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An Investigation of Board of Directors' Composition, Level of Independence and Financial Performance of Selected Saccos in Kericho County, Kenya

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Abstract- Over the recent past, the SACCO sector has experienced persistent poor financial performance. This is inspite of the fact that the sector is an important contributor of the economics growth in Kenya. Previous studies indicate that corporate governace in SACCOs is a critical driver of performance in the sector.The purpose of this study is to establish the effect of composition of Board of directors and level of Independence on financial performance of SACCOs in Kericho County. Stratified simple random sampling techniques was used to identify respondents. A sample of 119was drawn from apopulation of 169 respondents in the three selected SACCOs in Kericho County. Questionnaire was used to collect the primary data.The secondary data was collected from the financialreports of the SACCOs.Majority of the respondents strongly agreed that the boards of directors of their SACCOs were experts in decision making which maximize the shareholders wealth in the SACCO. Majority of the respondents opined that the board of directors is free to air their views about shareholders investments in the SACCO and the board has freedom to determine the financial status of the SACCO. The study established that diversity of the board increase the resources brought in by individual board members and the organization access to external resources. It was further established that women and minority board members are the positively influence the performance of SACCOs. The study recommends that the organization to maximize employee's multi-dimensional abilities for better performance. Underperforming SACCOs should also review their composition and level of independence of board of directors to enhance financial performance.

Index Terms- Board of director's composition, Independence, Firm performance

I. Introduction

In recent years, following massive corporate failures, the subject of corporate governance has received much attention both from the stakeholders and the scholars. Good corporate governance shields a firm from future financial distress. Corporate Governance can be defined as a set of processes and structures forcontrolling and directing an organization. It constitutes a set of rules, which governs the relationships between management and stakeholders(Bhagat & Jefferie; 2002).

SACCOs are voluntary associations where by members regularly pool their savings and obtain loans for use in different purposes.The idea behind the establishment ofSvings and Credit Co-operative Society (SACCOs) is to promote savings and make credits available to the members.SACCOs are the important microfinancing institutions for mobilization of financial resources for various development activities particularly in rural areas where majority of kenyans live and earn their livelihood from agriculture.SACCOS have become powerful and dominant institutions. They have reached to every corner of the globe in various sizes, capabilities and influences. Their governance has influenced economies and various aspects of social landscape. Shareholders are seen to be losing trust and market value has been tremendously affected. Corporate governancehas become an important factor in managing organizations. The empirical literature shows that a lot of studies try to measure the corporate governance influence on financial performance and the literature has found conflicting relationship (Vafeas&Theodorou; 1998, Brick &Rashid et al., 2010) found no relationship between board independence and firm performance.

According to Awan (2012) there is a positive association between board independence and firm performance proxy by Tobin Q, return on asset and return on equity. Ameer et al. (2010) study also found a positive relationship between board independence and firm performance. Adams andFerreira, (2009) found that women have better board meetings attendance than men. However, they found gender to have a negative relationship on firm performance. Erhardt et al (2003) finding was contradictory as they found a positive relationship between percentage of women on board and firm performance. Simpson *et al.* (2010) also suggested that board diversity through women representation has positive effect on firm performance through increased profitability and shareholders return. Nina, Valdemar and Mette(2006) found a positive relationship between number of women on top management and firm performance but performance strongly depend on their qualification due to the changing roles of government in cooperative development, necessitated by rapid globalization and liberalization.It has become absolutely necessary that countries keep track of these changes lest the pace of SACCOs development becomes hopelessly inconsistent with the rest of the sectors.

Board independence is the degree to which board members are dependent on the current CEO or organization - is considered key to the effectiveness of board monitoring (Fama& Jensen, 1983; Jensen &Meckling, 1976). Boards consisting primarily of insiders (current or former managers/employees of the firm) or dependent outside directors (directors who have business relationships with the firm and/or family or social ties with the CEO) are considered to be less effective in monitoring because of their dependence on the organization. Independent boards – those primarily consisting of independent outside directors – are thought to be the most effective at monitoring because their incentives are not compromised by dependence on the CEO or the organization.

Some empirical support has found out that there is a link between independent boards and firm performance. An alternative perspective would suggest that inside directors have more and better information which allows them to evaluate managers more effectively (Baysinger&Hoskisson, 1990). This approach fits with resource dependence theory. Resource dependence theorists view a firm as an open system, dependent on external organizations and environmental contingencies (Pfeffer&Salancik, 1978). Proponents of this perspective see corporate boards as resource providers. Four types of resources are provided by boards: 1) advice and counsel, 2) legitimacy, 3) channels for communicating information between the firm and external organizations, and 4) preferential access to commitments or support from important elements outside the firm (Hillman et al., 2000; Pfeffer&Salancik, 1978).

