INFLUENCE OF CORPORATE GOVERNANCE FACTORS ON FINANCIAL PERFORMANCE OF DAIRY CO-OPERATIVE SOCIETIES IN MERU COUNTY-KENYA

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A RESEARCH REPORT SUBMITTED TO THE DEPARTMENT OF CO-OPERATIVES AND AGRIBUSINESS MANAGEMENT, SCHOOL OF CO-OPERATIVES AND COMMUNITY DEVELOPMENT IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE MASTER OF CO-OPERATIVE MANAGEMENT OF CO -OPERATIVE UNIVERSITY, KENYA.

DECEMBER, 2021

DECLARATION

I declare that this research report is my own work and to best of my knowledge it contains no materials previously published or written by another person, nor material which to substantial extent has been accepted for the award of any other degree at Co-operative University or any other institution.

I also declare that all sources that I have used or quoted have been indicated and acknowledged by means of complete references.

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MCM03/0007/3/14

This research report has been submitted with our approval as the University Supervisors

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DEDICATION

This study is dedicated to my dear wife and children. You are treasure to my life, God bless you abundantly.

ACKNOWLEDGMENT

The presence of Almighty God is acknowledged in developing and producing this study's report. The continued good health enjoyed during the process of writing this report is a testament of His love towards humanity. Many thanks to my supervisors Dr. Moses Gweyi and Dr. Lucy Kiganane for their unwavering support and guidance in developing and relating the various concepts covered in this study.

Much appreciation to colleagues in the Masters of Co-operative Management, it has been a worthy cause and journey more so due to your continued support and encouragement. Special thanks to all the employees of The Co-operative University College for your dedicated and amazing services.

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ABBREVIATIONS AND ACCRONYMS

CEO	Chief Executive Officer
CMA	Capital Markets Authority
COSO	Committee of Sponsoring Organization
ICA	International Co-operative Alliance
CAK	Co-operative Alliance of Kenya
MCCG	Malaysian Code on Corporate Governance
New KCC	New Kenya Co-operative Creameries
NSE	Nairobi Security Exchange
OECD	Organization for Economic Co-operation and Development
SACCOs	Savings and Credit Co-operative Societies
SPSS	Statistical Package for Social Scientists
UK	United Kingdom
USA	United States of America
WCM	World Co-operative Monitor

OPERATIONAL DEFINITION OF TERMS

Board Responsibility: The structure and the roles of board members and committee. It is represented in terms of independence, skills, gender and diversity (Amoll, 2015).

Corporate Governance: The system by which companies are directed, controlled and held to account (Cadbury,1992)

Financial Performance: The processes, activities and outcomes of inputs to the organization. Recognized through the market share increase, revenue growth and profitability of the organization (Ion & Criveanu, 2016).

Internal Controls: processes adopted by organization to ensure compliance with set regulations and procedures. It is carried out through control environment, risk assessment, activities and sharing of information and communication (Hussein & Muhammed, 2018).

Transparency and Disclosure: The transparency in financial reporting and disclosure of governance and social responsibility to the stakeholders (Ndung'u, 2013).

Risk Management: The economic and managerial practices of value to the organization that mitigate against effects of all kinds of risks (Ebenezer & Omar, 2016).

ABSTRACT

It is important to address the increased default in application of governance principles in firms, corporations and societies. Incidences of insider trading, disregard of transparency and disclosure regulations and misappropriation of investors' funds by the management have been on the increase. These can be stemmed by strict observance of corporate governance principles therefore this study looks at the adoption and practices of corporate governance factors in Dairy Co-operative Societies. The purpose of this study was to determine influence of governance factors on financial performance of Dairy Co-operative Societies. Specifically, the study sought; to establish influence of internal controls on financial performance of dairy Co-operative societies, to assess influence of board responsibility on the financial performance of dairy Co-operative societies, to determine influence of transparency and disclosure on the financial performance of dairy Co-operative societies, to investigate influence of risk management on the financial performance of dairy Co-operative societies. To explain the principles behind the relationship between the variables, the study was anchored on the stewardship and stakeholder's theories. The target population of the study was the managers' and Board Members of Dairy Co-operative Societies in Meru County. The study adopted a descriptive research design and made use of purposive sampling to generate a sample of 72 respondents. A questionnaire was utilized to collect data from the respondents. Data was analyzed and evaluated through the use of descriptive statistics like standard deviation mean and percentages, and made use of ordinary linear regression models to generate the size of effects of independent variables on the dependent variable. Analyzed data was presented in tables and pie charts. The response rate of the administered questionnaires stood at 88.88%. This response rate was found to be sufficient for inferential statistical analysis. After running the regression model the coefficient of determination was at 79.6 %, an indicator that the four explanatory variables explained more than 79.6 percent of variance in the financial performance of Dairy Co-operative Societies in Meru County. The study indicates that internal controls, board responsibility, transparency and disclosure, and risk management are important in influencing the financial performance of Dairy Co-operative Societies in Meru County. This study therefore, recommends the implementation of internal control mechanisms, risk management strategies, adherence to transparency and disclosure regulations in all Dairy Co-operative Societies in Meru County. The findings of this study are of benefit to the practitioners in the co-operative sector, policymakers and researchers in the field of corporate governance.

CHAPTER ONE: -
INTRODUCTION

1.1 Background of the Study

Corporate governance plays a very vital and dynamic role in financial success of organizations (Armstrong & Spellman, 2015). Corporate governance is both a process and a system which organizations implement towards improving the accountability and performance of business processes (Bharadwaj, 2013). The main objective as indicated by (Baydoun, Ryan, & Willett, 2013) for adopting the corporate governance principles by businesses is to maximize the shareholders' value while at the same time taking into consideration other stakeholder's interests (Bharadwaj, 2013). The corporate governance legislations, governance codes and guidelines provided by governments, international bodies are supposed to safeguard the shareholder's and stakeholder's interests, eliminate corporate scandals (Bhatt & Bhatt, 2017).

According to Ruparelia and Njuguna (2016) corporate governance is a system through which companies are directed and controlled in order to protect the interests of shareholders and ensure a reasonable return on the investment. This definition is buttressed by that of (Otieno, Mugo, Njenje & Kimathi, 2015) who impute that corporate governance is a method or way in which organizations are monitored, controlled and held accountable of their activities and strategies. Another definition that is in line with Rupelia and Njuguna (2016) is given by Perera and Harshana (2019) who viewed and defined corporate governance as a force that tends to drive and shape the organizations strategic behavior. The forces must be in a position to ensure the fulfillment of the explicit and implicit contracts but at the same time prevent the penetration of negative forces impacting on the set system. Corporate governance scholars worldwide are in agreement of lack of a universally accepted definition of corporate governance with majority considering it to be a process through which organizations are managed, controlled and directed for realization of optimal organizational objectives.

The origin of corporate governance can be traced to the writings of Berle and Means (1932) who implored the need of establishing separate system of control from that of direct ownership in midst of growing corporation that is administratively, market and transaction wise. In the initial stages of corporate governance development the term “governance” had been associated to being wise and responsible and when applied to the organization perspective it meant to steer (Ruparelia and Njuguna, 2016; Cadbury, 1992). According to L’Huillier (2014) corporate governance is not a new development in the field of organizational management but has existed with the rise of corporations. As put forth by Ruparelia and Njuguna (2016) what has influenced its prominence and application is the frequent systemic corporate failures witnessed in the 19th and 20th Century. Some of the documented corporate failures that have led to implementation or re-looking of corporate governance principles include: South Seas financial bubble crisis of 1700, the stock market crash in United States of America (USA) in 1929, secondary banking crisis in UK in 1970s, savings and loans crisis in USA in 1980s, East-Asia economic crises in 1990s and the financial crisis of 2008-2009 that started in the USA before spreading to the rest of the world.

The United Kingdom (UK) is regarded as the home of committees that have contributed most to the development of corporate governance. Some of the major committees include: The Cadbury Report of 1992, The Greenbury Report of 1995, The Hempel Report of 1998, The Higgs Report of 2003; and The Combined Code on Corporate Governance of 2003 as cited in the Corporate Governance Review report of 2014, indicating that the committee main aim was to develop modalities of relationships and responsibilities for executive and independent directors, responsibilities of the board and the role of internal and external auditors (Ryde & Cox, 2014; Ruparelia and Njuguna, 2016). In the UK the guiding corporate governance practices are derived from the European laws, domestic laws, and statutory codes of practices from statutory bodies and membership bodies, and market guidance. The main features of the UK corporate governance focusing on the board are; separation of chairman and CEO, audit and remuneration committees, balance between executive and independent board members, transparency on appointments and remuneration and effective rights of shareholders (Ryde & Cox, 2014).

In the United States of America, the Sarbanes- Oxley Act of 2002 and the Principles of Good Corporate Governance and Best Practice Recommendations ensure the safety of the investors’ investment and protect them from corporate scandals (Bhatt & Bhatt, 2017). In most instances, corporate governance guidelines in USA are utilized by the firm to safeguard it from fraud and maintain organizational and financial soundness (Black *et al*, 2014). These guidelines and regulations are usually issued by the government agencies and international bodies (Bhatt & Bhatt, 2017). According to Anderson and Gupta (2009) corporate guidelines and regulations vary from continent to continent and from nation to nation but with common goal of securing the survival of the organization. In the Asian continent a country like Malaysia has based its corporate governance guidelines and legislations on the American Sarbanes- Oxley Act to develop the Malaysian Code on Corporate Governance .This code is geared towards establishing clear roles and responsibilities for the organizations board, process of board composition, upholding integrity and transparency in financial reporting, management of risks and recognize the role and relationship between the organization and its shareholders.

In the Kenyan context corporate governance can be traced to the consultative Corporate Sector Seminar held in 1998 and 1999 that gave rise to code for best practices for corporate governance. Through these seminars a private body on corporate governance was established to coordinate corporate governance issues, events and practices locally, regionally and globally (Ruparelia and Njuguna, 2016). These initiatives were formalized with the promulgation of Guidelines on Principles of Corporate Governance for Public Listed Companies in 2002 by the Capital Market Authority (CMA) in 2012 The CMA role has been limited mostly to corporations registered in the Nairobi Stock Exchange whereby they have an expectation that they will embrace timely disclosures as stipulated in the guidelines and adherence to best corporate governance as dictated. The dairy Co-operative in Kenya could be traced to the first dairy Co-operative society that was formed in 1908. The main predecessor to the Dairy Co-operative movement was the Kenya Co-operative Creameries that was formed in 1925. There has been new developments and diversification from milk consolidators and distributors to inclusion of savings and credit services as witnessed by Co-operative societies like Githunguri and Meru Dairy Co-operative Societies. These Co-operative societies have continued to act as reservoirs of capital providing credit to dairy farmers in order for them to meet their needs. Dairy farmers Co-operative Societies have given rise to credit societies formed as investment SACCOs for the members. The Co-operative Societies Act of 2004 which was an amendment to Dairy Co-operative Societies Act of 1994 regulates the Kenyan Dairy Sector (Mwangi, 2013).

Presently the average size of a dairy Co-operative society in Kenya is 2000 members (Muriuki, 2013). This is less than the shareholding in the commercial banks operating within Kenya which are six times larger (Muriuki, 2013). This is attributed to their responsibilities, mission and purpose which is narrower and more directed than that of a commercial bank. The assets being managed by the Dairy Co-operative Societies in Kenya are approximately Ksh. 174 million. Despite this there are larger Dairy SACCOs in terms of network and branches than some Commercial Banks. According to Muriuki (2013) there is a huge gap in terms of capitalization between the small and large Dairy Co-operative Societies.

The financial performance of Co-operative societies remains the core indicator of the initial and basic mission of the Co-operative society (Kyazee *et al*, 2017). This has been rooted in the many empirical studies conducted on the growth and development of Co-operative societies in developing societies (Waithaka, 2013). This culminated in the labelling of the Co-operative societies in Africa as pro-poor with sole responsibility of alleviating their members from poverty. To meet the noble goal of alleviating members from poverty through profitability of the Co-operative societies, governance issues have been found to be critical in safeguarding the member’s wealth. According to Bii (2017) the institutional management carried out through good internal control systems, timely performance reports, transparency in conducting the Co-operative societies business are important in influencing their financial performance. This is buttressed by the study conducted by Mohan and Chadramohan (2018) who established a direct relationship between the corporate governance principles and organizational financial performance.

1.2 Statement of the Problem

According to Ruparelia and Njuguna (2018) corporate governance principles contributes to an organization’s confidence, image and reputation in the market. It contributes to an organizations ability to undertake various programs and activities due to transparency, disclosure and internal controls ingrained in the organization process thus enhancing its compliance with the pertinent laws and regulations. Despite these advantages the subject of corporate governance in relation to financial performance of Dairy Co-operative Societies is not well emphasized in most organizations (Kihumba, 2017). This has attracted worldwide attention because of its apparent importance for strategic health of organizations and society in general. Corporate governance should be enriched by expanding the framework of analysis beyond the conventional criteria to incorporate the norms and values, such considerations can improve our understanding of boardroom dynamics and the characteristics of the decision management and decision control (Wainaina, 2016).

A number of studies have also been carried out in the area of corporate governance and financial performance in state corporations, in SACCOs, in companies listed in the Nairobi Stock Exchange in Kenya, examples; Njoka, (2016); Awino, (2014) and Muriiti, (2015). There is a yawning gap on influence of corporate governance on financial performance of dairy Co-operative societies that calls for more studies to be conducted. Ndungu (2018) investigated on the corporate governance practices and financial performance of credit societies. The study by Ndungu (2018) focused only on the issues pertaining to the Board like CEOs duality, diversity, and size of the board. The study by Otieno (2013) focused on the influence of corporate governance on the growth of Nairobi County. The study major area of concentration was the board elements like; size of the board, education level of the board members, gender of the board members and the CEO duality.

Studies like those of Mutuku (2016) and Micheni (2014) focused solely on savings Co-operative societies whereas the present study was limited to Dairy Co-operative societies. Muoria (2011) study on the effect of corporate governance on financial performance of state corporations centered on board composition and size. The study utilized descriptive analysis to analyze the data whereas the present study encompasses more variables like transparency and disclosure and made use of inferential statistics for data analysis. In Kenya, majority of the studies on corporate governance are general in nature with the most recognizable study being the one focusing on the relationship between implementation level of Capital Markets Authority guidelines on corporate governance and profitability of companies listed at the Nairobi Stock Exchange (NSE). It is against this background that the researcher found it necessary to carry out a study on corporate governance factors and their effects on financial performance of dairy Co-operative societies in Meru County.

