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Corporate Board Governance Practices and Profitability of Deposit-Taking Savings and Credit Cooperative Societies in Kenya

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Abstract:

***Purpose of Study*:** The study sought to examine the relationship between corporate board governance practices and profitability of deposit-taking Savings and Credit Cooperative Societies in Kenya. Specifically, it investigated the influence of board objectivity, gender diversity, supervisory committee effectiveness, and board meetings on profitability, providing empirical evidence to inform governance reforms and institutional sustainability.

Methodology: The study employed a descriptive and explanatory cross-sectional survey design targeting 176 licensed deposit-taking SACCOs in Kenya. Census methodology was adopted, yielding 148 valid responses collected through structured questionnaires. Data were analysed using SPSS version 27, employing descriptive statistics, Pearson correlation, and multiple regression analysis to examine relationships between variables.

***Findings*:** The findings revealed significant positive relationships between all four corporate board governance practices and profitability. Collectively, the governance variables explained 70.4% of profitability variation ($R^2 = .704$). Supervisory committee effectiveness demonstrated the strongest association ($\beta = .298$, $p < .001$), followed by board objectivity ($\beta = .276$, $p < .001$), board meetings ($\beta = .251$, $p = .001$), and gender diversity ($\beta = .214$, $p = .003$). Correlation analysis confirmed strong positive associations across all variables. These results demonstrate that effective oversight, independent decision-making, inclusive board representation, and structured meetings are significantly associated with institutional profitability and financial sustainability.

Conclusion: The study concludes that effective corporate board governance is significantly associated with profitability among Kenyan DT-SACCOs. Strengthening supervisory committees, promoting objective decision-making, enhancing gender representation, and institutionalising structured board meetings are recommended. Regulatory authorities should prioritise governance capacity development and accountability mechanisms to support financial sustainability and institutional performance.

Keywords: *board governance; supervisory committee; profitability; SACCOs*

JEL classification: *G34, G21, G32, M14, L31*

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1. INTRODUCTION

Savings and Credit Cooperative Societies (SACCOs) are member-owned financial institutions that mobilise savings and provide affordable credit to households and small enterprises that commercial banks often serve poorly. Deposit-taking SACCOs (DT-SACCOs) are the group licensed and supervised by the SACCO Societies Regulatory Authority (SASRA) to accept member deposits. Because they safeguard these deposits, their financial soundness is a matter of public interest. At the end of 2024, regulated SACCOs held total assets above KSh 1 trillion and served about 7.39 million members (SASRA, 2025).

Growth in size, however, has not produced matching profitability. Table 1 shows that sector return on equity (ROE) rose from about 2.13% in 2020 to 2.61% in 2022, fell to about 1.67% in 2023 and was estimated at below 2% in 2024. Member engagement also shows strain: SASRA (2025) reported 1.66 million dormant members in 2024, equal to 22.56% of regulated membership.

Table 1
Sector Return on Equity of DT-SACCOs in Kenya, 2020–2024

Year	ROE (%)	Interpretation
2020	≈ 2.13	Moderate profitability during COVID-19 disruption
2021	≈ 2.48	Recovery in lending and deposits
2022	≈ 2.61	Loan growth and capital retention
2023	≈ 1.67	Rising non-performing loans and governance challenges
2024	≈ 1.7–1.9 (estimate)	Growth in assets and members without matching profitability

Note. ROE = return on equity. Source: SASRA SACCO Supervision Annual Reports, 2020–2024, as compiled by the authors.

Weak governance is a widely suspected cause. Governance in Kenyan SACCOs has been described as weakly regulated and supervised (Otieno et al., 2015), and recent work recommends more independent boards, active oversight of management and stronger audit committees (Maingi & Kobuthi, 2024). Kenyan studies consistently link governance to SACCO performance. Governance practices were reported to account for about 70% of the factors affecting the performance of SACCOs in Kiambu County (Gitonga & Miano, 2020) and explained 77.8% of the variation in financial performance in Nyandarua County (Mokaya et al., 2021).

Three gaps remain. First, these studies are confined to single counties. Second, the studies reviewed did not estimate, within one model and for the national population, the relative effect of several distinct board practices. Third, the supervisory committee, a statutory, member-elected oversight organ specific to cooperatives, has received little attention, because the wider literature concentrates on audit committees of listed companies (Abbott et al., 2004; Klein, 2002). This study addresses these gaps using a census of licensed DT-SACCOs.