Numerous governance guidelines advocate increased representation by women and minorities on corporate boards of directors to better reflect the gender and racial diversity of their customers, employees, and other stakeholders. The request for greater boardroom diversity is based primarily on normative grounds of equity and fairness (Carter et al., 2007).The monitoring role of the board of directors is an important control mechanism in a firm's corporate governance. The quality of control by the board of directors is affected by the gender composition of the board since the contribution of women can gain competitive advantage (Huse&Sollberg, 2006). As a result, firm's financial performance will also be affected by the division of men and women within a board. The effect of women as a board member has been discussed for many years and by many researchers (Burke &Mattis, 2000; Bilimoria, 1995; Morrison, 1992) has been done about the role of women in boards. Previous research show that the effect of gender diversity in a board can be of value in corporate governance. Female board members have different views compared to men and are therefore present in a firm's board since the presence of female board members would be of added value in the decision-making progress. For example, women can bring diversity, cross-cultural awareness and transformational leadership skills to the boards (Adler, 1997.
The role of women in a board improves the quality of the board's independence since they function seriously, prepare better for meetings than men and ask critical questions frequently (Huse&Sollberg, 2006). Huse and Sollberg (2006) find that the lack of preparations of men reduces the independency of the board members and managerial dominance. By preparations and asking critical questions, the female directors become less dependent of reports and presentations made by the management. By preparing well, the women have the possibility to influence the decision-making process and improve their status as directors. Huse (2005) finds that this sometimes starts a positive virtuous circle for improving board behaviour and board effectiveness. The presence of women in the board makes the male directors keener and better prepared.

Singh (2008) and Kramer *et al.* (2008) find that the addition of a female board member is an improvement compared to a board filled with only men. Kramer *et al*. (2008) find that male CEOs mention the presence of female members in a board as positive towards a board's productivity and political correctness. A board with only male members may play 'games' or get carried away with the agenda leading to less effective performance and worse governance (Singh, 2008; Kramer et al., 2008). Hillman *et al.* (2002) find that the demand for breadth leadership and diversity on a corporate level increases due to the current market environment. For instance, female board members hold more advanced degrees and join many boards at a faster rate compared to male board members. Consequently, researchers (Robinson &Dechant, 1997; Zelechowski&Bilimori, 2004) find that the market environment demands more gender diversity on top level functions. Hence, research suggests a relation between gender diversity and a firm's financial performance measured by its group performance.

The outcome of good corporate governance mechanisms is an accountable to board of directors who ensures that the investors' interests are not jeopardized (Hashanah &Mazlina, 2005). The accountability and transparency component of corporate governance would help SACCOs to gain shareholders' and investors' trust. These stakeholders need assurance that the SACCOs will be run both honestly and cleverly. This is where corporate governance is critical. (Morck&Steier, 2005). A corporate governance mechanism improves stakeholders' confidence and this would aid the sustainability of business in the long run. The present corporate governance theories cannot fully explain the intricacy and heterogeneity of corporate business. Governance may differ from country to country due to their various cultural values, political and social and historical circumstances. In this sense, governance in developed countries and developing countries can vary due to the cultural and economic contexts of individual countries.

The presence of an effective corporate governance system within the SACCOs sector in Kenya helps provide a degree of confidence that is necessary for the proper functioning of the entire SACCOs sector and enhance financial performance. Based on the various literature review the effect of composition and level of independence of board of directors on financial performance is not consistent and vary with the firms and dimensions of corporate governance adopted. From the empirical evidence it is clear that a lot of studies have been conducted with respect to the relationship between corporate governance mechanisms and firms" performance. In the Kenyan context however not very many studies have been done relating to the SACCO sector. Many researchers have put great attention to banking and other service industries thereby ignoring other sectors like SACCO sector which are still prone to corporate governance issues despite the fact that all sectors are important players in Kenya's economy.

Board composition refers to the number and the type of board members, board demographics, board structure, board education and evaluation, and board leadership (Zahra & Pearce, 2001). Other scholars view board composition to be denoted by the fraction of non-executive directors on the board as compared to their executive counter parts (Uadiale, 2010; Lawal, 2012). The non-executive directors are normally referred to as outsiders and the executive directors are referred to as insiders. Board composition is considered an important factor in the performance of three board roles (Hil man, Keim&Luce, 2001). The board of directors needs to have the appropriate structure and this involves several dimensions (Van den Berghe&Levrau, 2004).

The effect of board composition on overall financial performance is not at all clear, According to Davidson & Rowe, (2004), one problem with measuring the relationship between board of director composition and financial performance could be that their relationships are endogenously determined, (Hermalin&Weisbach, 2000). A second problem may be that due to fixed board terms and periodic reporting, the relation may be inter-temporal (Davidson & Rowe, 2004). They developed a theory of inter-temporal endogeneity of board composition and financial performance. Inter-temporal endogeneity is the idea that board composition in one period influences financial performance in later periods, and financial performance in one period influences board composition in later periods. Thus, board composition and financial performance influences each other but the effect is delayed, (Davidson & Rowe, 2004).