1.3 Objectives of the Study

1.3.1 General objective

The main objective of the study was to determine influence of corporate governance factors on financial performance of dairy Co-operative societies in Meru County.

1.3.2 Specific Objectives.

i. To determine influence of internal controls on financial performance of dairy Co-operative societies.
ii. To establish influence of board responsibility on the financial performance of dairy Co-operative societies
iii. To determine influence of transparency and disclosure on the financial performance of dairy Co-operative societies
iv. To establish influence of risk management on the financial performance of dairy Co-operative societies

1.4 Research Hypotheses

This study focused in proving the following hypothesis.

i. H_0: Internal controls have no influence on the financial performance of dairy Co-operative societies.
ii. H_0: Board responsibility has no influence on the financial performance of dairy Co-operative societies.
iii. H_0: Transparency and disclosure has no influence on the financial performance of dairy Co-operative societies.
iv. H_0: Risk management has no influence on financial performance of dairy Co-operative societies.

1.5 Significance of the Study

Results of the study may provide a basis or framework against which other dairy Co-operative societies and organizations could assess their corporate governance factors and judge their effect towards financial performance. This work is intended to bring to an understanding to the management of Co-operative societies the need to implement internal controls, information systems for easing disclosures and the place of risk management system towards financial success. The regulators of Co-operative societies are also bound to derive lessons from this study on aspects of internal controls and disclosures that Co-operative societies are supposed to declare. The lessons may be utilized in modifying existing regulations or developing new ones entirely.

A well-functioning Co-operative society is a plus to the country in its pursuit of Vision 2030 and the “Big 4 Agenda”. Through the implementation of corporate governance principles the Co-operative Societies would act as resource mobilizers and capital consolidation centers for onward lending to the government for the implementation of Big 4 Agenda infrastructural requirements. The Co-operative movements that may apply the knowledge and practices adduced from this study will be in a position to support some of the Vision 2030 pillars like the economic and financial pillars. They may be in a position to participate in any of the Agendas stipulated in the Big 4 Agenda as they are operating under operational internal control systems and the invested resources are safeguarded through a transparency and full disclosure system.

The findings of the study may be of use to academicians and researchers as they try to solve the problems of organizational performance or as they try to fashion out strategies that can be utilized to improve organizational performance. This study may identify various gaps that may inform future studies on the corporate governance effect on financial performance of Dairy Co-operative Societies.

1.6 Scope of the Study

The study was carried out to analyze influence of corporate governance factors on the financial performance of Dairy Co-operative Societies in Meru County, Kenya. It was confined within the Dairy Co-operative Societies in Meru County and was undertaken in the selected departments which are directly affected by the selected corporate governance factors. This is because the heads of the selected departments were believed to have the required information. The study focused on internal controls, board responsibility, transparency and disclosure, and risk management. Data was collected from the top management of the Dairy Co-operative Societies and the analysis and writing of report was bound to take a period of six months.

1.7 Limitations of the Study

The study was faced with the problem of realizing the right threshold of responses. This was related to the consideration of organizational information being confidential and proprietary. To overcome this the interviewers required to convince the respondents the need to participate in the study and provide unbiased data.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter focused on the review of the past studies that expound on the corporate governance factors implied to influence the financial performance of Dairy Co-operative Societies. The chapter comprises an empirical and theoretical review; on empirical review the study looks at previous studies expounding on the relationship between each of the individual independent variable and the dependent variable while on the theoretical review the focus was to review determine the theories on which the study is anchored and establishing how they are linked to the study. This study included a conceptual framework that explains the relationship between the corporate governance factors and financial performance.

2.2 Theoretical Review

This study is informed by the stewardship theory and stakeholder's theory. The theoretical review helps in defining the key concepts of this study.

2.2.1 Stewardship Theory

The stewardship theory contends that managers works for and protect the interest of the shareholders. Under the stewardship theory the superiority of performance of the organization is associated with the management capability of internal directors as their interests is to maximize shareholders returns (Subramanian, 2018). It is based on two premises, that managers are trustworthy and the agency costs are going to reduce as they work for the interest of shareholders and community. This may hold true as there is no conclusive of positive effect between external and outside directors, and financial performance of the organization. The role of outside directors as premised in agency theory is monitoring the management activity but with the assumption that the management is trustworthy, this reduces the cost of internal monitoring control systems (Subramanian, 2018).

Other proponents of stewardship theory posit that the organization is supposed to fulfill a greater calling of serving not only the shareholders, employees and customers but also the community (Karns, 2011). This means that the business main reason for existence is to serve and for it to fulfill this it has to remain economically sound. This implies that the management doesn't only drive the business towards profitability for the sake of shareholders but also for the community that is the existence of the business should be a win-win situation for all stakeholders. The Dairy Co-operative Societies are managed by agents on behalf of the shareholders. The management steward the societies towards the core goals of Co-operatives which is prosperity through togetherness. The theory is further linked to the internal control mechanisms of the societies as the management in conjunction with the board of directors are supposed to implement internal control mechanisms that safeguard the shareholder's investments. Therefore, this theory tends to shed light on the internal control mechanisms within the organization and the risk management processes applied.

This theory is limited on the fact that not all managers may act on the interest of shareholders. The management may be too egoistic and end up racking up decisions that threaten the existence of the business for the good of the community. The simplistic nature of this theory may require it to be complemented by the stakeholder's theory as explained and discussed in the ensuing section.

2.2.2 Stakeholder's Theory

The major proponent of the stakeholder theory was Freeman (Freeman, Harrison, & Wicks, 2010). This was because Freeman had advocated for the addition or for the focus of the organization from stockholders to stakeholders. In this perspective together with other authors during that period, they posed that it would be easier for the management to run their business with certainty, prediction and behavioral control. Freeman and other advocates of stakeholder theory imputed that if the relationship between the business and the groups and individuals who are affected by it or affect it as unit of analysis it would be easier to address the three problems relating to business; the problem of value creation and trade, the problem of ethics in capitalism and the problem of managerial mindsets (Harrison, Freeman, & Abreu, 2015).

The stakeholder theory is premised on four things, the firm has relationship with many groups who affect and are affected by its decisions, the processes and outcomes of these relationships are necessary for the growth and survival of the firm, interests of all legitimate stakeholders have intrinsic value and none of the group or individual is assumed to supersede the other, and managerial decision making within the firm is vital (Ademola, 2014). The theory does acknowledge that these relationships do change over time and it is upon the management to shape and influence these relationships for value creation. When conflict arise with a group of stakeholders the management is called upon to rethink the issue and make decisions that addresses the needs of a broad group as well as make tradeoffs when need be (Harrison, Bosse & Phillips, 2010)

This theory tends to address the concerns of transparency and disclosure, risk management and board responsibility which are principle to this study. The information sharing with the stakeholders and especially on its performance is vital as it allays fears and uncertainty. The co-opting of the boards and boards committee takes care of those affected and affecting the organizational decisions thus giving them an opportunity to share their ideas on strategy development and an opportunity to utilize their technical skills. This theory has limitations on the high number of stakeholders and power discrepancy among the stakeholders. The high number of stakeholders inhibits the ability of the organization to incorporate all the views, opinions and advisories given by them such that an idea may be proposed and however good may not be implemented if the stakeholder occupies a lower position in the power matrix.

In this study the stakeholder’s theory is important as the theory is related to the parties involved in the performance of the Co-operative societies. This theory will help explain the essence of disclosure, accountability for the attainability of the organizational goals. The theory brings to light and explains the interconnectedness between the internal controls within the organization and the stakeholder’s expectations, that is through transparency and disclosure of financial performance the management of Dairy Co-operative Societies are in a position not only manage stakeholders’ expectations but also move towards the mission of the society.

2.3 Conceptual Framework

The relationship between the variables studied is well represented by the conceptual framework below. This illustrates the fundamental concept of the effect of corporate governance factors on the financial performance of dairy Co-operative societies. According to Mugenda and Mugenda (2003) a conceptual framework infuses understanding of the nature of relationship between the independent and dependent variables. Thus, the Fig 2.1 below represents the conceptualization of the relationship between corporate governance factors and financial performance of dairy Co-operative societies in Meru County.

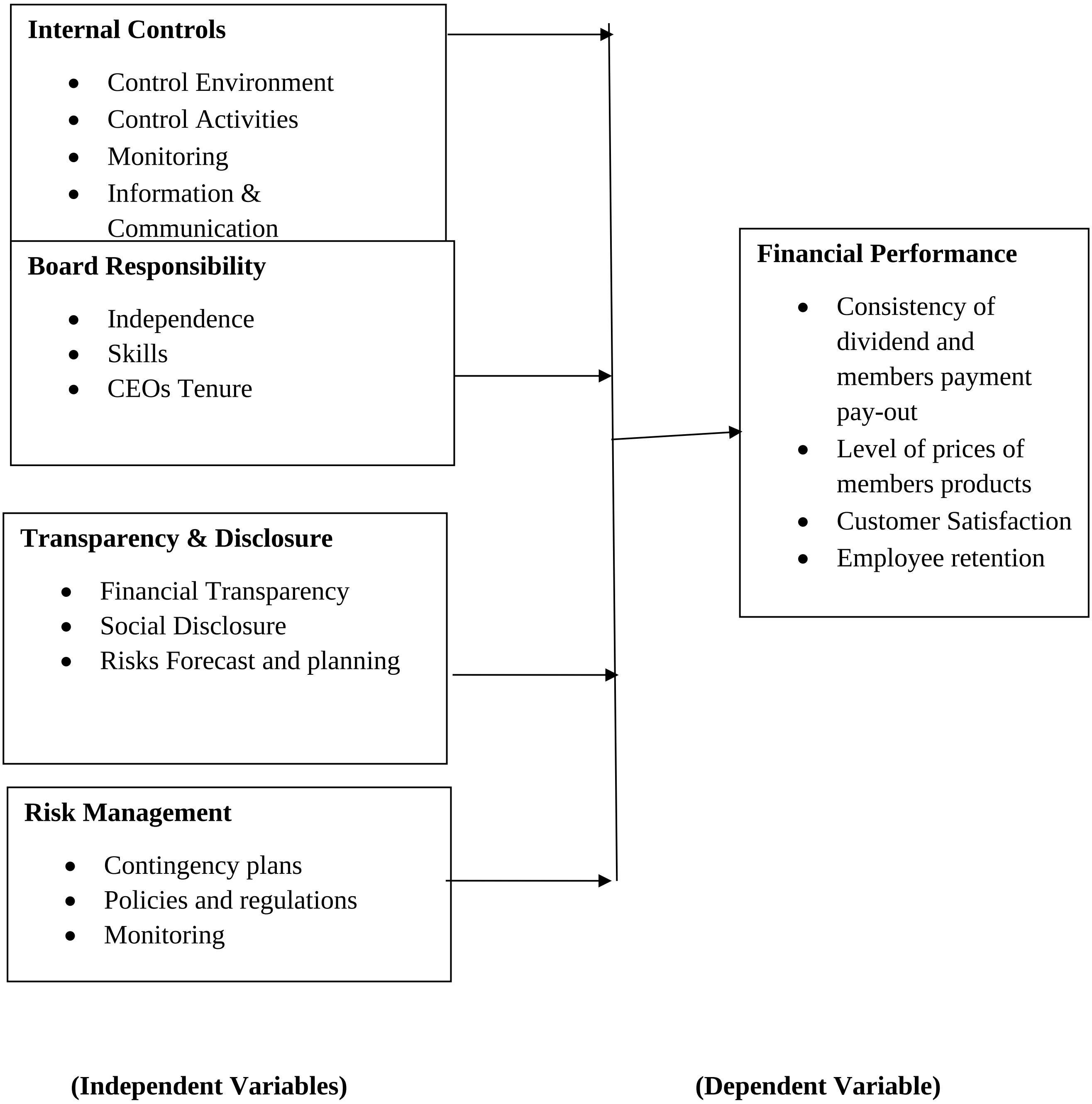

Fig 2.1 Conceptual Framework

2.4 Empirical Review

The empirical review focused on Past literature on the relationship between internal controls, board responsibility, transparency and disclosure, risk management and financial performance of Co-operatives in a bid to establish the research design, methods applied in analyzing the data and results established. Through this, similarities and differences between the present study and past studies were established enabling the study to pinpoint and focus on the research gap.

2.4.1 Internal Controls and Financial Performance of co-operatives

According to Hussein and Muhammed (2018) internal control are the "processes designed and effected by the management and the employees for providing reasonable assurances on the attainment of organizational objectives of efficiency and effectiveness in operations and compliance with applicable laws and regulations towards reliable financial reporting". This definition is in tandem with the internal control framework provided by Committee of Sponsoring Organization (COSO). The framework provides the five components of internal control; control environment, entity risk assessment process, information and communication system, control activities and monitoring. These elements according to Aralik, Unkuyu and Altintas (2017) ensure that the amounts contained in the financial reports are accurate and true reflection of the organizations status and they can be relied upon when making decisions.

Internal control elements being implemented vary from one organization to another as established by Wangechi and Muturi (2017) in their study on the effect of control systems on financial performance of Co-operative societies. The elements of internal control system adopted by Wangechi and Muturi (2017) in their study were; internal administrative control systems, accounting and risk assessment control systems. These elements though considered in our current study will not encompass the same latitude of application as in Wangechi and Muturi (2017) study. The internal control system elements were combined to form a single index in order to run the regression model which encompassed other variables like monitoring, information communication technology and challenges of implementing the control systems. This study is similar to our current study as they are situated in the descriptive research design and utilize the regression model to establish the size of effect of independent variables on the dependent variable. The studies differ when it comes to their geographical location and the size of the population beside the choice of independent variable.

In a study conducted by Anania and Gikuru (2015) established that internal conflicts as well as external conflicts had a negative effect on the performance of SACCOs. This study was conducted on the SACCOs operating within Tanzania. The external and internal factors tended to affect the control systems within the SACCOs. The management within the SACCOs experienced institutional challenges the moment the management and the other employees were in conflict thus affecting the internal control systems that would eventually lead to below performance of the SACCOs. This study results are similar to those generated by Mwangi (2015) when conducting a study on factors influencing the performance of UNAITAS SACCO in Kenya established that conflicts brought about organizational subcultures and rewarding schemes had a significant effect on the performance of the SACCO. The study utilized both quantitative and qualitative data unlike the Anania and Gikuru (2015) study which was a qualitative study.

