its values in order to ensure that the corporation survives and thrives and that procedures and values that protect the assets of the corporation are put in place (CBK, 2013). It is imperative that the members of the sub-committee should have sound knowledge of financial management.

5.4: Effect of BOD size on the financial sustainability of THPU SACCOs.

The study further revealed a small positive relationship between BOD size and financial sustainability of SACCOs, with a correlation coefficient of 0.225. The study also revealed that only 5.1% of BOD size explain the financial sustainability status of THPU SACCOs. However, according to the study, the significance level of the dependent variable was 0.071 which is higher than 0.05, meaning that the dependent variable cannot be explained by the independent variable.

Hence the researcher's conclusion that BOD size has no significant effect on the financial sustainability of THPU SACCOs.

Based on findings from the directors' documents, it was clear that the size of the boards is not too small or too big too to delay decision making. Considering that the SACCO boards comprises of members between nine members to eleven, it is assumed that decision making process is not bureaucratic and therefore efficient.

To compare the above findings with the reviewed literature in chapter two, a number of scholars have put forward arguments on why small boards might be more effective than large boards.

Dalton (1998), summarizes those arguments. Social loafing is one of them and refers to individuals putting in less effort when the size of the group increases.

Group cohesiveness, the force that brings groups closer, may be facilitated by having smaller groups. A third argument is that a board's ability to initiate strategic actions can be inhibited in a larger group. Furthermore, smaller groups can easily reach a consensus. Finally, large boards may be more easily manipulated when it comes to performance assessment of top management.

In addition, research survey conducted by Hermalin and Weisbach (2003), suggest that large board size is found to have a negative relationship with firm performance. Firms with small boards are found to perform better than firms with large boards.

On the other hand, some theorists suggest that large boards are more effective than small boards. Dalton et al. (1999) summarized a set of arguments, mainly using resource dependence theory in support of this idea. Resource dependence theory is based on the notion that firms are dependent

on each other for resources. Board size can therefore be viewed as a measure of the firm's ability to form links necessary to secure critical resources, such as external funding or contracts.

From the above discussion, it is important to note that there is no standard board size in terms of numbers that can guarantee performance. It all depend on the size of an institution In other words, the board size should not be too small or too large to hinder performance that can lead to financial sustainability.

In a nutshell, looking at the overall regression analysis, the coefficient of determination obtained was 0.652 (65.2%) implying that the proportion of variation associated to the independent variables had a large effect on the dependent variable because the value is greater than 50%. The above finding indicates that 65.2% of the independent variable explains the dependent variable. The balance of 34.8% accounts for other factors that were not of interest to the researcher. With a negative coeificence of determination revealed by the size of the BOD, its is evident BOD composition is the highest predictor of financial sustainability of SACCOS , followed by BOD leadership with a moderate predictor and the size of the BOD could not predict the financial sustainability of THPU SACCOS.

5.5 Conclusions.

The study investigated the effect of corporate governance on financial sustainability of THPU SACCOS. Specifically, the study offers empirical evidence regarding board composition, Board leadership and BOD size and their effect on financial self sufficiency and operational sustainability of SACCOS. The study adopted a case study survey design which is both descriptive and inferential to address those issues. Secondary data was extracted from the annual

audit reports, annual workplans, annual budgets directors' files and minutes of the three years ie 2016, 2017 and 2018.

According to the researcher's findings and discussions, the following conclusions were drawn.

5.5.1 To examine the effect of BOD composition on the financial sustainability of THPU SACCOs.

According to the study, the first objective was to examine the effect of BOD composition in terms of Board independence, Board diversity and board professions, education and experience on financial sustainability of SACCOs. From the findings above, it was concluded that BOD composition is a strong predictor and can explain the financial sustainability of THPU SACCOs.

5.5.2 To analyze the effect of BOD leadership on the financial sustainability of THPU SACCOs .

In the second objective of the study, the researcher was interested in analyzing the effect of the board of directors' leadership on financial sustainability of THPU SACCOs. The researcher analyzed the BOD leadership in terms of sub committees, meetings, attendance and the quality of managers .

The findings from the correlation coefficient show a positive significance of the board of directors leadership on financial sustainability of THPU SACCOs. The general conclusion on this objective was that, Board leadership moderately predicts and explain the financial sustainability of THPU SACCOs.

5.5.3 To assess the effect of BOD size on the financial sustainability of THPU SACCOs.

The main focus of the third objective of the study was to measure the effect of board size on the financial sustainability of SACCOs. Based on the findings of the study, it was concluded that board size doesn't predict and cannot explain the financial sustainability of SACCOs. The SACCOs board had between nine to eleven members, which number is small enough to guarantee control yet big enough to generate enough debate on issues pertaining to the SACCOs.