In Kenya board composition is prescribed under Section 11(3) and 12 of the Capital Markets Authority Act, (CMA Act, 2000) that empowers the Capital Markets Authority to make rules and regulations to govern capital markets in Kenya. The CMA guideline on corporate governance practices (2002) has proposed that a balanced board constitutes an effective board. It therefore requires that the board of directors of every listed company should reflect a balance between the independent non-executive directors and executive directors. The independent and non-executive directors should form at least one-third of the membership of the board to ensure that no individual or small group of individuals can dominate board decision making processes.

The composition of the board may be used to solve the principal-agent problem. The Boards should be ready to increase meetings frequency if the situation requires a high supervision and control (Shivdasani&Zenner, 2004). They should balance the costs and benefits of frequency. For example, if the board increases the frequency of its meetings, the recovery from poor performance is faster (Vafeas, 1999).Jensen (1993) argues that separating CEO and chairman roles is in the shareholders' interest. Similarly, large firms that separate the two functions trade at higher price-to-book multiples (Yermack, 1996) and have higher return on assets and cost efficiency ratios than firms where the same person holds both titles .Studies of the impact of boards/board effectiveness on corporate profitability and shareholder value have dominated corporate governance research in finance.

These researchers focused on the influence of non-executive directors, splitting of the roles of chairman and chief executive, or the introduction of board sub-committees, have enhanced board effectiveness which in turn has added to shareholder value. For example Dahya et al. (2002) investigated the relationship between top management turnover (a measure of board effectiveness) and financial performance (a measure of management effectiveness). Others have studied the appointment of non-executive directors and their role in monitoring company management, on behalf of shareholders (Bhagat& Black, 2002). Research has considered whether there is a positive relationship between the number of non-executive directors and corporate financial performance, generally showing that there is (Ferguson, Lennox & Taylor, 2005).

Corporate Governance is constantly changing and evolving and changes are driven by both internal and external Environmental dynamics. The internal environment has a fixed mindset of shareholders' relationship with stakeholders and maximizing profits. Whilst, issues in the external environment such as the breakup of large conglomerates like Enron, mergers and acquisitions of corporation, business collaborations, easier financial funding, human resource diversity, new business start-ups, globalization and business Internationalization, and the advance of communication and information technology have directly and Indirectly caused the changes in corporate governance.The current Corporate Governance theories cannot fully explain the complexity and heterogeneity of corporate business. Governance for different Countries may vary due to its cultural values, political and social and historical circumstances. In this sense, governance for developed countries and developing countries can vary due to the culture and Economic contexts of individual country.Moreover, an effective and good Corporate Governance cannot be explained by one theory but it is best to combine a variation of theories, addressing not only the social relationships but also emphasize on the rules and legislation and strict enforcement surrounding good governance mechanisms.

Corporate governance has received much attention in the accounting literature with studies on the accounting literature and the asssesment of corporate governance and the financial performance of SACCOs. Brown and Caylor (2004) provide insight to the relationship between good corporate governance and performance. Persistent poor financial performance of SACCOs has caused most SACCOs not to achieve their desired objectives of corporations and those of stakeholders.It is on this background that this research seeks to assess the effect of corporate governancemechanisms on financial performance of SACCOs in Kericho County.

Thepurpose of this study was to assess the effect of composition and level of independence of BODon financial performance of Savings and Credit Cooperatives Societies in Kenya. Specifically, the study sought to establish the effect of composition of Board of Directors as spelt out in the by-laws of SACCOs on financial performance, to determine the effect of the level of independence of the board of directors on financial performance of SACCOs snd to examine the effect of female and minority directors on financial performance of SACCOs.

II. RESEARCH METHODOLOGY

2.1. Research Design

The study will use a descriptive research design survey which includes surveys and fact findings on enquiries of different kinds. According to Gall and Borg (2006), descriptive research designs portray accurately the characteristics of a particular individual situation or group. The data was collected so as to assess the effect of composition and level of independence of the BOD onfinancial performance of SACCOs in Kericho County.

The design will use a primary research method in that it will collect data from the respondents with the use of questionnaires to be filled by the top management and staffof SACCOs sampled in Kericho County.

2.2. Study Area

The study wasconducted in Kericho County where the selected SACCOs are diversified and varied in terms of number of employees and performance of each organization.The geographical area of Kericho covered in the study was as defined by County.

2.3. Target Population

A target population is that group from which the study is designed and generalizations of the findings are to be made from (Kothari, 2011). The target population will consist of 169 respondents from the three selected SACCOs operating in Kericho County as distributed in Table 1.