In a study conducted by Kiyieka and Muturi (2018) to investigate the effect of internal controls on financial performance of deposit SACCOs in Kisii County established a positive and significant relationship between internal control and financial performance. This study by Kiyieka and Muturi (2018) adopted the internal audit controls, internal information system controls, internal risk assessment controls and internal corporate controls as the measures of internal control systems. This study focused primarily on 10 deposit taking SACCOs located in Kisii County while the present study will focus on the more than 70 registered Dairy Co-operative Socities in Meru County. The Kiyieka and Muturi (2018) study was situated within the descriptive research design and they made use of regression and correlational analysis to conduct data analysis in a bid to establish the size of effect. The present study will also make use of regression and correlational analysis. The study conducted in Kisii established that information system control did not return a positive and significant relationship with financial performance. The current study deviates from the Kiyieka and Muturi study as internal control system is considered as a combination of several independent variable whereas in the current study internal control is considered as a singular independent variable.

The study conducted by Mbaka (2018) established a positive and significant relationship between internal control system elements and financial performance of SACCOs within Nyeri Central Sub- County in Kenya. The study had four independent variables; the control environment, control activities, control assessment and monitoring whereas the current study has four independent variables. The monitoring variable returned statistically insignificant effect on financial performance whereas the other three variables had a positive and statistically significant effect. The Mbaka (2018) study made use of cross-sectional research design due to its versatility in describing the study's phenomena, whereas the present study will utilize a descriptive research design. Regression modelling is the preferred statistical method of establishing the size of effect between the independent variables and the dependent variable, this is the same model that the current study is going to utilize though with additional independent variables. The studies by Kiyieka and Muturi (2018) and the one by Mbaka (2018) though conducted in different geographical regions and with different target populations retuned the same results when comparing the relationship between internal control systems and financial performance of SACCOs.

2.4.2 Board Responsibility and Financial Performance of Co-operatives

Previous studies on the relationship between corporate governance have suggested several ways in which boards influence the financial performance of SACCOS, and other organizations (Payne, Benson & Finegold, 2017, Amoll, 2015). The role of the board towards financial performance has been identified as; offering strategic direction, establishing external resources networks, monitoring function and maintaining positive corporate image (Amoll, 2015; Kiambati, Ngugi, Katuse and Waititu, 2013). The board has been considered as the cog that drives internal corporate governance within the organization thus playing the crucial role of supporting and providing direction on the internal control systems as well as a functional monitoring role (Kitui, 2013). This therefore means that all the boards of dairy societies are elected by members to spearhead the affairs of the organizations, thus it belies on them to shepherd the organization towards financial success.

In a study on the influence of board characteristics on performance of Tanzanian firms, Assenga, Aly and Hussainey (2018) established that the foreign directors and education level of directors did not have a role in the financial performance of the firms. This study also established that the separation of CEO/Chairperson roles and diversity of the board contributed towards financial performance. This study considered the following board characteristics, external directors, board size, CEO/Chair duality, foreign directors and skills. The study research design was mixed method approach that integrated qualitative and quantitative data through convergent parallel design while the statistical method of analysis was the balanced panel data regression method. The geographical region of the study was in Tanzania and was based on local firms and its main focus was on the aspects of board with major focus being on the diversity, skills set of the board members, duality of CEO and the board size.

The study by Assenga, Aly and Hussainey (2018) made an effort of integrating primary and secondary data thus setting a higher mark in terms of data analysis. The findings of this study on the relationship between board size and financial performance returned a non-significant relationship in contrast to a study conducted by Huang (2010) on financial institutions in Taiwan. The arguments vary as Assenga, Aly and Hussainey (2018) imputes that a large board size may not monitor an organization well while Huang (2010) argues that a small board size may not constitute the right skills and personnel to monitor and offer guidance to the management of the organization.

According to Puni (2015) the board is supposed to offer statutory duties in the interest of shareholders. He further argues that this can be best carried through the board committee due to their technical skills in audit, marketing, planning and succession management. Puni (2015) on his study on the effect of the board on financial performance of corporations in Ghana established that board committees had no statistical significant effect on the financial performance of the organization. The committees that were considered were the audit, nomination and remuneration committee leading him to come into a conclusion that there is need to inject the Ghananian corporate boards with foreign or external directors to shore them with technical skills. This study adopted a quantitative research design and made use of a static panel regression model. The conclusion arrived at on the inclusion of foreign directors in the board goes contrary to the one arrived at by Assenga, Aly and Hussainey (2018) in Tanzanian corporations.

Kasyoki (2016) imputes that all corporate boards are tasked with improving the financial performance of their organizations. In her study on the effects of board characteristics on the financial performance of firms listed in Nairobi Security Exchange (NSE) established a positive and significant relationship between board diligence and financial performance. The study also established that board diversity had a negative effect on the financial performance of the listed companies. This study utilized a quantitative research design and made use of secondary data derived from the annual reports of the selected firms in commerce and service sectors. The statistical method used was fixed effect model for panel data collected over a period of five years.

This study is unique as it wholly relies on secondary data to make its conclusion. Secondly it established a positive and significant relationship between board size and financial performance of the listed firms.

2.4.3 Transparency and Disclosure, and Financial Performance of Co-operatives

Transparency and disclosure have been found to be an integral part of corporate governance in order to reduce information asymmetry within the organization. The structure of today's organizations that are frequented with agency problems demands regular financial transparency and disclosure (Ndung'u, 2013). This is in accordance with the OECD report of 2006 on transparency and disclosure which emphasized on full disclosure as an indicator of the quality of corporate governance within an organization. Full disclosure would encompass release and sharing of information with different stakeholders as per their needs and according to set regulations. The information released to meet transparency and disclosure requirements relates to economic, social, political information about the organization use of finances availed to it, credit rating of its borrowers, fiscal policy in operation and its economic and financial activities with external actors (Ali and Shaker, 2017).

In a study conducted in 2017 in Nakuru North Sub County established a moderating effect of transparency and equal voting rights on the relationship between capital structure and financial performance of dairy Co-operative societies (Obende, Kung'u & Gichohi, 2017). The study utilized both the case and descriptive research design with the target population being the 10 dairy Co-operative society's domiciled in the Nakuru North Sub County. The study made use of regression models for establishing the size of the effect. The population of the study stood at 100 respondents. The study by Obende et al (2017) though focusing on dairy Co-operative societies was conducted in a single sub county within a county while the present study intends to focus on nine sub counties.

In another study conducted in Kenya by Otieno, Mugo, Njenje and Kimathi (2015) established a strong and positive relationship between transparency and disclosure, and financial performance of SACCOs in Nakuru County. This study concurred with other previous studies that the quality of financial reporting was as important as any other function within the organization as it determined the quality of decisions made in as far as investment activities were being considered. This study by Otieno *et al,* (2015) adopted a survey research design and utilized a purposive sampling methodology to establish the participating SACCOs which were three out of the 80 registered in Nakuru County. In the selection of respondents, all the employees of the three SACCOs were administered with a questionnaire whereas in the current study only the top management will be administered. The Otieno *et al,* (2015) made use of a Likert Scale in designing the questionnaire which is also adopted for the current study. The study established that the information should be as regularly as possible though it has not clearly detailed the kind of financial information and regularity of its disclosure. The selection of only three SACCOs is not as representative as it is required for the generalization of study findings. This gap is likely to be addressed in this current study.

The study by Mwendia (2018) confirms the results established by Otieno *et al,* (2015) and Mwangi, Nyachwaya and Cheruiyot (2015) that established a positive and significant effect between transparency in financial reporting and financial performance of SACCOs. This was despite Mwendia (2018) involving a bigger sample than the other two studies and the geographical coverage being Nairobi County. The study by Mwendia (2018) indicates that voluntary disclosure had a significant and positive correlation with financial performance. The study made use of census as all the management of the 37 deposit taking SACCOs were given an opportunity to participate in the study. This may hold true if there are presence of regulations that ensures management discloses their financial performance and strategies to shareholders. The study utilized a regression model that included variables like board size, board diversity, CEOs duality and transparency and disclosure. The current study will make use of regression model and correlational analysis in trying to establish the relationship between transparency and financial performance though it will not include board diversity and board size as preliminary studies show rarity of board diversity in the county and the size of board is common in all the dairy Co-operative societies as per the Meru County Co-operative Societies regulations of 2014.

2.4.4 Risk Management and Financial Performance of Co-operatives

Risk management is a key factor for consideration whenever decisions are being made on improving productivity and performance of the organization. The dynamic changes within the environment of operation has led organizations to develop proper mechanisms for risk control to mitigate against unplanned occurrences (Mwangi, 2014; Beckmann, 2007). The dynamic environment demands prior planning that includes mitigation of risks through implementation of risk management practices, such that organization takes the risks consciously and in a planned manner ensuring that there are no surprises from the environment and the competitors (Ebenezer and Omar, 2016).

Mwangi (2014) in his study on the relationship between risk management and performance of commercial banks in Kenya established a positive and significant effect between risk management and financial performance. This study by Mwangi established that the risk management could be accounted for by the credit risk, in solvency risk, size of the bank and the operational efficiency. The study also states that the macro-economic factors also inhibit the risk management of an organization and should be taken into consideration when planning on risk mitigation activities within the organization. The study made use of descriptive research design and data was analyzed using both the descriptive and inferential statistics. The results by Mwangi (2014) are true to the extent that the organization has an established risk management system, risk management strategy and professionals who oversees the application of control mechanisms to mitigate against devastating organizational risk. Beside the risk management variable there were other independent variables like board size, capital adequacy and operating efficiency. The risk management variable was represented by the elements; credit risk, insolvency risk and interest risk and it was established that a unitary increase in either of these risks would lead to financial losses by the commercial banks under study (Mwangi, 2014)

The study by Wanjohi, Wanjohi and Ndambiri (2017) confirms the results of the study conducted by Mwangi (2014) where they established that risk management had a positive and significant effect on financial performance of banks in Kenya. The study by Wanjohi *et al*, (2017) made use of descriptive research design and data was collected from 43 commercial banks and one Mortgage Company in Kenya. The questionnaire were self-administered to the management of the banks to collect data pertaining to risk management while data on financial bank was accessed from the Central Bank of Kenya on performance of Banks as it was secondary data. This study established that majority of the banks were practicing good risk management practices and it also recommends the application of newer techniques for risk measurement like simulation techniques, risk adjusted techniques and value at risk.

2.4.5 Financial Performance of Co-operatives

Performance has been defined as the difference between the expected and the outcome, though this is not conclusive as it varies between organization to organization (Ion & Criveanu, 2016). On the other hand, as defined by Lebas (1995) performance is future oriented, measuring the difference between the set objectives and the outcomes over a period of time. This perspective by Lebas points out that these objectives are based on a causal model linking components that recognizes the various factors internally and externally that lead to the outcome. According to Lebas there is a difference between performance as an outcome and as a process and they all depend on the capability and environment of operation of the organization. This definition extends that one given by Mayong and Noorlailie (2018) who only considered good management and control of resources as a measure of organizational performance.

In an extension to the above perspectives that were considered to be both subjective and interpretivism Rolstadas (1998) had tried to bring into perspective the complex nature of defining performance and trying to relate it to specific factors. Mohan and Chadramohan (2018) made use of six indicators to measure firm's performance; return on equity, price to book ratio, asset turnover, sales growth, leverage, chief executive duality, board size, board composition and financial leverage. This is in contrast to the measures made use by Rolstadas (1998) two decades earlier whose performance measures included indicators like; efficiency, effectiveness, quality, productivity, quality of work, innovation and profitability. Thus, performance can be viewed in either of the seven criteria's making it hard to have a common definition or meaning of performance as it will depend on which criteria one is basing his definition.

The definition and measures for financial performance adopted by this study falls close to the one given by Bourguignon (1997) and Mohan and Chadramohan (2018) who looks at performance in three dimensions; performance as success, as a process and as an action. This implies the need of not only incorporating the target or goal setting but also of the process and the activities undertaken to accomplish the set goals. This is in cognizant to the environment in which a dairy Co-operative operates in and its structure, where members come together with clear defined goals that need to be met, then there are processes that may be defined as the rules, regulations and procedures that need to be adhered to and which either fuels or inhibits the activities of the organization. And in keeping with the words of Drucker (1999) to assess performance, measurements like quality of service, customer's satisfaction, flexibility of processes, innovation and utilization of resources should be taken into consideration.

2.5 Critique

After a critical analysis of the literature above it's worthy to point out that corporate governance plays an important role in the performance of the organization. Literature on internal control as discussed and espoused by (Hussein & Mohammed, 2018; Aralik et al, 2017; Wangechi & Muturi, 2017) impute that control systems like internal audit, administration responsibilities, communication and risk assessment are vital for improving the performance of the organization. The interconnectedness between one principal of corporate governance is well espoused by the study conducted by Wangechi and Muturi (2017) who in their choice of internal control elements do include risk assessment, whereas it is a pertinent aspect of risk management. This is well articulated in the empirical review carried out on risk management where it is implored that for better risk management practices to be implemented within an organization there is need for thorough or comprehensive risk assessment (Wanjohi, Wanjohi & Ndambiri, 2017).

On board responsibility as argued by (Amoll, 2015; Kiambati *et al*., 2013) the board not only offers strategic direction but also concerned with day to day management of the organization. The day to day concern is through monitoring which is a primary aspect of internal control as they go hand in hand as the reports generated by the boards are due to the monitoring done on the organization's activities. There is an interconnection noted between board responsibility and the transparency and disclosure levels within the organization. This is noted when one connects the work by Puni (2015) who argues that injection of external directors to the board improves the monitoring ability of the board and the work by Otieno *et al*. (2015) who argues that through technical skills and strategic decisions offered by board members the transparency improves within the organization. Though the results of their studies contrast they persist on the need of improving the performance of the organization through corporate governance.

The key common base of corporate governance as discussed in the empirical review carried out is that transparency and disclosure as well as board responsibility and internal control should build into one another. As revealed in the study by Mwendia

(2018) the CEOs duality, board diversity, board responsibilities impact on the disclosure and transparency level which in turn have an impact on the performance of the organization. Arguably this is vital for each of the elements to work towards its goal as it tends to build also to the other element which brings forth the idea of the unit of the organization.