1.1 Statement of the Problem

Sound board governance is expected to deliver objective oversight of management, inclusive representation, competent supervision of financial reporting and regular, formal deliberation (Adams et al., 2010). Together these should support steady surpluses, adequate capital and a low risk of failure. In practice, ROE fell from about 2.61% in 2022 to about 1.67% in 2023 and stayed below 2% in 2024 (Table 1), even as assets passed KSh 1 trillion. The gap between the performance that good governance promises and the performance achieved calls for empirical investigation. Without evidence on which practices matter most, regulators and boards have little basis for deciding where to direct reform.

1.2 Objectives of the Study

The general objective was to determine the effect of board governance practices on the profitability of DT-SACCOs in Kenya. The specific objectives were to establish the effect on profitability of (i) board objectivity, (ii) gender diversity, (iii) supervisory committee effectiveness and (iv) board meetings.

1.3 Research Hypotheses

For each practice, the study tested the null hypothesis that it has no statistically significant effect on the profitability of DT-SACCOs at the 5% level of significance (H01 to H04). The directional alternative hypotheses (H1 to H4) are developed in Section 2.

1.4 Scope of the Study

The study covered the 176 DT-SACCOs on the SASRA register used as the sampling frame (SASRA, 2024). It was limited to four board governance practices and to profitability anchored on ROE. A senior officer of each institution served as the respondent, with data analysed in SPSS version 27. The reference period was 2020 to 2024, which captures the recent fall in sector ROE. The remainder of the paper reviews the literature, describes the methodology, presents and discusses the results, and ends with implications and limitations.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1 Theoretical Framework

Agency theory. Jensen and Meckling (1976) described the firm as a set of contracts between principals and agents whose interests may differ, which creates agency costs. Boards and oversight bodies exist to monitor agents and align their decisions with the interests of principals (Adams et al., 2010; Fama & Jensen, 1983). In a DT-SACCO, members are the owners, while elected directors and hired managers act on their behalf. The theory therefore predicts that objective boards and effective supervisory committees limit opportunistic behaviour and protect member funds. Its main limitation is the assumption that all agents are self-interested.

Stakeholder theory. Freeman (2010) argued that organisations succeed by creating value for all parties affected by them, not only owners. The theory suits cooperatives, where owners and customers are the same people, and it suggests that gender-diverse boards and well-run

meetings carry a wider range of member interests into decisions. Its limitation is that it gives little guidance on resolving conflicting claims.

Stewardship theory. Donaldson and Davis (1991) proposed that directors and managers often act as stewards whose motivation is aligned with organisational goals, so governance should empower as well as constrain them (Davis et al., 1997). The theory explains why regular, open board meetings can build accountability and long-term value. Its optimism may understate the need for controls when stewardship fails.

Sustainable finance theory. Schoenmaker and Schramade (2019) present finance as a means of creating long-term financial and social value, not short-term gain alone. On this view, profitability is a condition for capital preservation and continued service to members. It justifies reading ROE as a marker of institutional sustainability.

The four theories are complementary. Agency theory explains why independent oversight is needed, stewardship theory explains how empowered boards create value, stakeholder theory supports inclusive board composition, and sustainable finance theory links governance to long-term financial health.

2.2 Empirical Review and Hypotheses

2.2.1 Board Objectivity and Profitability

Board objectivity is the extent to which directors exercise unbiased, evidence-based judgement that is free from management influence and personal interest. It is broader than formal independence because it also covers the separation of board and management roles, transparent deliberation and the handling of conflicts of interest. Fama and Jensen (1983) argued that separating decision management from decision control limits agency costs. Weisbach (1988) found that boards dominated by outside directors were more likely to remove chief executives after poor performance. The evidence on firm performance is less uniform: a meta-analysis of board composition studies found little systematic relationship with financial performance (Dalton et al., 1998). In Kenya, Aluoch et al. (2020) found that board independence significantly affected Tobin's Q among listed firms, and Oboo and Aluoch (2023) reported a positive effect of board independence on the financial performance of listed commercial and service firms. In SACCOs, Maingi and Kobuthi (2024) found that board independence and accountability had positive and significant effects on financial performance in Nairobi County. The study therefore hypothesised:

> *H1: Board objectivity has a positive and significant effect on the profitability of DT-SACCOs in Kenya.*

2.2.2 Gender Diversity and Profitability

Gender diversity refers to the representation and meaningful participation of women and men on boards and in board leadership. Diverse boards may bring wider perspectives and stronger monitoring (Terjesen et al., 2009). Adams and Ferreira (2009) found that women directors attended more meetings and were more likely to join monitoring committees, although the average effect on firm performance was negative. Carter et al. (2003) reported a positive

relationship between the share of women and minority directors and firm value, and a meta-analysis found a small positive association with accounting returns but none with market performance (Post & Byron, 2015). Results are not uniform: in 1,990 listed Japanese firms over 2006 to 2023, board gender diversity had a significant negative effect on performance (Wang et al., 2024). In Kenya, Aluoch et al. (2020) found that gender diversity significantly affected the return on assets of listed firms. Cooperatives have diverse memberships by design, so inclusive boards are expected to strengthen trust and representation. Because the evidence is mixed, the direction of the effect in DT-SACCOs is tested rather than assumed:

> *H2: Gender diversity has a positive and significant effect on the profitability of DT-SACCOs in Kenya.*

2.2.3 Supervisory Committee Effectiveness and Profitability

In Kenyan SACCOs, the supervisory committee is a member-elected organ that independently oversees the board and management, reviews financial statements, monitors internal controls and reports to members. Its role resembles that of an audit committee in a company, although it answers directly to members. Studies of audit committees show that independence, expertise and activity matter. Klein (2002) found that audit committee independence was associated with lower abnormal accruals, and Xie et al. (2003) found that committee members with corporate or investment banking backgrounds were associated with less earnings management. Abbott et al. (2004) reported that financial restatements were less likely where audit committees were independent and met at least four times a year. In Kenyan SACCOs, Maingi and Kobuthi (2024) found that the audit committee had a positive and significant effect on financial performance, and Otieno et al. (2015) found that more frequent financial reporting was associated with better performance. Effective supervisory committees are therefore expected to curb losses and strengthen controls:

> *H3: Supervisory committee effectiveness has a positive and significant effect on the profitability of DT-SACCOs in Kenya.*

2.2.4 Board Meetings and Profitability

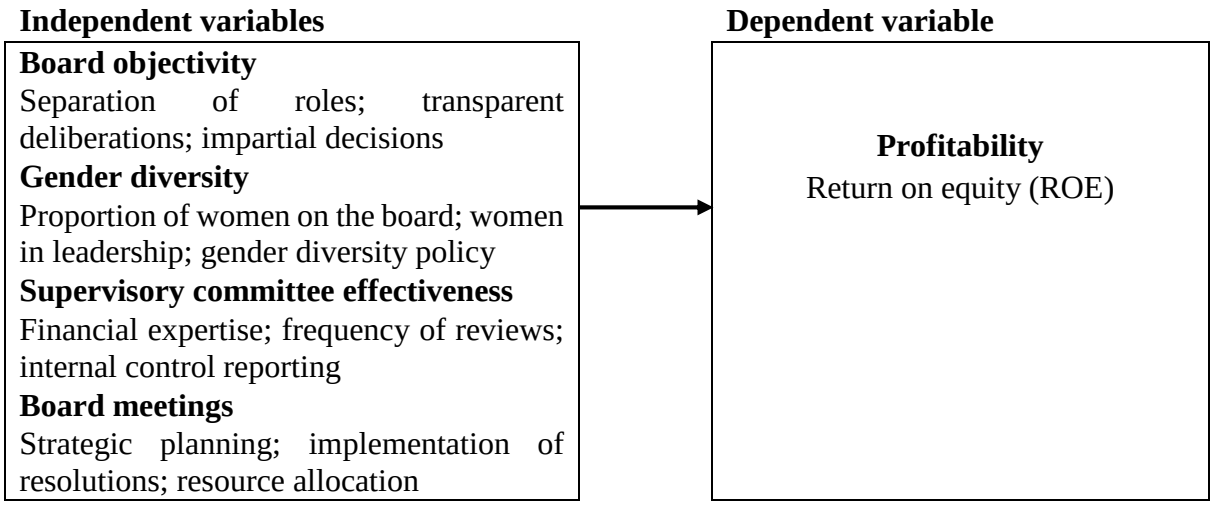
Board meetings are the main forum in which directors review performance, set strategy and resolve problems. Vafeas (1999) treated meeting frequency as a measure of board activity and found that operating performance improved after boards increased their meetings following poor performance. Brick and Chidambaran (2010) stressed that meeting frequency and committee structure are themselves shaped by firm characteristics, so associations with performance should not be read as purely causal. For Kenyan listed firms, Aluoch et al. (2018) found that board activities were insignificant predictors of return on assets, and that board meetings were negatively related to Tobin's Q. The evidence on meetings is therefore mixed, and the quality of meetings, including agenda coverage and timely decisions, may matter more than their number. The study hypothesised:

> *H4: Board meetings have a positive and significant effect on the profitability of DT-SACCOs in Kenya.*

2.3 Conceptual Framework

Figure 1 summarizes the hypothesized relationships. The four board governance practices are the independent variables and profitability, anchored on ROE, is the dependent variable.

Figure 1
Conceptual Framework



3. RESEARCH METHODOLOGY

3.1 Design, Population and Respondents

The study used a descriptive and explanatory cross-sectional survey design. The descriptive part documented governance practices in DT-SACCOs, and the explanatory part tested the hypothesised relationships with inferential statistics. The target population was the 176 DT-SACCOs on the SASRA register (SASRA, 2024). Because the population was small and well defined, a census was used, which removes sampling error. The DT-SACCO was the unit of analysis. One senior officer per institution acted as key informant, a common approach in organisational research when the respondent is knowledgeable about the topic (Phillips, 1981).

3.2 Instrument and Measurement

Data were collected with a structured questionnaire rated on a five-point scale from 1 (strongly disagree) to 5 (strongly agree). Section A recorded respondent and institutional characteristics, Section B measured the four governance practices, and Section C measured profitability. Each construct had six items, and composite scores were the mean of the items. Table 2 summarises the measures. Profitability was anchored on ROE (net surplus divided by members' equity) and was measured through respondents' assessment of return on equity, surplus growth, use of funds, revenue-cost balance, reserve accumulation and ROE relative to peers.

Table 2

Operationalisation of Study Variables

Variable	Indicators	Scale
Board objectivity (X_1)	Separation of board and management roles; independence from management; transparent, evidence-based decisions; management of conflicts of interest	5-point Likert
Gender diversity (X_2)	Women's representation in board leadership; gender diversity policy; inclusive, balanced decisions	5-point Likert
Supervisory committee effectiveness (X_3)	Financial expertise; regular oversight reviews; review of internal controls; timely reporting	5-point Likert
Board meetings (X_4)	Frequency of meetings; agenda coverage; timely decisions; strategic and financial planning	5-point Likert
Profitability (Y)	Return on equity; surplus growth; efficient use of funds; revenue-cost balance; reserve accumulation; ROE relative to peers	5-point Likert

Note. X = independent variable; Y = dependent variable.

3.3 Validity, Reliability and Data Collection

Content validity was established through review by the supervisors and specialists in corporate governance, who assessed the relevance and clarity of the items; unclear or repeated items were revised. A pilot test refined the wording and flow. Internal consistency was assessed with Cronbach's (1951) alpha, with .70 as the minimum acceptable value. The instrument reached an overall alpha of .817, which indicates good reliability. After approval from Kenyatta University and a research permit from the National Commission for Science, Technology and Innovation (NACOSTI), the questionnaire was sent electronically through Google Forms. Follow-up emails and telephone calls were made to non-respondents.

3.4 Model Specification and Data Analysis

Data were cleaned, coded and analysed in SPSS version 27. Means and standard deviations described the variables, Pearson's correlation coefficient assessed pairwise associations, and ordinary least squares multiple regression tested the hypotheses at the 5% level. The model was:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

where Y is profitability, X_1 is board objectivity, X_2 is gender diversity, X_3 is supervisory committee effectiveness, X_4 is board meetings, β_0 is the intercept, β_1 to β_4 are the coefficients and ε is the error term. Before estimation, the regression assumptions were checked. Multicollinearity was assessed with tolerance and variance inflation factors (VIF; O'Brien, 2007), normality with the Shapiro and Wilk (1965) test, and constant error variance with the Breusch and Pagan (1979) test as extended by Cook and Weisberg (1983).