Table 1
Target Population

Name of the SACCO	Top Mgt	Staff	Total
Kenya highlands	24	29	53
Ndege Chai	22	47	69
Imarisha	26	21	47
TOTAL	**72**	**97**	**169**

Source: (SACCOsHuman Resource Departments)

2.4. Sample size and Sampling Techniques

Kothari (2011) asserts that a sample size should not be too large or too small to compromise the cost effectiveness and accuracy respectively in meeting the objectives of the study. Studies require optimum sample size from the accessible population in order to meet requirements for research (Mugenda and Mugenda, 2003). Bluman (2004) argues samples cannot be selected in a haphazard way because the information obtained might be biased. A survey was conducted on the three(3) selected SACCOs in Kericho County. The sample size, *n*, for target residents with a known population, *N*, is calculated using Israel (1992) formula as shown below

$$n = \frac{\mathrm{N}}{1 + \mathrm{N}(\mathrm{e})^2}$$

Where *e* is the desired precision (0.05 for 95% confidence level).The totalnumber of respondents in the three selected SACCOs InKericho County is 169, implying *n* is as derived below:

$$n = \frac{169}{1 + 169(0.05)^2} = 119$$

This study utilized mixed sampling techniques. The flow of sampling techniques involved area sampling, followed by purposive sampling in specific aspects and stratified sampling enriched with simple random method without replacement. Stratified random sampling is a modification of random sampling in which population is divided into two or more relevant and significant strata or groups based on one or more attributes (Saunders, Lewis &Thornhill, 2007). Stratified sampling was used to separate the respondents into topmanagement and Sacco'sstaff. The concerted effort brought into the design by these different techniques is expected to yield balanced and generalizable outcome.

In the first stage, the researcher identifiedthe 3 selected SACCOs in Kericho County to form the geographic clusters. The respondents was proportionatelycategorized intotwo separate strata namely; top management and SACCOsstaff membersthen the sample was selected from each cluster using purposive sampling method. The sum of these strata will form the final sample will derived using random sampling method with proportional allocation.The researcher determined the proportion of study subjects in the final sample by adopting Bowley's proportional allocation formula as follows;

$$n_h = \frac{n N_h}{N}$$

Where:
n_h = number of units allocated to each stratum or sample division.
n = total sample size
N_h = number of items in each stratum (sample division) in the Population.
N = population
The final sample distribution of SACCOs is shown in Table 2

Table 2
Sample size

Name of the Sacco	Top management	Staff	Total
Kenya highlands	6	32	38
Ndege chai	6	42	48
Imarisha	8	25	33
TOTAL	20	99	119

Source : (Survey Data, 2016)

The strata Sample sizes for the different study respondents calculated using Bowley's formula is as indicated in table 2 above giving a total sample size to be 118 respondents.

2.5. Data Collection

The questionnaire was preferred as an instrument because the forms are completed and returned by respondents as compared to interviews where flexibility can result in inconsistencies across interviews. It is also less expensive compared to such instruments like observation which requires a lot of time with respondents and enables respondents to remain anonymous so as to enforce the concept of confidentiality. By remaining anonymous the respondent were able to point out any shortcomings in an organization Questionnaires also allows one to talk about personal/personnel problems. Information collected from a questionnaire can easily be analyzed. Indeed all the questions in the questionnaire was derived from the research objectives and research questions of the study.

The validity for data collection instrument shows the extent at which the content of the Questionnaire actually measures the concept. According to Nahid (2003), "validity is concerned with whether the findings are really about what they appear to be about". It refers to how well a specific research method measures what it claims to measure (Kothari, 2004). There are three tests for researchers to test validity: Construct, internal and external validities (As cited in Yin, 2003). Construct validity was used in the research to test validity of instruments and will involve tactics such as establishing chain of evidence and having key informants review the questionnaire.Validity of the instruments was estimated using internal consistency technique. Internal consistency is a measure based on the correlations between different items on the same test or the same subscale on a larger test (Kothari, 2004). In the research, this can be accomplished by grouping questions in a questionnaire into groups. Validity can also be tested by discussing the questions with the supervisors and colleagues to minimize ambiguity and errors.

Reliability of measurement concerns the degree to which a partic ular measuring procedure gives similar results over a number of repeated trials (Orodho, 2003). R eliability is the degree of consistency between two measures of the same thing (Mehems1984). A pilot survey was undertaken to assess the effects of composition and level of independence of board of directors on financial performance of 3 SACCOs in Kericho county using the pre-test questionaires at different occassions of the research for consistency in records and correlation of the results. There are various ways in which qualitative researchers try to show that their findings are reliable (Kothari, 2004; Nahid, 2003). The researcher will test reliability of the instrument by conducting pilot testing of the instrumenst with members of a SACCO in Bomet County.

The study utilized primary data collection technique by use of self-administered questionnaires to each respondent sampled to minimize non-response. Secondary data from relevant publications were used to supplement the primary data. Both open and close-ended questions were used by a list of possible alternatives, which the respondents will select their choices from. Open-ended gave the respondents opportunity to respond in their own way and words. Both qualitative and quantitative techniques were be used to analyze data thus helping the researcher to describe and compare variables numerically. Qualitataive data was be analyzed
using descriptive statistics such as the means, percentages.

III. FINDINGS

The researcher sought to find out the gender of the respondents. Gender of the respondents is significant because it indicates level of gender balance in answering the questions, the results are shown on Table 3

Table 3
Gender of the Respondents

Age	**Frequency**	**Percent**
Male	54	54
Female	46	46
Total	**100**	**100**

According to the research findings 54(54%) of the respondents were male while 46(46%) were female. The findings showed that majority of the participant were male.