2.6 Research Gap

Studies on the influence of corporate governance factors on organizational performance have been increasing with the increasing changes in the corporate landscape. This though has led to skewed studies in form of concentration. In Sri Lanka as noted by Perera and Harshan (2019) the implementation of corporate governance would be easier worldwide with the convergence of international financial reporting standards. This though leaves a gap as different countries opt for different accounting standards. The financial standards offer avenues for internal controls and disclosure for organizations but they are limited due to different standards being applied in the world. The studies by Huang (2010) and Assenga, Aly and Hussainey (2018) returned conflicting results on the significance of board responsibility on financial performance of Taiwan and Tanzanian organizations. This brings out a clear research gap that can be explored in the present study. The study would like to establish whether the Dairy Co-operative Societies boards influences their financial performance. When certain aspects of board responsibility like skills and board size were examined by Puni (2015) on Ghanaian firms it was established that they didn't influence the performance of these firms contrary to majority of author's expectations. The present study offers an avenue to bridge this gap.

In Kenya majority of the studies have focussed on the commercial banks then followed by SACCOs and in companies listed in the Nairobi Stock Exchange in Kenya, examples; Njoka, (2016); Linyiru, (2006); Maina, (2006); Awino, (2014); Muriiti, (2015) and Ooko, (2011). There is a research gap that exists since none of them covers influence of ownership structure (exhibited by voluntary membership in dairy Co-operative societies) on corporate governance and financial performance specifically in the dairy sector in Kenya. More so, the many unpublished work done in Kenya followed suit by focusing corporate governance in general with only one study among them focusing on the relationship between implementation level of Capital Markets Authority guidelines on corporate governance and profitability of companies listed at the Nairobi Stock Exchange (NSE). It is against this background that the researcher has found it necessary to carry out a study on corporate governance factors and their effects on financial performance of dairy Co-operative societies in Meru County.

2.7 Summary of Literature Review

The reviewed past studies establish that corporate governance is a vital component in the organizational matrix as it not only offers a way of managing but also monitoring the organizational activities. The review has established conflicting results on the influence of board responsibility on the financial performance of firms, this is the same case established when literature on internal control influence on financial performance of organizations is compared. The review also established that corporate governance principles transcends the structures, processes to behavioral tendencies and practices of the management, board and the employees of the organization (Kariuki 2016; Kiambati *et al.*, 2013). Therefore, the nature and composition of the board is important as through the literature reviewed there is realization that corporate governance is best carried out through, internal control systems, financial reporting, risk management planning and board playing its mandated role. Through good stewardship by the management, profitability is guaranteed thus the organization is able to meet the different needs of the stakeholders (Ademola, 2014).

Through the review of past studies, it was established that there exists a gap in the effect of internal controls on performance of societies. The results established were conflicting. This study sets out to establish the true phenomenon in the Kenyan dairy societies. The expectation is that the influence of internal controls is positive and significant taking into consideration that lack of their implementation leads to unharnessed resources, poor decision making among the managerial staff among others. Thus, it is imperative for the organization to get it right when implementing internal control systems as well as ensure that transparency and disclosures of financial reports are carried out on time. This was established on the review of the journal articles by (Ali & Shaker, 2017; Mwendia, 2018; Obende *et al.*, 2017; Otieno *et al.*, 2017)

In the review of past studies on internal control, several authors have made use of elements like; internal administration practices, risk assessment, accounting systems, auditing among others as representation of internal control system. The review established that internal control system did influence the financial performance of organizations. On the other hand, transparency and disclosure was found to be relevant especially in informing the members the financial status of the organization and planned developments that the organizations is planning to undertake. It is through transparency and disclosure that the organization can gain the government and citizen's good will.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter focused on the research design of the study, the sampling methodology and procedures adopted to establish the sample size, the tools and data collection procedures utilized by the study to ensure a high response rate and, the reliability and validity tests adopted to ensure the research instruments returns consistent responses. This chapter also encompassed the study model, the data analysis tools and methods and the research ethics that was taken into consideration by the study.

3.2 Research Design

This study adopted descriptive research design due to the need to exhaustively describe the phenomena of the occurrence of the research problem According to Silva (2017) a descriptive research design tends to give a clear description of the data enabling the study to establish the relationship between the variables within the existing phenomena. This is supported by the work of Wyk (2013) who imputes that descriptive research design increases the analysis of the relationships between the variables in the study and thus offering opportunities for establishing the relationship between the facts and the phenomena of the study.

3.3 Target Population

According to Cooper and Schindler (2013) the target population is the group of individuals or objects that the study wants to make inference from. This group of individuals or objects have the pertinent information that may lead to the solution of the study problem. It is from the target population that the study's sample is drawn from.

The target population consisted of all the Dairy Co-operative Societies registered with the Meru County Government and the Commissioner of Co-operatives as shown in table 3.1 below. The number of Dairy Co-operative Societies are indicated as per the 9 Sub Counties in Meru County. There are 72 Dairy Co-operative Societies in Meru County which forms the target population of this study. The population of interest comprises the 72 CEOs/Managing Directors of the Co-operative societies due to the role played in leading and implementation of corporate governance principles as well as managing shareholders' resources.

Table 3. 1 Target Population

Sub County	Frequency (No. of Dairy Co-operative Societies)	Percentage
Imenti North	10	13.9
Imenti Central	6	8.3
Imenti South	15	16.7
Igembe North	8	11.1
Igembe South	10	13.9
Igembe Central	4	5.6
Tigania West	3	4.2
Tigania East	4	5.6
Buuri	12	20.8
Total	**72**	**100**

Source: Meru County Department of Trade, Industry and Co-operative (2020)

The study focused on the CEOs/Managing Directors of the Dairy Co-operative Societies who are usually involved in the implementation of corporate governance principles and with key responsibility of driving performance within the Co-operative Societies.

3.4 Sample and Sampling Procedures

According to Mugenda and Mugenda (2003) a sample is a representation of the population. When selecting the sample to utilize in the study it should have an ability to generate the required information as advised by Kothari (2014). Due to the nature of data required in order to attain study’s objectives, the study will limit itself to the population of CEOs/Managing Directors only. This choice of respondents resulted to a census of all the CEOs/Managing Directors of Dairy Co-operative Society in Meru County.

Through purposive sampling the study focused on the 72 CEOs who lead the dairy Co-operative societies in Meru County. This sampling method was used in a similar study by Ndungu (2015) on a study investigating the effect of government regulations on financial stability of SACCOs in Nyeri County. This was done in order to maintain homogeneity in data collection and taking advantage of the participation of CEOs in the boards.

Table 3. 2 Population Distribution

Sub County	No. of Dairy Co-operative Societies	No. of CEOs/Managing Directors
Imenti North	10	10
Imenti Central	6	6
Imenti South	15	15
Igembe North	8	8
Igembe South	10	10
Igembe Central	4	4
Tigania West	3	3
Tigania East	4	4
Buuri	12	12
Total	**72**	**72**

3.5 Data Collection Instrument

This being a primary data-oriented study, it relied on a questionnaire as the most suitable means of data collection. The questionnaire was designed in such a way that it was able to collect not only respondent's opinions but also structured data. An in-depth interview was conducted on 20 of the Board members of the Dairy Co-operative Societies using an interview guide. Thus, the research instrument utilized in this study was a semi structured. The research instrument also contained a Likert Scaled structured questions where a rate of 1 indicated a strongly disagreed opinion while a rate of 5 indicated a strongly agreed opinion. There are two parts; the first part consisted of section A that included questions on demography that is the respondents' age, gender and the level of education. The second part of the questionnaire had sections B, C, D, E and F and contains both open ended and closed ended questions that helped to establish the state of the independent and dependent variables in the study.

3.6 Data Collection Procedures

The collection of the data was closely guided by the geographical distribution of the respondents. The first step was to establish contact with the management of the Dairy Co-operative mostly through utilization of digital tools like emails and mobile phone calls to inform them of the researcher's interest to carry out a study within their organizations. Second step involved dropping the questionnaires to the selected respondents and agreeing on the period of collecting the filled questionnaire.

3.7 Pilot Testing

This study made use of pilot testing where 10 questionnaires were administered to top managers of Dairy Co-operative Societies in the neighboring County of Tharaka Nithi. The respondents were top management of the Dairy Co-operative Societies in Tharaka Nithi County and involved with decision making on governance issues. The study noted down the time taken to fill a questionnaire, context and content issues raised by the respondent in order to rectify. The researchers were very keen to establish if the research instrument meets the reliability threshold for it to be adopted as the instrument for the study. Inconsistencies pointed out by the respondents were addressed at the proposal development stage of the study.

3.8 Reliability and Validity of Research Instrument

The consistency and quality of the research instrument is vital for the establishing of solutions towards the research problem. The generalization of the research findings depends on the reliability and the validity of the research instrument utilized in data collection. Reliability refers to the consistency of the responses from the population in which the instrument has been administered. It means that if the same instrument is administered to the same or a similar population it would generate consistent results. This study made use of Cronbach alpha coefficient as a measure of reliability. According to Mugenda and Mugenda (2003) a Cronbach alpha coefficient of more than 0.5 is good while a coefficient of 0.7 is excellent. Thus a Cronbach Coefficient of between 0.5 and 0.7 was acceptable in this study.

On the other hand the validity of the study instrument is the degree to which the results of the study represents the study's phenomenon. Validity ensures that the research instrument measures what is supposed to be measured and that's why the content, face and context validity must be fulfilled before the administration of the research instrument. The content validity was met through the help of experts within the department who are knowledgeable on the principles of corporate governance as they were able to evaluate and review the research instrument and give their opinion accordingly. Face to face validity was met through glancing through the instrument and checking whether the questions being administered were within the concepts being studied.

3.9 Data Analysis

The collected filled questionnaires were checked for any omissions or errors and a decision was made on which ones were to be discarded or included for analysis. This was based on the criteria whether the data provided is in a usable form or not. Thereafter the data was keyed into the statistical program for data analysis the Statistical Package for Social Scientists (SPSS). Through this package the descriptive and inferential statistics that depicts the distribution and association of the data were run. The descriptive statistics included measures of central tendency like mean and measures of dispersion like standard deviation, kurtosis and skewness. The study made use of inferential statistics like hypothesis testing through regression models where significant values were established. The results of the analysis were presented in tables, where percentages, means, standard deviations established through descriptive analysis were arranged in a manner that affords easiness of interpretation and understanding by readers and discussed in relation to past studies.

The study employed a multiple regression model for analyzing the size of effect between the independent variable and the dependent variable. The regression model is as depicted below;

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Y = Financial Performance

X_1 = Internal Control

X_2 = Board Responsibility

X_3 = Transparency and Disclosure

X_4 = Risk Management

β_0 = Constant

$\beta_1 - \beta_3$ = Regression Coefficients

ε = Error term

Correlation analysis was also employed to establish the strength of association between the independent and dependent variables.

The measurement indicators for the study variables are borrowed from past studies and frameworks. The measurements indicators for all the variables are presented in Table 3.3 below. The indicators for internal controls have been adopted from COSO 2013 framework on internal controls (COSO, 2019). The indicators for board responsibility, transparency and disclosures have been adopted from the works of (Palaniappan, 2017; Setumbi, 2016; Wanjau, Muturi & Ngumi, 2018) while those for risk management are from the works of Makokha, Namusonge and Sakwa (2016). The performance measures have been adopted from the measures used by Bayoud (2012) and Carton (2004).

Table 3.3 Measurement Indicators for Study's Variables

Variable	Nature of Variable	Indicators	Measurement Scale
Financial Performance	Dependent Variable	Consistency of dividends and members benefits pay out	Likert Scale 1-5
		Level of prices for members products	
		Customer Satisfaction	
		Employee retention	
Internal Controls	Independent Variable	Monitoring activities	Likert Scale 1-5
		Information and Communication	
		Control activities	
Board Responsibility	Independent Variable	Independent decisions	Likert Scale 1-5
		Skills	
		CEOs tenure	
Transparency and Disclosure	Independent Variable	Financial Statements	Likert Scale 1-5
		Social disclosure	
		Risks forecasts	
Risk Management	Independent Variable	Contingency Plans	Likert Scale 1-5
		Policies and regulations	
		Monitoring reports	

The study made use of diagnostic tests to help in authenticating the nature of data and helps in specifying the model admissible for the study in order to guarantee that the regression results are not biased, steady and proficient (Yihua, 2010). The study carried out pertinent diagnostic tests before commencement of model estimation. The diagnostic tests were designed to check the assumptions relating to multiple linear regression model. The diagnostic test for this study were for testing violation of multiple regression error assumptions relating to linearity, heteroscedasticity, normality, and autocorrelation and multi collinearity.

3.9.1 Testing for normality

A normality test is used to determine whether sample data has been drawn from a normally distributed population (within some tolerance). Assumption of ordinary least squares regression model which impacts the validity of all tests is that residuals behave normal (Oscar, 2019). The study will use Shapiro wilk test to test the null hypothesis to ascertain the distribution of the residuals is normal. If the p-value is found to be greater than 0.05($p>0.05$) the study would fail to reject the null (at 95%) and thereafter conclude that residuals were normally distributed.

3.9.2 Testing for linearity

Standard multiple regression can only accurately estimate the relationship between dependent and independent variables if the relationships are linear in nature (Montgomery, Peck & Vining 2012). Whenever the relationship between independent variables and the dependent variable is not linear, the results of the regression analysis will under-estimate the true relationship. This under-estimation carries two risks: increased chance of a Type II error for that independent variables, and in the case of multiple regression, an increased risk of Type I errors (over-estimation) for other independent variables that share variance with that independent variable. To detect non-linearity, the best method according to Hair, Black, Babin, & Anderson (2010) is to examine residual plots (plots of the standardized residuals as a function of standardized predicted values, readily available in most statistical software). In this study, linearity was checked by plotting standardized residuals as a function of standardized predicted values.