4. RESULTS AND DISCUSSION

4.1 Response Rate and Respondent Profile

Of the 176 questionnaires distributed, 148 were returned complete and usable, a response rate of 84.1%. This is well above the average of about 36% reported for organisation-level surveys (Baruch & Holtom, 2008). As Table 3 shows, respondents were chief executive officers or general managers (41.9%), finance managers (32.4%) and board members (25.7%), all of whom take part directly in governance and financial decisions. Half of the institutions had operated for five to ten years and 31.1% for more than ten years, so most were established organisations.

Table 3
Response Rate and Profile of Respondents (n = 148)

Characteristic	Category	Frequency	Percent
Response	Questionnaires distributed	176	100.0
	Usable questionnaires returned	148	84.1
Position	CEO or general manager	62	41.9
	Finance manager	48	32.4
	Board member or director	38	25.7
Years of operation	Below 5 years	28	18.9
	5–10 years	74	50.0
	Above 10 years	46	31.1

Note. Source: field data (2026).

4.2 Descriptive Statistics

Table 4 reports item and composite means and standard deviations. All composite means exceeded 4.0, which shows broad agreement that the practices are in place and that institutions are performing well. Board objectivity had a composite mean of 4.16 (SD = 0.78). Transparent decision procedures (M = 4.22) and clear separation of board roles (M = 4.21) scored highest, whereas management of conflicts of interest (M = 4.10) and communication of resolutions (M = 4.05) scored lowest.

Gender diversity had a composite mean of 4.20 (SD = 0.76). Respondents agreed most strongly that diversity supports balanced decisions (M = 4.31) and inclusivity (M = 4.28). The lowest item was the representation of women in leadership (M = 4.06, SD = 0.85), which also varied most. The value of diversity is therefore widely accepted, but its realisation in board leadership is uneven. Supervisory committee effectiveness had a composite mean of 4.13 (SD = 0.80); review of financial statements (M = 4.22) was rated highest and adequacy of meeting frequency (M = 4.03, SD = 0.86) lowest. Board meetings had a composite mean of 4.20 (SD = 0.76), with timely decisions highest (M = 4.24) and resource allocation lowest (M = 4.16). Profitability had a composite mean of 4.13 (SD = 0.79), with reserve accumulation highest (M = 4.20) and ROE relative to peers lowest (M = 4.05). The low rating of peer-relative ROE agrees with the modest sector ROE in Table 1.

Table 4

Descriptive Statistics for Study Variables (n = 148)

Construct and item	M	SD
Board objectivity		
Roles of the board are clearly separated	4.21	0.76
Board operates independently from management	4.18	0.79
Board resolutions are well communicated	4.05	0.81
Decisions are made through transparent procedures	4.22	0.74
Decisions are based on objective evaluation	4.19	0.77
Conflicts of interest are well managed	4.10	0.83
Composite	**4.16**	**0.78**
Gender diversity		
Gender diversity enhances inclusivity	4.28	0.72
Gender diversity supports balanced decisions	4.31	0.69
Diverse boards represent stakeholders better	4.25	0.74
Board reflects commitment to equity	4.20	0.77
Women are represented in leadership	4.06	0.85
Proportion of women reflects fairness	4.11	0.81
Composite	**4.20**	**0.76**
Supervisory committee effectiveness		
Committee has financial expertise	4.15	0.80
Reviews financial statements effectively	4.22	0.74
Conducts regular oversight reviews	4.10	0.82
Meeting frequency is adequate	4.03	0.86
Reviews internal controls consistently	4.18	0.79
Reports are submitted on time	4.12	0.81
Composite	**4.13**	**0.80**
Board meetings		
Meetings support timely decisions	4.24	0.73
Meetings evaluate strategic direction	4.20	0.76
Meetings support resource allocation	4.16	0.79
Meetings resolve issues efficiently	4.18	0.77
Strategic discussions are consistent	4.22	0.74
Meetings improve financial planning	4.19	0.78
Composite	**4.20**	**0.76**
Profitability		

Construct and item	M	SD
SACCO generates adequate return on equity	4.10	0.82
Surplus has grown steadily	4.15	0.79
Funds are efficiently utilised	4.18	0.77
Revenue-cost balance is maintained	4.12	0.80
SACCO builds reserves for growth	4.20	0.75
ROE compares favourably with peers	4.05	0.84
Composite	**4.13**	**0.79**

Note. Items were rated from 1 (strongly disagree) to 5 (strongly agree). Source: field data (2026).