The researcher also sought to find out the education level of the selected respondents had attained. Level of education of the respondents indicates how well they will answer the set questions. The response of the respondents were sorted and summarized in figure 1

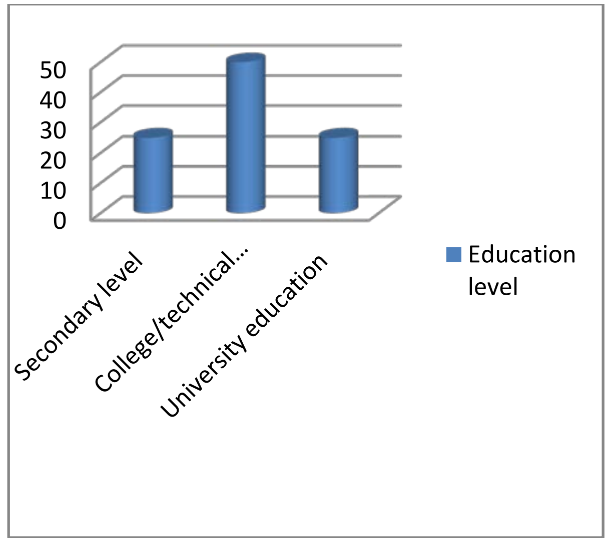

Fig 1: Education level of the Respondents

The finding shows the education level of the respondents. The findings shows that 25(25%) had secondary level, 50(50%) had college/technical education and the remaining 25(25%) had university level. Majority of the respondents had college level.
The finding shows the position held by the respondents. The response of the respondents were sorted and summarized in Table 4

Table 4
Position of the Respondents

Position Held	**Frequency**	**Percent**
Executive Director	8	8
Non-executive Director	9	9
Manager	33	33
Head of Department/ Section	50	50
Total	**100**	**100**

The finding shows the position held by the employees in the SACCO. The findings shows that 8(8%) of the respondents worked as executive director 9(9%) were non-executive director, 33(33%) were manager and the remaining 50(50%) were Head of Department/ Section. Majority of the employees were Head of Department / Section.

The finding below shows the year's respondents have worked in the organization. The response were sorted and summarized in Fig 2.

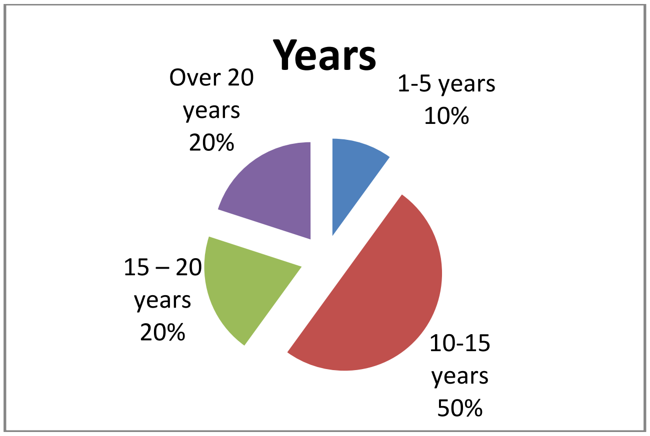

Figure 2 Years Worked in the Organization

Fig 2 shows that employee who have worked less than 1-5 years were 10(10%), while 50(50%) had worked for 10-15 years, 20(20%) had worked for 15-20 years and the remaining 7(29%) had worked for above 10 years. Majority of the respondents had worked for 10-15 years hence understand effect of composition and level of independence of board of directors on financial performance of selected SACCOS in Kericho County, Kenya
The finding shows the effect of Board of Directors on financial performance ofSACCO. The response of the respondents were sorted and summarized in Table 5.

Table 5:
Effect of Board of Directors on financial performance of SACCO

Effect	S A 1	A 2	UD 3	D 4	S D 5
The board of directors of my SACCO are concerned with shareholders' interests	71(71%)	20(20%)	1(1%)	4(4%)	4(4%)
The board of directors of my SACCO are more concerned with their personal interests than shareholders' interests	51(51%)	30(30%)	9(9%)	6(6%)	4(4%)
The shareholders of my SACCO are satisfied with the role of the board of directors in ensuring that financial performance brings profit to the shareholders.	40(40%)	30(30%)	9(9%)	6(6%)	5(5%)
The board of directors have enough knowledge to help the SACCO make profit on shareholders behalf	61(61%)	30(30%)	2(2%)	1(1%)	3(3%)
The board of directors monitor financial performance of the SACCO for the benefit of shareholders	49(49%)	32(32%)	6(6%)	3(3%)	7(7%)
The board of directors of my SACCO are experts in decision making which maximize the shareholders wealth in the SACCO	66(66%)	25(25%)	2(2%)	4(4%)	4(4%)
The board of directors accept that the accounting system in my SACCO contribute to SACCO's Profits	41(41%)	30(30%)	19(19%)	5(5%)	5(5%)
The board of directors of my SACCO are knowledgeable enough to govern the activities of the shareholders	65(65%)	26(26%)	2(2%)	3(3%)	4(4%)
The board of directors of my SACCO protect and maximize the financial performance of the SACCO	51(51%)	40(40%)	1(1%)	1(1%)	4(4%)
The board of directors of my SACCO makes sure the SACCO management accounts for the shareholders investments in the SACCO.	47(47%)	34(34%)	6(6%)	3(3%)	10(10%)
The board of directors of my SACCO ensures that the necessary internal financial control systems are put in place and monitored regularly	76(76%)	15(15%)	2(2%)	3(3%)	5(5%)
The board of directors behavior of my SACCO is aligned with the objectives of the shareholders	51(51%)	40(40%)	4(4%)	1(1%)	1(1%)