3.9.3 Multi collinearity

Multi collinearity occurs when independent variables in a regression model are correlated. According to Frost (2017) this is a problem as independent variables should be independent and not seem to predict one another. If there is high enough correlation degree of association between independent variables, it results into large standards errors of coefficient associated with the affected variables (Njeru, 2015). This will bring problems when fitting the model and interpret results. According to Mugenda & Mugenda (2012) multicollinearity can occur in multiple regression models in which some of the independent variables are significantly correlated among themselves. In a regression model that best fits the data, independent variables correlate highly with dependent variables, but, correlate at most, minimally with each other. The study used variance inflation factor which shows how much variance of the coefficient estimate is being inflated by multi collinearity. A variance inflation factor of more than 10(Vif>10) would indicate trouble with multi collinearity (Frost, 2017)

3.9.4 Testing for heteroscedasticity

Heteroskedasticity refers to disturbance whose variances are not constant across observations (Astivia *et al.,* 2019). In order to ensure the inferences from use of this method are appropriate, several assumptions must be satisfied, including the one of constant error variance (homoscedasticity). The study used Breusch-pagan test for heteroscedasticity. The null hypothesis is that residuals are homoscedastic. The F statistic will strongly reject the null at least at 90% level of significance. The study dealt with the problem of heteroscedasticity by use of robust standard errors if found.

3.9.5 Testing for auto correlation

Auto correlation occurs when the residuals are not independent from each other. Serial correlation is problematic to linear regression model as its presence renders the standard errors biased and estimated regression coefficients consistent but inefficient (Drukker, 2003). To detect the presence of auto correlation the study made use of Durbin-waston test. The test helps to determine whether the errors in different observations are correlated with each other. The null hypothesis test is that there is no serial correlation (Durbin & Waston, 1971). If d-statistic is more than 0.05, the study fails to reject null (at both 95% to 90% significance level) and conclude errors in different observations are not correlated with each other (Durbin & Waston, 1971)

3.10 Research Ethics

Research ethics is vital as it offers guidelines on how to interact, communicate and treat the respondents, the research population and even the research subject (Akaranga & Makau, 2016). This study will take into consideration the dignity of the respondents by ensuring that participation is voluntary, and their confidentiality and anonymity was maintained during the research process. Further, to this the respondents were encouraged to give honest opinions of the questions administered to them.

The first step in ensuring ethical research standards are maintained and met, a letter of introduction showing the nature of study and study duration were sought from the Post Graduate Board of The Co-operative University of Kenya. The introductory letter accompanied with the research proposal was presented to National Council of Science and Technology for verification process and to ensure that the study meets the ethical standards as stipulated in their research policy guidelines. In the process of collecting the data, respondents were explained the purpose of the study and requested to indicate their desire of accessing the final research report.

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter focuses on analysing the data collected from the study's respondents. Data analysis included establishment of demographic statistics and inferential statistics. To conduct these statistical analysis the collected data was first coded and entered into the statistical analysis package (SPSS). The analysis included measures of association whereas inferential statistics involved establishing the size of effect of the independent variable on dependent variable through regression analysis. After establishing the size of effect for each independent variable the full regression model will be presented.

4.2 Demographic Analysis

Demographic characteristics of the respondents were established through mean and standard deviation. The study also establishes the measures of centeredness of the independent variables and also their variability or how far they are from the mean value.

4.2.1 Response Rate

The study's respondents were derived from the 72 Dairy Co-operative Societies registered and operating in Meru County. The Dairy Co-operative Societies aggregate milk from members located within the County, add value and then sell to larger milk processors in the country, though some are also involved in distributing to the end user. The target population of the study were the 72 CEOs of the Dairy Co-operative Societies and 20 Board members. The questionnaires were distributed to the 72 CEOs and the 20 identified Board Members. The filled questionnaires from the CEOs that could be utilized for data analysis were 64 representing 88.88 per cent response rate. The response rate was considered adequate for inferential statistics. This is supported by Mugenda and Mugenda (2003) who indicated that a response rate of more than 60 per cent is adequate for inferential statistics. The questionnaire for the Board Members was administered through an in-depth interview and a 100 per cent response rate was accomplished.

4.2.2 Age of Respondents

The study needed to establish the age distribution of its target population. This would serve as an indicator of the wealth of information that the management holds and whether they can be classified as digital oriented or analogue oriented managers. The results of the analysis are provided in the Table 4.1 below;

Table 4.1 Age of Respondents

Category	Frequency	Percent
18-28	30	46.9
29-39	20	31.3
40-50	8	12.5
>50	6	9.4
Total	**64**	**100.0**

The results of Table 4.1 indicates that majority of the respondents belonged to the age group of 18-28 years of age representing 46.9 per cent of all respondent's. This was followed closely by the age group 29-39 who represented 31.3 per cent of all respondents. The category of age group with the lowest representation was those aged more than 50 years of age as they represented just 9.4 per cent of the respondents. This indicates that organizations are embracing and trusting the youth and engaging them in decision making processes.

4.2.3 Gender of Respondents

The study wanted to establish the gender distribution of the CEOs in the Dairy Societies operating in Meru County. The gender of Board members is very vital in corporate governance as it addresses issues of diversity. The results are presented in Table 4.2 below.

Table 4.2 Gender of Respondents

Category		Frequency	Percent
Valid	Male	17	26.6
	Female	47	73.4
	Total	64	100.0

The results of the study indicated that the female gender are the majority as they represent 73.4 per cent of the total gender. This is a good progress towards attaining board diversity in Kenyan organizations.

4.2.4 Management Work Experience

This looked at the number of years each of the respondents had served in the organization. This was geared towards establishing the experience level gained by the management in performance of their managerial work. The results are indicated in Table 4.3

Table 4.3 Management Experience

Category		Frequency	Percent
Valid	<5	48	75.0
	5-10	10	15.6
	11-15	2	3.1
	>15	4	6.3
	Total	**64**	**100.0**

According to the results depicted in Table 4.3 above majority of the respondents have served their respective Dairy Co-operative Society for a duration of less than 5 years. This is represented as 48 per cent. Those who have served for between 11-15 years are 2 per cent of the total respondents. This indicates that majority of the managers/CEOs have not served in the societies for a long period of time. They lack the institutional memory unless they have risen through the ranks.

4.2.5 Highest Education Level Attained

The ability to make decisions is a key requirement for a successful career management of the CEO of an organization. Sometimes the level of education influences the ability to make decisions by organizational employees. The Table 4.4 represents the educational levels for the CEOs.

Table 4.4 Highest Level of Education Attained

Category	Frequency	Percent
Secondary School	21	32.8
College Level	30	46.9
Undergraduate Level	10	15.6
Graduate Level	3	4.7
Total	64	100.0

As indicated in the Table 4.4 the majority of the respondents had college level of education this represented 46.9 per cent of the total target population. Those with only secondary school education represented 32.8 per cent of the total respondents. This category was followed by those with undergraduate degree as their highest level of education attained at 15.6 per cent while those with graduate level of education stood at 4.7 per cent.

4.2.6 Level of Satisfaction with Performance

The study wanted to establish the satisfaction level of CEOs on the performance of their Dairy Societies. This is vital to gauge the kind of expectations that the CEOs had on the performance of their organizations. The results are presented in Table 4.5 below;

Table 4.5 Satisfaction Level

Category		Frequency	Percent
Valid	**Yes**	45	70.3
	No	19	29.7
	Total	64	100.0

From Table 4.5 we deduce that 70.3 per cent of the CEOs managing the targeted Dairy Societies were satisfied with the level of performance in the organization. The other 29.7 per cent indicated that their Societies were not performing to the expected level of performance.

4.3 Descriptive Analysis

This section takes into consideration the descriptive statistics on the independent and dependent variables of the study. The descriptive analysis was carried out on the internal control mechanisms, board responsibility, transparency and disclosure, risk management and financial performance of Dairy Co-operative Societies. The descriptive statistics that were utilized included mean, standard deviation, kurtosis and skewness.

4.3.1 Internal Control Mechanisms

The study sought to establish the descriptive statistics that could best explain the behavior of the relationship between internal control mechanisms and financial performance of Dairy Co-operative Societies located within Meru County. The respondents were required to indicate the extent to which internal control mechanisms influenced financial performance. The descriptive statistics of these responses were generated using statistical package and presented in form of frequencies. The descriptive measures included mean, standard deviation, kurtosis and skewness. The results are as indicated in Table 4.6 below

Table 4.6 Internal Controls and Financial Performance

	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Adherence to structures of authority, commitment to ethics and integrity issues affect the financial performance of the Co-operative society	3.6406	.89739	-.574	.299	.895	.590
Standards for audits, fraud detection and audit-related services influence the performance of dairy Co-operative societies	3.8438	1.11581	-1.097	.299	.753	.590
There is separation of duties between those who generate risks and those who manage and control risks.	2.8906	1.05586	.225	.299	-.774	.590
Deployment of policies and procedures as well as choice of suitable control activities enhances financial performance	3.7344	.82119	.179	.299	-.878	.590
Identification, assessment and analysing of risks improves the performance of Co-operative society	3.3906	1.06335	.132	.299	-1.194	.590
Modes of communication, what's communicated internally and externally enhances financial performance	4.3281	.75708	-.635	.299	-.970	.590

From the above Table 4.6 we establish that "Modes of communication, what's communicated internally and externally enhances financial performance" had the highest mean at 4.33 while the element "There is separation of duties between those who generate risks and those who manage and control risks." had the lowest mean value of 2.89. In terms of dispersion the element "Standards for audits, fraud detection and audit-related services influence the performance of dairy Co-operative societies" had the highest variability at standard deviation value of 1.12while the element "Modes of communication, what's communicated internally and externally enhances financial performance" had the lowest value of standard deviation value of 0.76. Majority of the elements were positively skewed while the element with the highest Kurtosis was "Adherence to structures of authority, commitment to ethics and integrity issues affect the financial performance of the Co-operative society" at a value of 0.89

The results of the study are in support of those established by Wangechi and Muturi (2017) in their study of Co-operative societies in Kisii County where they found out the administrative control systems like observance of lines of authority and separation of powers and responsibilities impacted on the financial performance of the societies. The results also mirror those of Anania and Gikune (2015) established in Tanzania where internal controls were found to greatly influence the financial performance of Co-operative societies.

4.3.2 Board Responsibility

The study sought to investigate the descriptive statistics that could best explain the relationship between board responsibility and financial performance of Dairy Co-operative Societies located within Meru County. The respondents were required to indicate the extent to which board responsibility influenced financial performance. The descriptive statistics of these responses were generated using statistical package and presented in form of frequencies. The descriptive measures included mean, standard deviation, kurtosis and skewness. The results are as indicated in Table 4.7 below

As from the Table 4.7 below “The managerial capability and decision making of the CEO/Managing director influence financial performance of the Co-operative society” had the highest mean at 4.22 while the element “The responsibility of board in creating external linkages, collaborations and co-operation enhances financial performance” had the lowest mean value of 3.31. In terms of dispersion, the element with the highest variability was “The relationship of the board and external stakeholder’s influences organizational performance” at standard deviation value of 1.22 while “The auditing responsibility of the board committees enhances financial performance” had the lowest variation value of 0.85. All the elements were negatively skewed. In terms of kurtosis the element with the highest value was “The managerial capability and decision making of the CEO/Managing director influence financial performance of the Co-operative society” with a value of -0.21.

Table 4.7 Board Responsibility and Financial Performance

Elements	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Board responsibility of mobilizing resources and allocating resources enhances performance	3.7344	1.04262	-.480	.299	-.188	.590
The non-executive board advisory opinions and oversight roles enhance financial performance of SACCOs	3.7188	1.14737	-.397	.299	-1.264	.590
The managerial capability and decision making of the CEO/Managing director influence financial performance of the Co-operative society	4.2188	.89918	-.994	.299	.212	.590
The responsibility of board in creating external linkages, collaborations and co-operation enhances financial performance	3.3125	1.19357	-.117	.299	-.895	.590
The relationship of the board and external stakeholders influences organizational performance	3.5000	1.22150	-.135	.299	-1.211	.590
The auditing responsibility of the board committees enhances financial performance	4.0938	.84925	-.504	.299	-.642	.590

The results of the study concur with those of Assenga, Aly and Hussainey (2018) who established a relationship between the skills level and the financial performance of the organization. Despite the differences in the context of the study the two studies affirm the need of a skilled board to drive performance. The results of the present study also affirm those of Kasyoki (2015) who found out that board diligence in observance of policies and procedures, and mobilizing resources greatly influenced the organizational performance.

4.3.3 Transparency and Disclosure

The study sought to assess the descriptive statistics that could best explain the relationship between transparency and disclosure, and financial performance of Dairy Co-operative Societies located within Meru County. The respondents were required to indicate the extent to which transparency and disclosure practices within the societies influenced financial performance. The descriptive statistics of these responses were generated using statistical package and presented in form of frequencies. The descriptive measures included mean, standard deviation, kurtosis and skewness. The results are as indicated in Table 4.8 below

Table 4.8 Transparency and Disclosure

Elements	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Disclosure and transparency of financial statements connects organization with stakeholders thus enhancing collaboration for financial improvement	3.8906	.89296	-.332	.299	-.702	.590
Disclosure on governance issues ingrains discipline and commitment towards fostering growth in the organization	3.8125	.75330	-.133	.299	-.341	.590
Disclosure on risks ensures future planning that is performance oriented	2.9375	1.13913	.525	.299	-.951	.590
Sources of pertinent information (financial analysis and ratios) are readily available	3.7969	1.10093	-.834	.299	-.096	.590
Disclosures on corporate social responsibilities creates an enhanced mutual relationship with stakeholders	3.6563	.80116	-.054	.299	-.432	.590

The results of descriptive analysis from Table 4.8 above indicate that "Disclosure and transparency of financial statements connects organization with stakeholders thus enhancing collaboration for financial improvement" had the highest mean at 3.89 while the element "Disclosure on risks ensures future planning that is performance oriented" had the lowest mean value of 2.94. In terms of dispersion, the element with the highest variability was "Disclosure on risks ensures future planning that is performance oriented" at standard deviation value of 1.13 while "Disclosure on governance issues ingrains discipline and commitment towards fostering growth in the organization" had the lowest variation value of 0.75. All the elements were negatively skewed except "Disclosure on risks ensures future planning that is performance oriented" at 0.53. In terms of kurtosis the element with the highest value was "Sources of pertinent information (financial analysis and ratios) are readily available" with a value of --0.09.

The results of the study are similar to those of Obende, Kung'u and Gichohi (2017) who established a significant and positive relationship between transparency and disclosure, and equal voting rights, and financial performance of dairy Co-operative societies in Nakuru County. The results were also similar to those established by Mwendia (2018) who found that disclosures through release of financial reports and being transparent when conducting societies business tended to impact their financial performance.