5.6. Recommendations.

This subsection presents the recommendations of the study based on the conclusions above per each objective.

5.6.1 BOD Composition.

SACCOs should elect more outside directors on the board to ensure a right mix with the inside directors. This will improve on the quality of decisions made on the board. In addition, members to be elected on board should possess good academic backgrounds.

Secondly, the management BOD should hire managers with professionals and specific knowledge and skills. These will enable critical management decisions and be appointed on BODs. Therefore, this specialization of decision management will increase the SACCOs' ability to operate in an entrepreneurial manner.

Coupled to that, SACCOs should design a policy that will attract the young generation or youth to join the corporate board.

5.6.2 BOD Leadership.

The study recommends that there should often be an increase in meetings frequency if the situation requires a high quality supervision and control. This will allow for consultations and discussions on the direction the SACCO is to take to overcome the challenges the institutions are facing.

The researcher further recommends that the board should balance the costs and benefits of meetings frequency given that the study established that if the board increases the frequency of its meetings, the recovery from poor performance is faster such that the institutions can attain their financial sustainability.

The study also recommends that more committees should be instituted to enhance on the monitoring and supervision of the management staff and that the committees should be effective.

5.6.3 BOD size.

The study recommendation is that SACCOs should maintain the small size. According to the available literature SACCOs with moderate directors perform better than those with very few and many directors. The study recommends that board size should be maintained as moderate as possible, as an increase in board size may affect the SACCO's financial sustainability. However, the management should ensure that the board size is optimal as a very small board can also be redundant and may not be efficient in governing the SACCO which can delay the SACCOs' financial sustainability.

5.7 Suggestions/ Areas for further Research.

The study concentrated on corporate governance of THPU SACCOs, leaving out other SACCOs in Uganda. Because of the contribution made by these institutions, in Uganda's financial sector, there is need to ensure their sustainability. Therefore, scholars should be encouraged to carry out studies in similar institutions looking at other factors that weakens their sustainability. These include:, the influence of politics in their corporate governance structure brought about by the principle of one man one vote (OMOV), the weak internal controls, the inadequate management competence in SACCOs, failure of members and corporate boards to exercise fiduciary responsibility, control of borrower domination problem, lack of clear rules, combined with credit rationing, agency problems in SACCOs and lastly the effect of lack of clear regulation of SACCOs in Uganda.

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APPENDICES

APPENDIX 1:DOCUMENT CHECKLIST FOR THE HUNGER PROJECT SUPPORTED SACCOS.

SECTION A: BACKGROUND INFORMATION FOR THE SACCO:

A1: Number of years a SACCO has been in existence.

A2: Number of branches of the SACCO.

A3: Is it a self-reliant SACCO?

☐

Yes

☐

No

SECTION B: BOD COMPOSITION.

B1	Board Independence	2015	2016	2017
	Percentage of outside directors on the board			
B2	Board diversity			
	Percentage of women to men on board			
	Percentage of directors below 35years			
B3	Education & Experience			
	Percentage of board members with professionals & experience			

SECTION C BOD LEADERSHIP

C1	Frequency of board meetings	2015	2016	2017
	Average number of monthly meetings			
	Average number of quarterly meetings			
C2	BOD sub committees			
	Average number of sub committees			
C3	Quality of management (Executives)			
	Knowledge and skills of managers,			

SECTION D BOD SIZE

D1	Small board	2015	2016	2017
	Average number of directors on management board			
	Average number of directors on supervisory board			
D2	Big board			
	Number of directors on management board			
	Number of directors on supervisory board			

SECTION E: FINANCIAL SELF-SUFFICIENCY.

E1	Return on Assets	2015	2016	2017
	Average return on assets for each year			
E2	Return on equity			
	Average return on equity for each year			
E3	Portfolio at risk above 30 days			
	Average portfolio at risk above 30 days for each year.			

SECTION F: OPERATIONAL SUSTAINABILITY

F1	Gross portfolio yield	2015	2016	2017
	Average increased portfolio yield for each year			
F2	Female borrowers			
	Percentage of female to male borrowers for each year.			
F3	Depth & Breadth of outreach			
	Percentage of active clients for each year.			

APPENDIX 11: QUESTIONNAIRE

I am a graduate student at Kyambogo University and have a privilege to inform you about my research study which is intended to establish the relationship between corporate governance and financial sustainability of SACCOs supported by THPU. You have been selected to be among the respondents in this study. Apparently, this is only for academic purposes and I believe you are the right person to help me get the right information needed to meet its purpose. Therefore I am kindly requesting you to respond to the statements honestly. The information provided will be treated with utmost confidentiality. Please do not write your name on this questionnaire. By responding to this, you will enable me find out if there is any relationship between the two variables. Timely completion of this questionnaire will indicate your continued support to this project.