The study showed that 71(71%) strongly agreed, 20(20%) agreed on the view that the board of directors of my SACCO are concerned with shareholders' interests while 1(1%) were undecided 4(4%) disagreed and the rest 4(4%) strongly disagreed. Nevertheless the study findings indicated that 51(51%) strongly agreed thought that the board of directors of my SACCO are more concerned with their personal interests than shareholders' interests, 30(30%) agreed as compared to 9(9%) who were undecided the rest 6(6%) disagreed and the rest 4(4%) strongly disagreed The study findings indicated that 40(40%)strongly agreed that the shareholders of my SACCO are satisfied with the role of the board of directors in ensuring that financial performance brings profit to the shareholders, 30(30%) agreed as compared to 9(9%) who were undecided the rest 6(6%) disagreed and the rest 5(5%) strongly disagreed. On the other hand 61(61%) strongly agreed on the view that the board of directors have enough knowledge to help the SACCO make profit on shareholders behalf, 30(30%) agreed, 2(2%) were undecided, 1(1%) who disagreed while the rest 3(3%) strongly agreed. The study findings indicated that 49(49%) strongly agreed, 32(32%) agreed, 6(6%) were undecided 3(3%) disagreed and the rest 7(7%) strongly disagreed. On the other hand 66(66%) of the total respondent strongly disagreed while 25(25%) agreed as on the view that the board of directors of my SACCO are experts in decision making which maximize the shareholders wealth in the SACCO 2(2%) were undecided while 4(4%) and 4(4%) disagreed and strongly disagreed respectively. The study showed that 41(41%) strongly agreed, 30(30%) agreed on the view that the board of directors accept that the accounting system in my SACCO contribute to SACCO's Profits the 19(19%) were undecided 5(5%) disagreed and the rest 5(5%) strongly disagreed. Nevertheless the study findings indicated that 65(65%) strongly agreed that the board of directors of my SACCO are knowledgeable enough to govern the activities of the shareholders, 26(26%) agreed as compared to 2(2%) who were undecided the rest 3(3%) disagreed and the rest 4(4%) strongly disagreed. The study findings indicated that 51(51%) strongly agreed that the board of directors of my SACCO protect and maximize the financial performance of the SACCO, 40(40%) agreed as compared to 1(1%) who were undecided the rest 1(1%) disagreed and the rest 4(4%) strongly disagreed.

On the other hand 47(47%) strongly agreed on the view that the board of directors of my SACCO make sure the SACCO management accounts for the shareholders investments in the SACCO, 34(34%) agreed, 6(6%) were undecided, 3(3%) who disagreed while the rest 10(10%) strongly agreed. The study findings indicated that 76(76%) strongly agreed that The board of directors of my SACCO ensures that the necessary internal financial control systems are put in place and monitored regularly, 15(15%) agreed, 2(2%) were undecided 3(3%) disagreed and the rest 5(5%) strongly disagreed. Lastly but no least the study findings indicated 51(51%) and 40(40%) strongly agreed and agreed on the view that the board of directors behaviour of my SACCO is aligned with the objectives of the shareholders, 4(4%) were undecided, 1(1%) disagreed while the rest 1(1%) disagreed. Majority of the respondents strongly agreed that the boards of directors of my SACCO are experts in decision making which maximize the shareholders wealth in the SACCO.

The finding shows the effect of independence of the board of directors on financial performance of SACCO. The response of the respondents were sorted and summarized in Table 6

Table 6
Effect of Independence of the Board of Directors on financial performance of SACCO