4.3.4 Risk Management

The study sought to investigate the descriptive statistics that could best explain the relationship between risk management and financial performance of Dairy Co-operative Societies located within Meru County. The respondents were required to indicate the extent to which risk management practices influenced financial performance of the Dairy Co-operative Societies. The descriptive statistics of these responses were generated using statistical package and presented in form of frequencies. The descriptive measures included mean, standard deviation, kurtosis and skewness. The results are as indicated in Table 4.9 below

Table 4.9 Risk Management Practices and Financial Performance

Element	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
There is a support system established for estimating the variability of earnings and risk management.	2.1875	1.16667	.860	.299	.087	.590
The Co-operative society management regularly conducts simulation analysis and measure benchmark rate risk sensitivity.	2.1250	1.14781	.788	.299	-.334	.590
The Co-operative society uses estimates of worst case scenarios/stress testing for risk analysis.	2.9688	.95898	-.494	.299	.203	.590
There are various contingency plans developed to mitigate financial risk and Credit risks	2.5313	1.29675	.267	.299	-1.173	.590
The Co-operative society monitors the business performance after periodical duration of time.	4.2500	.75593	-.910	.299	.822	.590
There are various policies (financial, human resources, credit) design to mitigate against losses and other unforeseen occurrences	2.8594	1.25821	-.269	.299	-1.067	.590

The results of descriptive analysis from Table 4.9 above indicate that “The Co-operative society monitors the business performance after periodical duration of time” had the highest mean at 4.25 while the element “The Co-operative society management regularly conducts simulation analysis and measure benchmark rate risk sensitivity” had the lowest mean value of 2.13. In terms of dispersion, the element with the highest variability was “There are various contingency plans developed to mitigate financial risk and Credit risks” at standard deviation value of 1.29 while “The Co-operative society monitors the business performance after periodical duration of time” had the lowest variation value of 0.76. Majority of the elements were positively skewed. In terms of kurtosis the element with the highest value was “The Co-operative society monitors the business performance after periodical duration of time" with a value of 0.82.

The results of the study are in conformity to those of Mwangi (2014) study on commercial institutions which established that organizations that implement risk management systems are bound to perform well financially. This is also supported by the study conducted by Wanjohi, Wanjohi and Ndambiri (2017) who found out that good risk management plans helped the board to shepherd the resources to the right projects and organization activities leading to high financial performance.

4.3.5 Financial Performance of Dairy Co-operative Societies

The study sought to investigate the descriptive statistics that could best explain the financial performance of Dairy Co-operative Societies located within Meru County. The respondents were required to indicate the level of performance of various financial parameters utilized in the Dairy Co-operative Societies. The descriptive statistics of these responses were generated using statistical package and presented in form of frequencies. The descriptive measures included mean, standard deviation, kurtosis and skewness.

From Table 4.10 below we realise that "reputation of Co-operative society" had the highest mean at 4.66 while the element "sales growth rates" had the lowest mean value of 3.66. In terms of dispersion, the element with the highest variability was "sales growth rates" at standard deviation value of 0.96 while "reputation of Co-operative society" had the lowest variation value of 0.49. Majority of the elements were negatively skewed. In terms of kurtosis the element with the highest value was "customer satisfaction" with a value of 1.648.

Table 4.10 Financial Performance

Elements	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Consistency of dividends and members benefits pay out	4.3438	.62281	-.393	.299	-.624	.590
Level of Prices for Members Products	4.1563	.82074	-.300	.299	-1.452	.590
Sales Growth Rates	3.6563	.96311	.199	.299	-1.147	.590
Reputation of Co-operative Society	4.6250	.48795	-.529	.299	-1.777	.590
Employees Retention	4.4219	.81269	-.930	.299	-.829	.590
Customer Satisfaction	4.7031	.52492	-1.571	.299	1.648	.590

4.4 Reliability and Validity Tests

According to Mugenda and Mugenda (2003) reliability of a research instrument measures the consistency of the instrument each time it's applied to the respondents. This study adopts the Cronbach Alpha coefficient as a measure of reliability. According to Cooper and Schindler (2007) a Cronbach Alpha coefficient value of 0.5 is admissible for business and social studies and thus was applied for this study.

Table 4.11 Reliability Test

Construct	Number of Items	Cronbach's alpha
Internal Control Mechanism	6	0.57
Board Responsibility	6	0.62
Transparency and Disclosure	5	0.66
Risk Management	6	0.81
Financial Performance	6	0.78
Overall Items and their Reliability	**29**	**0.868**

From the Table 4.11 the values of Cronbach Alpha coefficient were more than 0.5 as per Cooper and Schindler (2007) indications. The Overall reliability for the whole research instrument is per the Mugenda and Mugenda (2003) stipulations. For the validity of the research instrument the researcher presented the questionnaire to the experts in the Department of Co-operative and Agribusiness Management. This ensured that the design and structure of the questionnaire was within the expected ability of generating the required data.

4.5 Correlational Analysis

In statistical analysis there is need to establish the association between the independent variables and the dependent variables. This can be carried out through the application of correlational analysis. In this study the association to be established is between the independent variables (internal controls, board responsibility, transparency and disclosure and risk management practices) and the dependent variable (financial performance) of Dairy Co-operative societies in Meru County. The study made use of Pearson's Correlation Coefficient which is ranked between -1 and +1, where a coefficient value closer or equal to -1 indicates a strong negative association while a value closer or equal to +1 indicates a strong positive association (Mugenda & Mugenda, 2003).

4.5.1 The Association between Internal Control Mechanism and Financial Performance

The association between internal control mechanism and financial performance of Dairy Co-operative Societies was established using Pearson Correlation Coefficient. The coefficient was established to be ($r = 0.307$, $p < 0.05$) as indicated in Table 4.12 below. This is an indicator of a positive and significant relationship between internal control mechanism and financial performance. This can be interpreted that an increase in internal control mechanism within the societies is bound to improve the financial performance of the Dairy Co-operative Societies.

4.5.2 The Association between Board Responsibility and Financial Performance

The association between board responsibility and financial performance of Dairy Co-operative Societies was established using Pearson Correlation Coefficient. The coefficient was established to be ($r = 0.295$, $p < 0.05$) as indicated in Table 4.12 below. This is an indicator of a positive and significant relationship between board responsibility and financial performance. This can be interpreted that an improvement in board responsibilities within the societies would result into improved financial performance of the Dairy Co-operative Societies.

4.5.3 The Association between Transparency and Disclosure and Financial Performance

The association between transparency and disclosure, and financial performance of Dairy Co-operative Societies was established using Pearson Correlation Coefficient. The coefficient was established to be ($r = 0.472$, $p = 0.000$) as indicated in Table 4.12 below. This is an indicator of a strong positive and significant relationship between board transparency and disclosure and financial performance. This can be interpreted that an improvement in transparency and disclosure within the Dairy Co-operative Societies would result into improved financial performance of the Dairy Co-operative

Societies.

4.5.4 The Association between Risk Management and Financial Performance

The association between risk management and financial performance of Dairy Co-operative Societies was established using Pearson Correlation Coefficient. The coefficient was established to be ($r = 0.345$ $p<0.01$). This is an indicator of a positive and significant relationship between risk management and financial performance. This can be interpreted that an improvement in risk management practices within the Dairy Co-operative Societies would result into improved financial performance of the Dairy Co-operative Societies.

Table 4.12 Correlational Analysis

		Internal Controls	Board Responsibility	Transparency and Disclosure	Risk Management	Financial Performance
Internal Controls	Pearson Correlation	1	.593**	.605**	.576**	.307*
	Sig. (2-tailed)		.000	.000	.000	.014
	N	64	64	64	64	64
Board Responsibility	Pearson Correlation	.593**	1	.456**	.320*	.295*
	Sig. (2-tailed)	.000		.000	.010	.018
	N	64	64	64	64	64
Transparency and Disclosure	Pearson Correlation	.605**	.456**	1	.723**	.472**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	64	64	64	64	64
Risk Management	Pearson Correlation	.576**	.320*	.723**	1	.345**
	Sig. (2-tailed)	.000	.010	.000		.005
	N	64	64	64	64	64
Financial Performance	Pearson Correlation	.307*	.295*	.472**	.345**	1
	Sig. (2-tailed)	.014	.018	.000	.005	
	N	64	64	64	64	64

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

4.6 Regression Analysis

The regression analysis was conducted on the study's model as indicated below, with the independent variables being an average of the responses. That is an indices was an index or a table of indices created for each of the variables participating in the study. The independent variables of the study included; internal controls, board responsibility, transparency and disclosure and risk management. The dependent variable was financial performance of the Dairy Co-operative Societies in Meru County.

$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$

Y = Financial Performance, X_1 = Internal Control, X_2 = Board Responsibility

X_3 = Transparency and Disclosure, X_4 = Risk Management

β_0 = Constant, $\beta_1 - \beta_3$ = Regression Coefficients, ε = Error term

4.6.1 Testing Regression Assumptions

Before running the above regression model in the statistical tool, a pre-test assessment of the model was carried out to establish whether it meets the regression assumptions of normality, multicollinearity, heteroscedasticity and autocorrelation. There was no violation of the regression assumptions that was realised as indicated in the discussion below.

4.6.1.1 Test for Normality

The study used Shapiro-Wilk Test to test the null hypothesis in ascertaining whether the distribution of the residuals is normal. If the p-value is found to be greater than 0.05($p>0.05$) the study would fail to reject the null (at 95%) and thereafter conclude that residuals were normally distributed. In our study the p-value are all greater than 0.05 indicating that our model distribution conforms to the normality assumption requirements.

Table 4.13 Test for Normality

Variable	**Statistic**	**Sig.**
Internal Controls	.843	0.081
Board Responsibility	.921	0.321
Transparency and Disclosure	.962	0.076
Risk Management	.856	0.138
Financial Performance	.899	0.068

4.6.1.2 Test for Linearity

To detect non-linearity, the best method according to Hair, Black, Babin, & Anderson (2010) is to examine residual plots (plots of the standardized residuals as a function of standardized predicted values, readily available in most statistical software). In this study, linearity was checked by p-p plot.

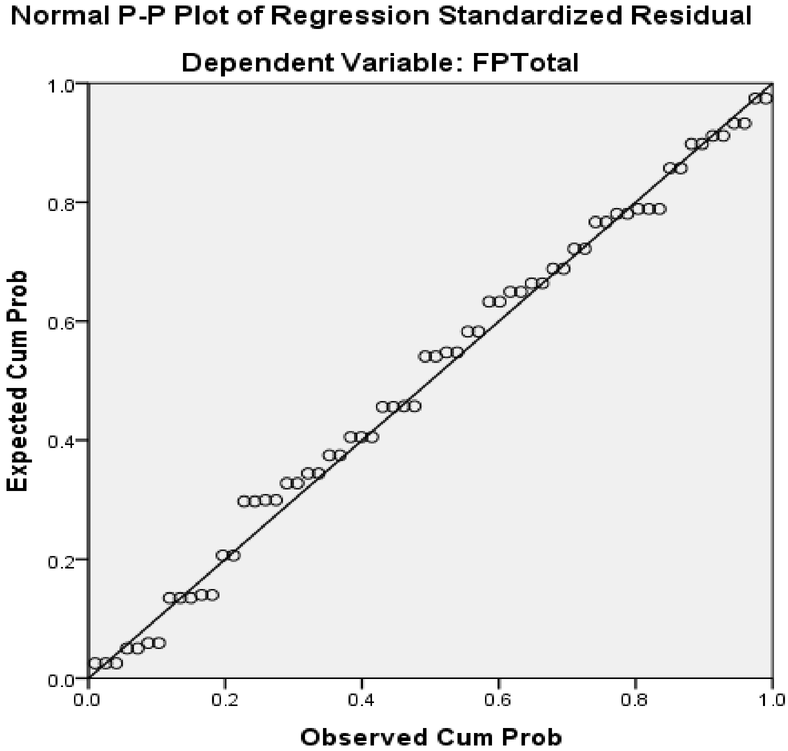

Fig 4.1 Test for Linearity

In the P-P plot above the plot of the standardized residuals as a function of standardized predicted values indicate that our model is linear and thus meeting the linearity assumption of a regression model.

4.6.1.3 Test for Multicollinearity

Multi collinearity occurs when independent variables in a regression model correlated. The study made use of variance inflation factor which shows how much variance of the coefficient estimate is being inflated by multi collinearity. A variance inflation factor of less than 10(Vif<10) would indicate that our model has no multi collinearity issues (Frost 2017). As per the results indicated in the Table 4.14 our model doesn't suffer from problems associated with multicollinearity.

Table 4.14 Multicollinearity Test

Variables	Collinearity Statistics	
	Tolerance	VIF
Internal Controls	.309	3.229
Board Responsibility	.243	5.437
Transparency and Disclosure	.257	4.001
Risk Management	.324	3.345

4.6.1.4 Test for Heteroscedasticity

The study used Breusch-pagan test for heteroscedasticity. The null hypothesis is that residuals are homoscedastic. According to the tests results below the Chi-square values are small thus implying absence of heteroscedasticity.

Ho: Constant variance

Variables: fitted values of Financial Performance

chi2(1) = 0.33

Prob > chi2 = 0.5120

4.6.1.4 Test for Autocorrelation

To detect the presence of auto correlation the study will make use of Durbin-Watson test. The test helps to determine whether the errors in different observations are correlated with each other. The null hypothesis test is that there is no serial correlation (Durbin & Watson, 1971). Durbin-Watson test generates results in the ranges of 0 and 4, where values close to 2 suggest less autocorrelation and values close to 0 or 4 indicate greater positive or negative autocorrelation respectively. The results below indicate there is very minimal likelihood of the independent variables predicting themselves.

Table 4.15 Test for autocorrelation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.892[a]	.796	.782	.6643	2.01

4.6.2 Multiple Regression

The study further examined the relationship between the independent variables and the dependent variables. All the independent variables (Internal Controls, Board Responsibility, Transparency and Disclosure, and Risk Management) were associated against the dependent variable (financial performance) through multiple linear regression. The multiple linear regression model is as indicated in section 4.6 above.