4.3 Diagnostic Tests

Table 5 summarises the diagnostic tests. Tolerance ranged from 0.69 to 0.75 and VIF from 1.33 to 1.45, well within the usual limits (tolerance above 0.20; VIF below 10), so multicollinearity was not a concern. Shapiro-Wilk p-values exceeded .05 for all variables, supporting normality. The Breusch-Pagan/Cook-Weisberg test gave p = .221, so constant error variance was not rejected. The data therefore met the main assumptions of linear regression.

Table 5
Diagnostic Test Results

Variable	Tolerance	VIF	Shapiro-Wilk p
Board objectivity	0.71	1.41	> .05
Gender diversity	0.69	1.45	> .05
Supervisory committee effectiveness	0.73	1.37	> .05
Board meetings	0.75	1.33	> .05
Profitability	–	–	> .05
Breusch-Pagan/Cook-Weisberg (H_0: constant variance)			p = .221

Note. VIF = variance inflation factor. Source: field data (2026).

4.4 Correlation Analysis

Table 6 shows that all four practices were strongly, positively and significantly correlated with profitability ($p < .001$). Supervisory committee effectiveness had the strongest correlation ($r = .735$), followed by board meetings ($r = .718$), board objectivity ($r = .701$) and gender diversity ($r = .682$). These pairwise results give initial support to the hypotheses.

Table 6

Correlations Between Governance Practices and Profitability

Variable	Pearson r	p
Board objectivity	.701	< .001
Gender diversity	.682	< .001
Supervisory committee effectiveness	.735	< .001
Board meetings	.718	< .001

Note. n = 148. Source: field data (2026).

4.5 Regression Analysis and Hypothesis Testing

Table 7 presents the regression results. The model gave R = .839, R^2 = .704 and adjusted R^2 = .696, so the four practices jointly explained about 70% of the variation in profitability. The analysis of variance was significant, F (4, 143) = 142.56, p < .001, indicating that the joint effect is unlikely to be due to chance.

Table 7

Multiple Regression Results (Dependent Variable: Profitability)

Predictor	Standardised β	p	Decision
Board objectivity (H1)	.276	< .001	Supported
Gender diversity (H2)	.214	.003	Supported
Supervisory committee effectiveness (H3)	.298	< .001	Supported
Board meetings (H4)	.251	.001	Supported

Note. n = 148. R = .839; R^2 = .704; adjusted R^2 = .696; F (4, 143) = 142.56, p < .001. Source: field data (2026).

All four coefficients were positive and significant at the 5% level, so H1 to H4 were supported and the null hypotheses H01 to H04 were rejected. Supervisory committee effectiveness had the largest standardised effect (β = .298, p < .001): holding the other practices constant, a one standard deviation improvement was associated with a 0.298 standard deviation rise in profitability. Board objectivity followed (β = .276, p < .001), then board meetings (β = .251, p = .001) and gender diversity (β = .214, p = .003). In standardised form the model is:

$$Profitability = 0.276\,BO + 0.214\,GD + 0.298\,SCE + 0.251\,BM$$

where BO, GD, SCE and BM denote board objectivity, gender diversity, supervisory committee effectiveness and board meetings.

4.6 Discussion

The central finding is that board practices are material correlates of profitability in Kenyan DT-SACCOs, jointly explaining about 70% of its variation. This is close to the 77.8% reported for Nyandarua County (Mokaya et al., 2021) and the roughly 70% reported for Kiambu County (Gitonga & Miano, 2020), and it extends them to a national census. It contrasts with the weak

links found for listed firms (Aluoch et al., 2018; Dalton et al., 1998). One plausible reason is structural. In member-owned cooperatives, capital is not traded and market discipline is weak, so internal governance bodies carry more of the monitoring burden. This is consistent with agency theory's emphasis on internal controls where external checks are limited (Fama & Jensen, 1983) and with the governance tensions that Cornforth (2004) identifies in cooperatives.