Effect of Independence of the Board of Directors on financial performance of SACCO	**S A 1**	**A 2**	**UD 3**	**D 4**	**S D 5**
The board of directors are free to air their views about shareholders investments in the SACCO	*49 (49%)*	*28 (28%)*	*5 (5%)*	*13 (13%)*	*5 (5%)*
The board of directors are free to form and implement standards of conduct of SACCO employees	40 (40%)	27 (27%)	13 (13%)	10 (10%)	10 (10%)
The board of directors are free to contribute to the management of uncertainties in the outside the SACCO	38 (38%)	36 (36%)	28 (28%)	10 (10)%	8(8%)
The manager of the SACCO is free to make financial decisions in favour of stakeholders	40 (40%)	21 (21%)	18 (18%)	10 (10%)	15 (15%)
Board and accounting system	49 (49%)	28 (28%)	8 (8%)	10 (10%)	10 (10%)
The board is free to monitor the financial performance of the SACCO	46 (46%)	23 (23%)	10 (10%)	13 (13%)	13 (13%)
The board freely contribute to the strategic direction of the SACCO	44 (44%)	36 (36%)	5 (5%)	13 (13%)	10 (10%)
The board have freedom to determine the financial status of the SACCO	49 (49%)	28 (28%)	5 (5%)	13 (13%)	5 (5%)

The analyzed questions showed the following findings on the board of directors are free to air their views about shareholders investments in the SACCO in that 49(49%) of the total respondent strongly agreed while 28(28%) did agreed as compared to 5(5%) who were undecided, 13(13%) disagreed and 5(5%) strongly disagreed. Moreover 40(40%) of the total respondent strongly agreed of the view that the board of directors are free to form and implement standards of conduct of SACCO employees 27(27%) agreed while 13(13%) were undecided as compared to those 10(10%) who did not agreed and 10(10%) strong disagreed of the total respondents. Moreover the study findings indicated that 38(38%) strongly agreed 36(36%) and did agreed with this statements because they were of the opinion there the board of directors are free to contribute to the management of uncertainties in the outside the SACCO, 28(28%) were undecided while 10(10%) and 8(8%) disagreed and strongly disagreed. The manager of the SACCO is free to make financial decisions in favour of stakeholders was another factor as indicated by the study findings which shows that 40(40%) strongly agreed, 21(21%) agreed 18(18%) were undecided while 1010%) and 15(15%) disagreed and strongly disagreed. Board and accounting system was also viewed as another factor with 49(49%) and 28(28%) strongly agreed and agreed as compared to 8(8%) those who were undecided, disagreed and strongly disagreed were both 10(10%).

Moreover the study findings indicated that 46(46%) strongly agreed 23(23%) and did agreed with this statements because they were of the opinion that the board is free to monitor the financial performance of the SACCO, 10(10%) were undecided while 13(13%) and 13(13%) disagreed and strongly disagreed. The board freely contribute to the strategic direction of the SACCO another factor as indicated by the study findings which shows that 44(44%) strongly agreed, 36(36%) agreed 5(5%) were undecided while 13(13%) and 10(10%) disagreed and strongly disagreed. Board and accounting system was also viewed as another factor with 49(49%) and 28(28%) strongly agreed and agreed as compared to 8(8%) those who were undecided, disagreed and strongly disagreed were both 10(10%). Finally the study findings indicated 49(49%) and 28(28%) strongly agreed and agreed on the view that the board have freedom to determine the financial status of the SACCO, 5(5%) were undecided, 13(13%) disagreed while the rest 10(10%) disagreed. Majority of the respondents opined that the board of directors is free to air their views about shareholders investments in the SACCO and the board has freedom to determine the financial status of the SACCO.

Regarding the role of women participation,the finding shows the effect of women and minority members of the Board of Directors on financial performance of SACCO. The response of the respondents were sorted and summarized in Table 7

Table 7
Effect of women and minority members of the Board of Directors on financial performance of SACCO

Effect of women and minority members of the Board of Directors on financial performance of SACCO	**S A 1**	**A 2**	**UD 3**	**D 4**	**S D 5**
The board of directors of the SACCO is having enough women and minority members	28(28%)	36(36%)	15(15%)	13(13%)	8(8%)
Because the board has enough women and minority members it is contributing to good financial performance of the SACCO	40(40%)	21(21%)	18(18%)	10(10%)	10(10%)
There is a relationship between gender composition of the board and financial performance of the SACCO.	44(44%)	31(31%)	13(13%)	8(8%)	5(5%)
The quality of control of financial performance of the SACCO's financial performance are better when women and Minority persons are represented in the board	49(49%)	28(28%)	8(8%)	10(10%)	5(5%)
Gender and diversity in the board contribute to the valuable decision making process on issues of financial performance of the SACCO	46(46%)	23(23%)	10(10%)	8(8%)	13(13%)
Gender and diversity in the board contribute to improvements of the independence of the board of the SACCO when making financial decisions	36(36%)	38(38%)	5(5%)	13(13%)	10(10%)
Gender and diversity in the board contribute to the boards productivity	36(36%)	28(28%)	15(15%)	21(21%)	0(0%)
Gender and diversity in the board has contributed to the current state of financial performance of the SACCO	40(40%)	21(21%)	18(18%)	20(20%)	0(0%)
Diversity of the board increase the resources brought in by individual board members and the organization access to external resources	56(56%)	44(44%)	0(0%)	0(0%)	0(0%)
Diversity of the board contribute to new insights and perspectives thus increasing creativity and innovation	49(49%)	28(28%)	8(8%)	10(10%)	5(5%)