SECTION A: DEMOGRAPHIC -DATA

(Please tick the appropriate box).

(1) Gender

Male

Female

(1) Age of the respondents

30 &
below

31-40
years

41- 50
years

51 & above
years

(2) Level of education:

Ordinary
Level

Advanced
Level

Diploma
level

Degree
level

(4) Experience in SACCO operations:

5 years &
below

6--10
years

11- 15
years

16 & above
years

SECTION B: CORPORATE GOVERNANCE.

The following statements relate to the governance structure of any cooperative organization. The researcher would like to know the extent to which you agree or disagree in relation to your SACCO. Therefore for each of the following statements below indicate your level of agreement or disagreement by ticking in the appropriate box basing on the scale.

KEY:

Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	2	3	4	5

SECTION B: BOD COMPOSITION

B	BOD COMPOSITION	1	2	3	4	5
	Board Independence					
1	The board is comprised of both inside and outside directors					
2	Majority of the board committee members are outside directors					
	Board Diversity.					
3	70% of the directors on board are women					
4	There are young directors on board					
	Professional & Experience					
5	Majority of members on board committee are professionals					
6	All directors on committee have enough experience in SACCO operations					
	BOD LEADERSHIP	1	2	3	4	5
	Board meetings					
1.	The management & supervisory board meetings are quarterly					
2.	The attendance during board meetings is always good					
	Board committees.					
3	The board is sub-divided into committees					
4	The secretary in each board committee take minutes for further review.					
	Quality of executives appointed by the board					
5	SACCO managers are highly knowledgeable and skilled.					
6	SACCO staff are transparent and accountable.					
	BOARD SIZE					
7	The size of the board members of our SACCO is between 8-11 directors.					

SECTION C: FINANCIAL SUSTAINABILITY.

KEY:

For each of the following, please tick the appropriate box basing on the scale below.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	2	3	4	5

	Financial self-sufficiency (FSS)	1	2	3	4	5
1	Our SACCOs' return on assets is always above 5%					
2	Our SACCOs' return on equity is between 15%-20%					
3	The SACCOs portfolio at risk above 30 days is always below 10%.					
	Operational self-sufficiency (OSS)					
1.	The SACCO yield on gross portfolio is always increasing.					
2.	The percentage of women borrowers in our SACCO is 70% & above					
3.	Out of the total number SACCOs' clients, 85% are active.					

APPENDIX III: INTERVIEW GUIDE

1. Is your SACCO BOD comprised of highly qualified directors? If yes what is their minimum level?
2. Does your board committee periodically studies the competition and engage itself in reviewing the comparative trends? If yes, which kind of activity has it ever done to attract more customers?
3. Are all board members confident and do they make independent judgments? Are the decisions made by the board often independent from those ones from management?
4. Do you have young people on the board of directors' committee? If yes, how many are they? Are there avenues for young people to join the board
5. Does your committee comprise of both internal and external directors? If yes, what is the role of the two?
6. How often do the management/ executive committee meet?
7. Is the attendance during the management/ supervisory board meeting well?
8. Does the secretary board take minutes during the board meeting? Does she read the minutes from the previous meeting?
9. Is the management board divided into sub committees? If yes do they have the capacity to monitor and evaluate the implementation of policies?
10. How often is this SACCO audited? Are the auditors internal or external?
11. Is the appointment of board done through a managed and effective process by the AGM?
12. Is the board accountable and does it exercise control in issues pertaining the SACCO?
13. Has your SACCO attained its financial self-sufficiency? If yes, why is it still

subsidized by the project?

14. Is the cost of delivering loans and other financial services to members favorable to the SACCO?
15. Do you think the cost of maintaining an active borrower in your SACCO is affordable to the institution?
16. Is the SACCOs profitability an indicator that the SACCO can meet its own costs without any external subsidy?
17. Do you believe that your SACCO has a low leverage ratio? Give a reason for your answer.
18. Is there any charge in the books of accounts of this SACCO where reserves are created for bad loans in the near future? If yes, what is the percentage of those reserves?
19. Is the SACCO capable of collecting repayments and savings from its members? If yes? What is the repayment rate of your SACCO?
20. Does the SACCO have the ability to collect revenue both interest and fees paid by the borrowers? What about fees from other investments and other services.
21. Does the SACCO have a good profit margin? If yes, what is its profit margin?
22. Has the SACCO achieved its operational self-sufficiency? If yes, at what percentage?
23. What is the portfolio at risk percentage of this SACCO? If its greater than 10%, what strategies have you laid to turn it back to normal?
24. Does your SACCO write off loans? How much was written off between 2016 and 2017?.

APPENDIX IV: Krejcie and Morgan's table.

<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	1000000	384

Note.—*N* is population size. *S* is sample size.

Source: Krejcie & Morgan, 1970