The results of the multiple linear regression indicate that the values of R and R2 are 0.912 and 0.831 respectively. The coefficient of determination R^2 therefore signifies that 83.1% of the total variation in the dependent variable financial competitiveness could be explained by the independent variables; risk prevention practices, risk detection practices, risk control practices. There is a remainder of 16.9% of variance in the dependent variable that could not be explained by the independent variables present. This means therefore that there are other factors that this study did not take into consideration. According to Frost (2017), R^2 is a measure of goodness of fit and the higher the value the better for the model and it's represented in a scale of 0-100%. A value of, more than 80% is recommended as a good measure of goodness of fit.

Table 4.16 Multiple Regression Model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.892[a]	.796	.782	.6643	2.01

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	28.429	4	7.107	17	.000[b]
	Residual	26.654	60	.444		
	Total	55.083	64			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Internal Controls, Board Responsibility, Transparency and Disclosure, Risk Management

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.348	.654		5.850	.000
	Internal Controls	.232	.343	.452	3.272	.026
	Board Responsibility	.456	.224	.537	2.118	.003
	Transparency and Disclosure	.302	.123	.418	3.046	.018
	Risk Management	.521	.256	.622.	2.142	.042

a. Dependent Variable: Financial Performance

From the multiple regression analysis and when the model is substituted from the results above we find that $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$ thus results to: $Y = 1.348 + 0.232X_1 + 0.456X_2 + 0.302X_3 + 0.521X_4 + \varepsilon$.

4.7 Analysis of Board Perspective on Corporate Governance

The analysis of Board perspective on corporate governance was qualitative in nature as all the research instrument adopted was an interview guide. This meant that responses adduced from the respondents could only be analyzed qualitatively.

The study wanted to establish the Board perspective on various themes; internal controls, transparency and disclosure, board responsibility and risk management awareness.

In the first instance the board was asked to identify whether the management observed the governance principle of internal control. This was intended to bring out whether the board knew its role within the societies. The figure below depicts the responses appraised from the participating board members.

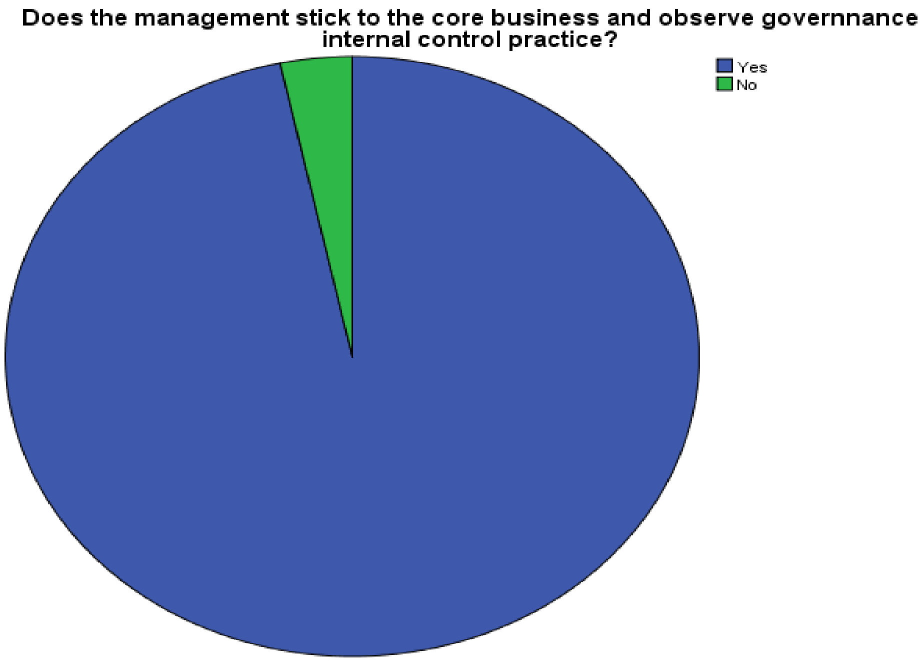

Fig 4.2 Internal Controls

From the Figure 4.1 above we realise that 96.7 per cent of the board members agreed that the management observed the internal control systems implemented in their societies. It is only 3.3 per cent of the board members that held a contrary opinion.

The second issue that this study wanted to establish from the Board Members is their perspective on the transparency and disclosure in the societies. The Fig 4.2 depicts the responses given by the Board Members,

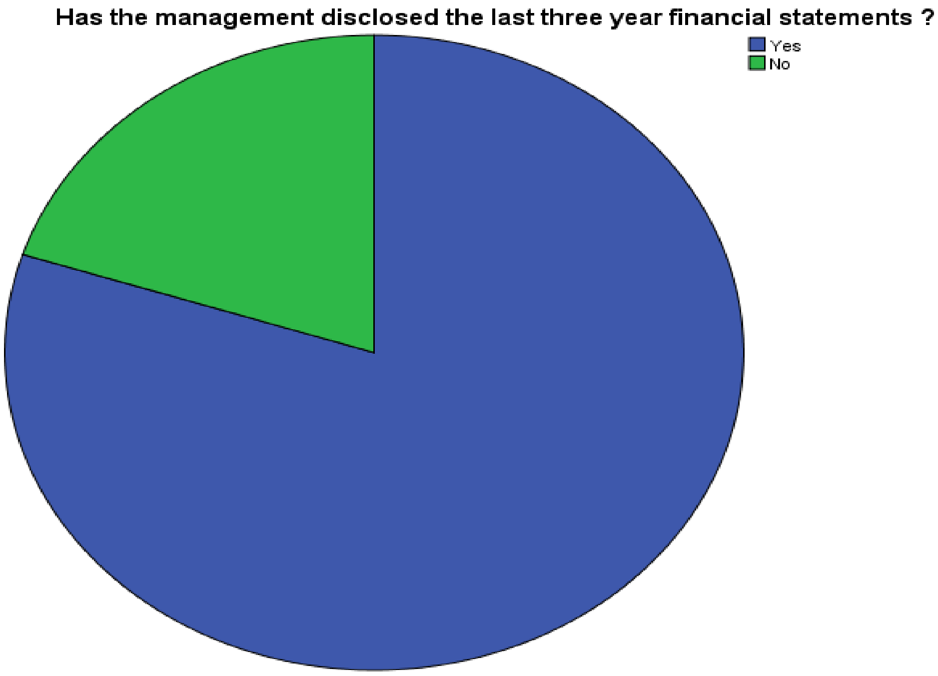

Fig 4.3 Transparency and Disclosure.

The above figure indicates that the board were well aware that the management has regularly been publishing the financial statements for the last three years. This stood at 80 per cent while it was only 20 per cent that were not aware.

The study also wanted to establish the level of board responsibility in steering the dairy Co-operatives. The results are as depicted in the Fig 4.3 below.

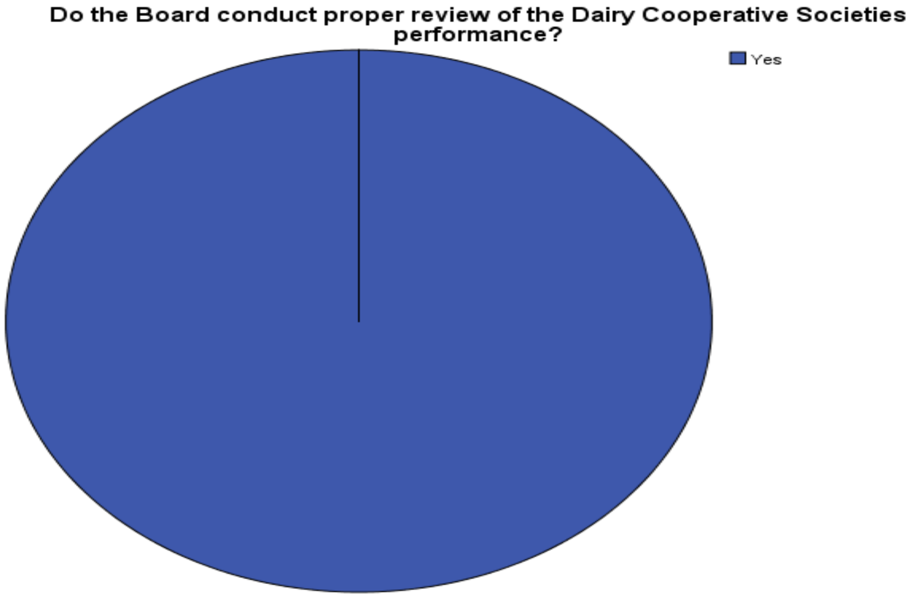

Fig 4.4 Board Responsibility

The Fig above indicates that 100 per cent of the members concurred with the statement that they participated in the review of the performance of their respective societies.

The study wanted to establish the extent to which the Board members were aware of the existence and application of the risk management plans for the societies. The responses by the participating board members are depicted in the charts below.

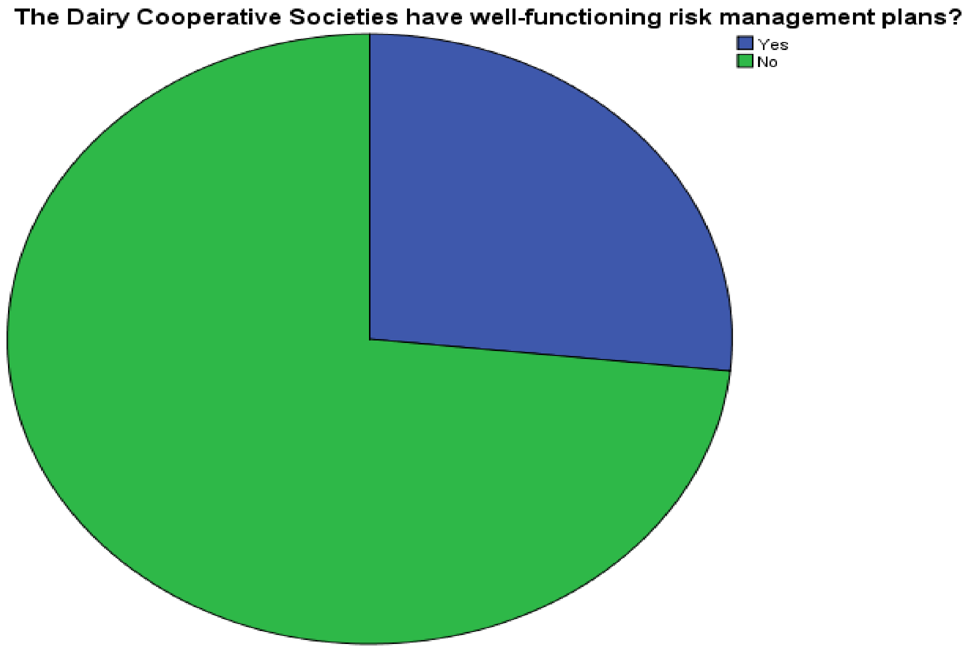

Fig 4.5 Risk Management

From the Chart above it shows clearly that 26.7 of the board members were in support of the statement that the societies had well-functioning risk management plans while 73.7 per cent were of contrary opinion.

CHAPTER FIVE: DISCUSSIONS OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter focuses on the summary of the findings. The results analyzed need to be thought through and their application or lessons that they offer in relation to the research questions brought fore. The chapter five summary of findings, recommendations and conclusions affords the study this opportunity. Thus, this chapter helps in putting into perspective the answers deduced from the data analysis conducted in chapter four. The chapter also guides future researchers or scholars by suggesting to them gaps that the present study have identified but due to limitations of scope or context it could not be able to fill them.

5.2 Summary of Findings

The study's general objective was to determine influence of corporate governance factors on the financial performance of Dairy Co-operative Societies in Meru County.The specific objectives of the study comprised of: to determine influence of internal controls on financial performance of dairy Co-operative societies; to establish influence of board responsibility on the financial performance of dairy Co-operative societies; to determine influence of transparency and disclosure on the financial performance of dairy Co-operative societies and to establish influence of risk management on the financial performance of dairy Co-operative societies.

The empirical study was conducted after a good theoretical base had been set, where theories like stewardship and stakeholder theory had been reviewed in order to shed light on the relationship between the variables. The literature reviewed indicated a strong relationship between the corporate governance factors and the financial performance of corporate organizations more so the Co-operative societies. The literature reviews also indicated that the management and the board have to work together to drive performance and growth of the organizations. It takes commitment, trust which easily exist in those organizations that respect the corporate governance principles. The summary of major findings has been carried out as per each of the study's independent variable.

5.2.1 Internal Controls and Financial Performance

The study determined the influence of internal control on the financial performance of Dairy Co-operative Societies in Meru County. It was established that internal control had a positive and significant effect on the financial performance of the societies. The regression coefficient of internal control stood at 0.232 which is statistically significant as the p-value is 0.026 which is less than 0.05. This therefore, indicates that a unit increase in internal control results to a 0.232 increase in financial performance of Dairy Co-operative Societies in Meru County.

In the review of past studies on internal control, authors like Ali & Shaker (2017), Otieno *et al*., (2017) and Mwendia (2018) made use of elements like; internal administration practices, risk assessment, accounting systems, auditing among others as representation of internal control system. These studies returned positive and statistically significant relationship between internal control systems and financial performance of respective organizations and institutions under their studies. The present study affirms the findings of these studies and concludes that it is imperative for the organization to get it right when implementing internal control systems as well as ensure that transparency and disclosures of financial reports are carried out on time.

5.2.2 Board Responsibility and Financial Performance

One of the objectives of the study was to assess the influence of board responsibility on the performance of Dairy Co-operative Societies in Meru County. The study established that board responsibility had a positive and significant effect on the performance of the dairy societies. The regression coefficient of the board responsibility on the model adopted by this study was 0.456 which was statistically significant as the p-value is 0.003 which is less than 0.05. Therefore, this indicates that a unit increase in internal board responsibility results to a 0.456 increase in financial performance of Dairy Co-operative Societies in Meru County.

Firms' financial performance is highly affected by how their board of directors are structured and composed. Such composition may play a pivotal role in enhancing the monitoring of managers' decisions and choices. This is because there is a general belief that a high-quality board is able to make well informed and timely decisions as well as being responsible of their decisions as established by Assenga, Aly and Hussainey (2018). The present study goes further than just looking at the composition and size of the Board but delves into the critical aspect of board's responsibility in decision making as well as safeguarding organizational assets and interests.