The study found out that 28(28%) and 36(36%) of the respondent strongly agreed and agreed that the board of directors of the SACCO is having enough women and minority members while 15(15%) were undecided 13(13%) and 8(8%) disagreed and strongly disagreed. On the hand, because the board has enough women and minority members it is contributing to good financial performance of the SACCO and 4040%) strongly agreed, 21(21%) agreed, 18(18%) were undecided while 10(10%) and 10(10%) disagreed and strongly disagreed. Most of the respondents 44(44%) strongly agreed that there is a relationship between gender composition of the board and financial performance of the SACCO, 31(31%) agreed 13(13%) of the total respondent were undecided as compared to 8(8%) and 5(5%) who disagreed and strongly disagreed respectively. Moreover 49(77%) of the total respondent strongly agreed that the quality of control of financial performance of the SACCO's financial performance are better when women and Minority persons are represented in the board 28(28%) agreed 8(8%) were undecided while 10(10%) disagreed and 5(5%) strongly disagreed.

The study showed that 46(46%) strongly agreed, 23(23%) agreed on the view that gender and diversity in the board contribute to the valuable decision making process on issues of financial performance of the SACCO while 10(10%) were undecided the rest 8(8%) disagreed and 13(13%) strongly disagreed. Nevertheless the study findings indicated that 36(40%) strongly disagreed thought that Gender and diversity in the board contribute to the boards productivity, 28(21%) agreed as compared to 15(18%) who were undecided the rest 21 (21%) disagreed. The study findings indicated that 40 (40%) strongly agreed that gender and diversity in the board has contributed to the current state of financial performance of the SACCO the rest 31(31%) agreed 18(18%) were undecided the rest 20(20%) disagreed.

On the other hand 56(56%) strongly agreed and the remaining 44(44%) strongly agreed on the view that diversity of the board increase the resources brought in by individual board members and the organization access to external resources. Finally the study findings indicated that 49(49%) and 28(28%) strongly agreed and agreed respectively that diversity of the board contribute to new insights and perspectives thus increasing creativity and innovation 8(8%) were undecided 10(10%) disagreed and the rest 5(5%) strongly disagreed. Majority of the respondents were in agreement that diversity of the board increase the resources brought in by individual board members and the organization access to external resources.

The finding shows the factors contribute to the financial performance of the SACCO. The response of the respondents were sorted and summarized in Table 8

Table 8
Factors contribute to the financial performance of the SACCO

Factors contribute to the financial performance of the SACCO	**1. Being the most contributor**	**2. Moderate contributor**	**3. Least contributor.**
Board of directors	49(49%)	36(36 %)	15(15%)
Independence of the board of directors	40(40%)	42(42 %)	18(18%)
Women and minority board members	59(59%)	36(36 %)	5(5%)

The study found out that 49(49%) agreed that Board of directors are the most contributor, 36(36%) suggested that they are moderate contributor and the remaining 15(15%) opined that they are least contributor. The study show that 40(40%) agreed that independence of the board of directors, 42(42%) suggested that they are moderate contributor and the remaining 18(18%) opined that they are least contributor. Finally 49(49%) agreed that women and minority board members, 36(36%) suggested that they are moderate contributor and the remaining 15(15%) opined that they are least contributor. Majority of the respondents agreed that women and minority board members are the most contributors in the SACCO.

IV. CONCLUSIONS

The findings showed that majority of the participant were male.The researcher sought to find out the gender of the employees. Gender of the respondents is significant because it indicates level of maturity in answering the questions, finding show that majority of the respondents had college level. Majority of the employees were Head of Department / Section. Majority of the respondents had worked for 10-15 years hence understand effect of composition and level of independence of board of directors on financial performance of selected SACCOS in Kericho County, Kenya

Majority of the respondents strongly agreed that the boards of directors of their SACCOswere experts in decision making which maximize the shareholders wealth in the SACCO. Majority of the respondents opined that the board of directors is free to air their views about shareholders investments in the SACCO and the board has freedom to determine the financial status of the SACCO

Majority of the respondents were in agreement that diversity of the board increase the resources brought in by individual board members and the organization access to external resources. Majority of the respondents agreed that women and minority board members are the most contributors in the SACCO. Having analyzed the data and the findings the researcher came up with the following Conclusions as possible remedial measures to be taken in the organization. The study concluded that Motivational factors of employee improves organization performance .It’s also concluded that it promotes career development and reduces monotony and motivates in the organization.

From the findings the researcher recommends that the organization should put in place strategic management in order to enhance application of employee methods. It also recommends that the organization to maximize employee’s multi-dimensional abilities for better performance. From the findings the researcher recommends that the targeting SACCOs that are under performing and analyzing their composition and level of independence of board of directors on financial performance mechanisms can lead to improvements that unlock a SACCOs hidden value.

The study suggested that further study be done oneffect of composition and level of independence of board of directors on financial performance of selected SACCOS in Kericho County, Kenya.

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