Supervisory committee effectiveness was the strongest predictor. This agrees with evidence that independent, active and expert oversight committees improve financial reporting and control (Abbott et al., 2004; Klein, 2002; Xie et al., 2003) and with the positive audit committee effect in Nairobi SACCOs (Maingi & Kobuthi, 2024). Losses in SACCOs often arise from weak controls and misuse of funds, which a committee that reviews statements and monitors controls targets directly. The descriptive results show, however, that meeting frequency was this committee's weakest dimension, so further gains are possible.

Board objectivity was the second strongest predictor, in line with Fama and Jensen (1983), Aluoch et al. (2020) and Oboo and Aluoch (2023). Objective boards reduce the scope for management capture and self-interested lending. The lower rating for management of conflicts of interest suggests this is where objectivity is most exposed, because directors in cooperatives are often also borrowers.

Board meetings had a significant positive association with profitability. This differs from the negative association with Tobin's Q reported for listed firms (Aluoch et al., 2018), and it supports Vafeas (1999) and the stewardship view that structured interaction turns directors' commitment into strategy (Donaldson & Davis, 1991). The highest-rated items concerned timely decisions and consistent strategic discussion, which suggests that the quality and regularity of deliberation, more than frequency alone, drive the result.

Gender diversity had the smallest, though still significant, effect. This is consistent with studies reporting positive links (Carter et al., 2003; Post & Byron, 2015) and with Aluoch et al. (2020), but not with the negative result of Wang et al. (2024), which shows that context matters. Respondents endorsed diversity strongly yet rated women's representation in leadership lowest and most variable. Where women sit on boards but do not lead them or their committees, the monitoring benefits described by Adams and Ferreira (2009) may be only partly realised. This supports the stakeholder view that representation must be substantive to matter.

Overall, the findings support an integrated view of governance. The prominence of supervisory committees and objectivity reflects agency theory, the contribution of meetings reflects stewardship theory, the role of gender diversity reflects stakeholder theory, and the link to ROE reflects the sustainable finance view that good governance protects members' capital.

5. CONCLUSION, IMPLICATIONS AND LIMITATIONS

5.1 Conclusion

The study examined the effect of board objectivity, gender diversity, supervisory committee effectiveness and board meetings on the profitability of DT-SACCOs, using data from 148 of

the 176 licensed institutions. All four practices were positively and significantly associated with profitability and together explained about 70% of its variation. Supervisory committee effectiveness was most influential, followed by board objectivity, board meetings and gender diversity. The study concludes that strengthening board-level governance is one of the most direct ways to improve the profitability and sustainability of DT-SACCOs.

5.2 Practical and Policy Implications

For boards and management, four priorities follow. First, supervisory committees should receive continuous training in audit procedures, financial analysis and risk management, and should adopt fixed schedules for meetings, control reviews and reporting. Second, boards should strengthen objectivity by separating board and management functions strictly, enforcing conflict-of-interest and related-party lending policies, and documenting the evidence for decisions. Third, institutions should move from endorsing gender diversity to measurable representation of women in leadership roles, supported by inclusive election rules and mentorship. Fourth, boards should hold regular, well-structured meetings with clear agendas, timely financial information and follow-up on resolutions.

For SASRA and policymakers, the results support greater regulatory attention to the capacity of supervisory committees, for example through minimum competency requirements and periodic governance assessments. Disclosure of governance indicators, including board composition and meeting records, would also help members and supervisors monitor governance quality.

5.3 Limitations and Directions for Future Research

Four limitations should be noted. First, governance and profitability were both reported by one informant per institution, and some informants were board members rating their own boards. This may cause common method bias and social desirability bias (Podsakoff et al., 2003), and the high mean scores across constructs are consistent with this possibility. Future studies should combine survey measures with audited ratios such as ROE and return on assets from SASRA returns. Second, the cross-sectional design limits causal inference, and reverse causality, in which profitable SACCOs can afford better governance, cannot be excluded; panel data would help. Third, the model did not control for size, age, liquidity or credit risk, which may also affect profitability. Fourth, the practices were studied at the board level only. Future research could examine moderating factors such as digital governance tools and compare cooperatives with banks and microfinance institutions.

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