5.2.3 Transparency and Disclosure, and Financial Performance

The study had a responsibility of determining the influence of transparency and disclosure on the performance of Dairy Co-operative Societies in Meru County. The study established transparency and disclosure that had a positive and significant effect on the performance of the dairy societies. The regression coefficient of transparency and disclosure on the model adopted by this study was 0.302 which was statistically significant as the p-value is 0.018 which is less than 0.05. Therefore, this indicates that a unit increase in transparency and disclosure results to a 0.302 increase in financial performance of Dairy Co-operative Societies in Meru County.

The results of the study firm those of Obende, Kung'u and Gichohi (2017) and those of Mwendia (2018) who established a statistically significant and positive relationship between transparency and disclosure and financial performance of dairy Co-operative societies. The present study puts emphasis on the timely release of financial reports which is an area of concern when it comes to transparency and disclosure. The present study goes a step further where it ropes in the Board Directors of various cooperative societies thus giving it a more in-depth information on issues bordering corporate governance. Through the qualitative analysis the study established that disclosures through financial performance reports and adhering to financial policy had been at more than 80 per cent.

5.2.4 Risk Management and Financial Performance

The study determined the influence of risk management on the financial performance of Dairy Co-operative Societies in Meru County. It was established that risk management had a positive and significant effect on the financial performance of the societies. The regression coefficient of risk management stood at 0.521 which is statistically significant as the p-value is 0.042 which is less than 0.05.This therefore indicates that a unit increase in risk management results to a 0.521 increase in financial performance of Dairy Co-operative Societies in Meru County. When the questionnaire was administered to the Board members the majority of them were not aware of the implementation of a risk management system to their societies.

The results of this study affirm those of Wanjohi, Wanjohi and Ndambiri (2017) who established a positive and statistically significant relationship between risk management and financial performance of the banking sector in Kenya. These studies were similar in nature as they made use of descriptive research design and the questionnaire was self -administered. The present study concurs with the proposal made by Wanjohi et al., (2017) on the need to adopt newer measures in risk management of corporate operations and activities like simulation techniques, risk adjusted techniques and value at risk.

5.3 Conclusions

Taking into consideration the results of the study, the corporate governance principles plays pertinent roles in the performance of Dairy Co-operative Societies. This study therefore concludes that internal controls, transparency and disclosure, board responsibility and risk management positively influence the performance of Dairy Co-operative Societies in Meru County.

5.3.1 Internal Controls

The study concludes that internal control is a pertinent factor in influencing the financial performance of Dairy Co-operative Societies in Meru County. The regression model reveals that internal controls had a significant effect of 0.232 on financial performance. This is a good indicator that the internal control system should be well set out before implementing it. The Dairy Co-operative Societies should be in a position to institute a working internal control support system that supports all activities within the organization. This safeguards the organization from implementing strategies that are not linked to the purpose and mission of the organization.

5.3.2 Board Responsibility

The study concludes that board responsibility is a major determinant of financial performance of dairy Co-operative societies in Meru County. The multiple regression results show that board responsibility had a significant effect of 0.456 on financial performance of Co-operative societies. It therefore indicates that board responsibility factors like skills, independence and tenure influenced the performance of the dairy societies. The maintenance of the independency of the directors contributes to decent decision making due to their independency. This helps the organization in strategizing and implementing growth strategies. The board seems not to be totally acquainted with their oversight roles to on the managerial activities. This is established when you observer and try to distil the responses made during the administration of the questionnaire to the Board.

5.3.3 Transparency and Disclosure

On the matters concerning transparency and disclosure the study concluded that it was one of the significant factors in ensuring good financial performance of the dairy Co-operative societies in Meru County. The model utilized in the regression analysis indicate that the coefficient associated with transparency and disclosure is 0.302 and was significant as the p-value generated was less than 0.05. That is it stood at p= 0.018. The disclosure of financial performance of the organization is crucial as it determines how future plans and targets are set within the organization.

5.3.4 Risk Management

The study concludes that risk management practices are a major influence to the financial performance of dairy Co-operative societies in Meru County. The multiple regression results show that risk management had a significant effect of 0.521 on financial performance of Co-operative societies. It therefore indicates that risk management practices like; monitoring and evaluation, policies and regulations influenced the performance of the dairy societies. The development of workable policies and procedures contributes to mitigation of unforeseen risks thus improving the performance of the organization.

5.4 Recommendations

In light of the summary of findings and conclusions arrived at after the analysis of the data the study makes the following recommendations on the implementation and monitoring of corporate governance practices in Dairy Co-operative Societies in Meru County. To enhance corporate governance this study recommends that the government should enforce the laws and regulations that ensures policies on internal controls, transparency and disclosure and risk management are adhered to by the Dairy Co-operative Societies. Further, the legal tribunals that were established for dealing with malpractices in Co-operative societies should be re-engineered and re-established to focus on emerging issues especially on violations committed by Directors of the Co-operative societies.

5.4.1 Internal Controls

Based on the findings and conclusions of the study the Co-operative Societies in Meru County should improve on the internal control systems. The ability to conduct internal audit of their processes should be prioritized for the societies to work within the budgeted resources and fulfill the aspirations of the members'. The societies should deploy their policies and procedures and ensure that they are observed by each of the employees and management. This will only work if the hierarchy of authority is observed. Thus, this study recommends the institution of the organizational charts and implementation of service charter to help in bolstering the complete implementation of the internal control systems.

5.4.2 Board Responsibility

The study recommends the empowerment of the Board of Directors to create external linkages. This is because it was identified as one of the least performing indicators compared to the other indicators in this variable. External linkages are encouraged due to exchange of ideas, technology transfer, and influencing government policies. The dairy Co-operative societies require a strong external relationship in order to gain the confidence of its members and the major stakeholders. The need to improve the skills of the board members should be implored in order to equip them with the capability to improve the risk management system of the societies.

5.4.3 Transparency and Disclosure

The study recommends that the disclosure of the financial statements should be carried out on time. Meeting the disclosure deadlines enhances collaboration of the society with its key stakeholders and also ensures that key legal requirements as per the law of the land are met. The study recommends that important information that pertains to delivery of services and pursuing member's purpose should be readily availed to the management and the board. The governance reports required for the meeting of government regulations should be submitted to the relevant authorities on time.

5.4.4 Risk Management

The study recommends that the board members should be made aware of the contents of the existing risk management plans. This would improve their ability to internalize the role that these plans and systems play and would help them in making decisions that improve the existence and the stability of the societies. The contribution of risk management towards financial performance of the societies should be well pronounced to the management and the board of the societies. This would clearly ensure that the right systems have been put into place.

5.5 Suggestions for Further Studies

This study informs the best practices on corporate governance and the role they play for the survival of organizations. The settings and the context of the study is within the rural set-up, indigenous owned organizations that are thought to rarely practice corporate governance. To enhance and deduce more on the various aspects of corporate governance practices in Dairy Co-operative Societies the target [population should be widened to include Dairy Co-operative Societies in the neighboring counties of Tharaka-Nthi, Laikipia and Nyeri. Other aspects of corporate governance like board diversity and board size should be explored in order to understand their effect on performance of Dairy Co-operative Societies.

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APPENDICES

Appendix I: Introduction Letter

Department of Co-operatives and Agribusiness Management

School of Co-operatives and Community Development The Co-operative University of Kenya

P. O. Box 24814-00502

Nairobi, Kenya.

Dear Sir/Madam,

REF: Invitation to Participate in the Study "Influence of Corporate Governance Factors on Financial Performance of Dairy Co-operative Societies in Meru County – Kenya.

Am a student of The Co-operative University – Kenya and as a partial fulfilment of the requirements of a Master of Science in Co-operative management am supposed to carry out a study. The study is on "**Influence of Corporate Governance Factors on Financial Performance of Dairy Co-operative Societies in Meru County – Kenya"**. To attain the objectives of the study a questionnaire will be administered and thus I seek your humble indulgence in filling it.

Your sincerity and honesty in filling the questionnaire is highly appreciated as it provides relevant data that can be used to solve the identified problem facing our Dairy Co-operative Societies in Meru County

Thanks for your cooperation. We highly appreciate your contribution.

Yours faithfully,

Emmanuel Njeru Nyaga

MCM03/0007/3/14

Appendix II: Questionnaire

This study is a requirement for the partial fulfilment of the Degree in Co-operative Management of The Co-operative University of Kenya. The purpose of this study is to establish "The Influence of corporate Governance Factors on the Financial Performance of Dairy Co-operative Societies in Meru county- Kenya". This study guarantee that information provided by you shall remain confidential and will only be utilized in fulfilling the objectives of this study. Your co-operation and assistance in providing the requisite information is highly appreciated. Thank you.

Section A: Demographic Data

Kindly answer all the questions by ticking in the boxes or writing in the spaces provided.

1. Please Indicate your gender: Male [ ] Female [ ]
2. Please indicate your age range (group)
   - 18-28 yrs [ ]
   - 29-39 yrs [ ]
   - 40-50 yrs [ ]
   - Above 50 yrs [ ]
3. For how long have you worked or been a Board Member with the Dairy Co-operative Society?
   - Less than 5 years [ ]
   - 5-10 years [ ]
   - 11-15 years [ ]
   - Above 15 years [ ]
4. Please indicate your highest education level
   - Secondary school [ ] Undergraduate level [ ]
   - College level [ ] Graduate level [ ]
5. Are you satisfied with the performance of the Dairy Co-operative Society?

   Yes [ ] No [ ]

B. Internal Control Mechanisms and Financial Performance

Indicate the extent to which internal control mechanisms influence financial performance of the dairy co-operative society (Where 1-Not at all, 2-Less extent, 3-Moderate Extent, 4 –Great extent and 5 -Very Great extent)

No.	Statement	1	2	3	4	5
7.	Adherence to structures of authority, commitment to ethics and integrity issues affect the financial performance of the Co-operative society					
8.	Standards for audits, fraud detection and audit-related services influence the performance of dairy Co-operative societies					
9.	A separation of duties between those who generate risks and those who manage and control risks.					
10.	Deployment of policies and procedures as well as choice of suitable control activities enhances financial performance					
11.	Identification, assessment and analysing of risks improves the performance of Co-operative society					
12.	Modes of communication, what's communicated internally and externally enhances financial performance					

13. Describe the internal control systems put in place by the Dairy Co-operative Society that you are managing ____

14. Explain if the extent to which the deployment of policies and procedures by Dairy Co-operative Society is affecting their performance

____

____

C. Board Responsibility and Financial Performance

Indicate the extent to which board responsibility influence financial performance of the dairy co-operative society (Where 1-Not at all, 2-Less extent, 3-Moderate Extent, 4 –Great extent and 5 -Very Great extent)

No.	Statement	1	2	3	4	5
15.	Board responsibility of mobilizing resources and allocating resources enhances performance					
16.	The non-executive board advisory opinions and oversight roles enhance financial performance of SACCOs					
17.	The managerial capability and decision making of the CEO/Managing director influence financial performance of the Co-operative society					
18.	The responsibility of board in creating external linkages, collaborations and co-operation enhances financial performance					
19.	The relationship of the board and external stakeholders influences organizational performance					
20.	The auditing responsibility of the board committees enhances financial performance					

21. Explain whether the board is responsible for mobilizing resources that propel the Dairy Co-operative Society towards its purpose__________________________________

22. Does the board responsibility affect Dairy Co-operative Society performance
____

D. Transparency and Disclosure and Financial Performance of Dairy Co-operative Societies

Indicate the extent to which transparency and disclosure elements like; disclosure of financial statements, risks, diversity in board and employees, on corporate social responsibility programs influence financial performance of the dairy co-operative society (Where 1-Not at all, 2-Less extent, 3-Moderate Extent, 4 –Great extent and 5 -Very Great extent)

No.	Statement	1	2	3	4	5
23.	Disclosure and transparency of financial statements connects organization with stakeholders thus enhancing collaboration for financial improvement					
24.	Disclosure on governance issues ingrains discipline and commitment towards fostering growth in the organization					
25.	Disclosure on risks ensures future planning that is performance oriented					
26.	Sources of pertinent information (financial analysis and ratios) are readily available					
27.	Disclosures on corporate social responsibilities creates an enhanced mutual relationship with stakeholders					

28. Please name the tools and instruments used in transparency and disclosure obligations of the Dairy Co-operative Societies?

____

29. Does the release of the financial statements to the stakeholders influence the performance of Dairy Co-operative Societies? ___________________

E. Risk Management and Financial Performance of Dairy Co-operative Societies

Indicate the extent to which risk management influence financial performance of the dairy co-operative society (Where 1-Not at all, 2-Less extent, 3-Moderate Extent, 4 – Great extent and 5 -Very Great extent)

No.	Statement	1	2	3	4	5
30.	There is a support system established for estimating the variability of earnings and risk management.					
31.	The Co-operative society management regularly conducts simulation analysis and measure benchmark rate risk sensitivity.					
32.	The Co-operative society uses estimates of worst case scenarios/stress testing for risk analysis.					
33.	There are various contingency plans developed to mitigate financial risk and Credit risks					
34.	The Co-operative society monitors the business performance after periodical duration of time.					
35.	There are various policies (financial, human resources, credit) design to mitigate against losses and other unforeseen occurrences					

36. Explain the relationship between risk management system and financial performance of the Dairy Co-operative Society?

____

____

F. Financial Performance of Dairy Co-operative Societies

Indicate the extent of agreement on these statements on financial performance of the dairy co-operative society: **1**-Significantly below average, **2**- below average, 3-average, **4**- Above average, **5**-Significantly above average

No.	**Statement**	**1**	**2**	**3**	**4**	**5**
37.	Consistency of dividends and members benefits pay out					
38.	Level of prices for members products					
39.	Sales growth rates					
40.	Reputation of Co-operative Society					
41.	Employees retention					
42.	Customer Satisfaction					

43. Please indicate the numbers of members recruited, market share growth and profitability in the last 5 years

Year	**2015**	**2016**	**2017**	**2018**	**2019**
No. of Members Recruited					
% Market share Growth					
Amount of Profitability					

Thanks and be blessed

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **430287**

Date of Issue: **25/November/2020**

RESEARCH LICENSE

This is to Certify that Mr.. Emmanuel Nyaga of The Co-operative University of Kenya, has been licensed to conduct research in Meru on the topic: Influence of Corporate Governance Factors on Financial Performance of Dairy Co-Operative Societies in Meru County, Kenya for the period ending : 25/November/2021.

License No: **NACOSTI/P/20/7578**

430287

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