



# Effects of Leadership on Financial Performance of Deposit Taking Saccos in Meru County

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## **Authors' contributions**

*This work was carried out in collaboration between both authors. Both authors read and approved the final manuscript.*

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## **ABSTRACT**

The emergence of Savings and Credit Co-operative Societies has been hailed as one of highly captivating financial sector in the world as a result of offering an alternative to financial intermediary and economic growth. However, over and above all the poor financial performance of these SACCOs has been subject of concern and it's hinged on inadequate corporate governance. As a result, the purpose of this research is to establish the influence of leadership on financial performance of deposit taking SACCOs in Meru County. In this study, Stakeholders theory has been chosen to guide the study. The population of interest in this study will comprise of 12 DT-SACCOs with a target population of 120 participants drawn from the 12 DT- SACCOs in Meru County, the study population will comprise of CEOs, Executive Board Members, and operational Managers of the SACCOs. The study will employ census and purposively sample all the 120 to participate in the study. Structured questionnaires with a five-point non-comparative Likert scale will be used to collect primary data. Data collected will be both qualitative and quantitative and will be analyzed by descriptive and inferential statistics. Statistical Program for Social Sciences (SPSS) will be used to analyze the data. The findings were presented using tables, charts, percentages, tabulations, means and other measures of central tendency. Tables were used to summarize

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responses for further analysis and facilitate comparison. This generated quantitative reports through tabulations, percentages, and measures of central tendency. The findings of this study established a strong positive correlation between board composition and financial performance of SACCOs. Academic qualification and occupation had the highest influence on SACCO's financial performance with  $r(33) = 0.851$ ,  $p < 0.05$  and  $r(33) = 0.845$ ,  $p < 0.005$  respectively. It was however noted that there was a weak positive correlation between gender and SACCO's financial performance,  $r(33) = 0.432$ ,  $p < 0.05$ . It was also established that there is a strong negative correlation between size of board and SACCO's financial performance,  $r(33) = -0.784$ ,  $p < 0.05$ . This means that the fewer the board members the better the financial performance of SACCOs. Besides, a strong positive correlation between board leadership and SACCO's financial performance was determined,  $r(33) = 0.812$ ,  $p < 0.05$ . A strong positive correlation between transparency and accountability and SACCO's financial performance,  $r(33) = 0.884$ ,  $p < 0.05$  existed. The coefficient of determination R square was 0.542 which implied that 54.2% of variation in the dependent variable is determined by the independent variables (predictors). It also means the goodness of fit test is fulfilled. This also means that all the factors (board composition, board size, leadership, transparency and disclosure) significantly predict financial performance of SACCOs, with transparency and accountability having the highest prediction ( $\beta = 2.208$ ).

*Keywords: Leadership; financial performance; SACCOs.*

## 1. INTRODUCTION

### 1.1 Background of the Study

The idea of an organization's financial performance is defined as the measure of how well an organization is able to create more revenues as a result of effective corporate governance. This is accomplished through utilizing available assets to promote profitability, asset value, and growth [1]. The available resources must be used effectively and efficiently by management in a transparent, accountable as defined in the legal and regulatory framework [2].

According to Dogan [3] there are several types of performance indicators, including financial and non-financial measures. Financial statement being one of them analysis attempts to assess leadership performance in a variety of areas; profitability, efficiency, and risk (Reily and Brown, 2016; John, 2015). Accounting reports, structure, and frequency are determined by who requires the information and for what reason. For example, (Manyuru, 2015; Liargovass, and Skandalis, 2016) opines that the board of directors will be much more concerned with the faculty's profitability, growth, return on investment, and liabilities.

Hannoon et al. [1] says that strong corporate governance entails qualities like fairness, accountability, and transparency. Globally, Shahwan [4] the consequences of corporate governance on organizational profitability and sustainability have become a critical concern

following the collapse of large business organizations in the United States. Arshad et al. [5] stated that developed countries like the UK, and the USA supposedly have better corporate-governance systems world-wide. Efficacious board structures are mostly attributed to the unconventionality of the board of management [6].

According to the Asia Corporate Governance Association, (ACGA) corporate governance standards in parts of Asia continue to be lower than in more developed countries, as reported by the Financial Times (2016). However, the ACGA noted that three major North Asian economies—Tokyo, Formosa, and the Koreans - had improved their ratings since 2012. For bank regulation, Hong Kong and Singapore have the best legal, regulatory, and economic structures in the region [7-10].

In 2012, the Apac Corporate Governance Scorecard's primary emphasis shifted to the corporate governance concept based on the OECD's interpretation. The finest publicly traded firms in Malaysia, the Philippines, Indonesia, Thailand, Singapore, and Vietnam are rated according to key performance indicators, and each nation has its unique set of KPIs (Bhagat and Jefferis, 2017) [11]. Since 2001, Bangladesh has implemented extensive corporate governance reform initiatives (Haque and Arun, 2016). Nhung and Nguyen [12] argued that this has been hampered by the fact that many of the companies are family run, and information disclosure is difficult to come by.

According to Akinsulire (2015), Nigeria has managed to lose over seventy-four banking institutions since the country's introduction of banking in 1914. Astonishingly, corporate governance issues contributed to these banks' difficulties and eventual failure. Countries like SA, Ghana, and Zimbabwe have recognized countrywide institutional fundamentals to encourage respectable corporate governance (Chidambaran, 2018).

To ensure there is no proliferation of SACCOs and that economic results from the same SACCOs improve, government intelligence services' attitude toward SACCOs is changing by acknowledging the creation of legal and regulatory bodies [SASRA] in Kenya (Manyuru, 2015). In the emergence of Vision 2030 outlined a strategic plan aimed at reorganizing the financial industry, which resulted in the implementation of corporate governance principles in SACCO administration. Despite the government's efforts to create this strategic plan, many SACCOs have not effectively integrated it resulting in poor financial performance of these SACCOs [13-22]. Aspects such as board composition and proper leadership structure are among the gaps that this current research seeks to fill so that shareholders of these SACCOs can benefit from their investment through increased profits [23-26].

## 1.2 Corporate Governance Concept

Corporate governance, according to Cadbury (2015), is fundamentally a method for managing and controlling a firm. According to the International Financial Institutions [IFC], it is a framework for balancing the interests of numerous stakeholders (2015). According to O'Donovan (2017), corporate governance (CG) is an internal system of rules, procedures, and personnel that satisfies the demands of shareholders by guiding and controlling management actions and making wise management choices.

According to Parker (2017), corporate-governance receives the greatest attention and debate from legislators, regulatory agencies, academic institutions, trade associations, the media, and the public community. Business and operations are becoming more globalized, forcing local organizations to develop better practices than competing global companies (Andrei & Vishny, 2017).

Among the myriad demanders of a company's cash flow, value shareholders have consistently offered special consideration that can arise from the rest of the wealth path. Parker (2017) said that the ideology of bidder ownership separation and business management had office problems when the head office (shareholders) lacked the power and data needed to scrutinize and manage operators (Claessens *et al.*, 2015).

Regrettably, as agreeable business becomes more mind-boggling and modern, Parker (2017) claims that the effectively existing writing and work force believe that it is difficult to adapt to changing circumstances without appropriate corporate administration practices. Regardless of these advancements, there is no planned push to distribute the accomplishments and relationships between corporate administration skills and budgetary execution in a local context.

## 1.3 SACCOS in Kenya

Cooperative activities were initiated in Kenya as a form of national project in the mid-1950s. Thus, according to Tsuma *et al.* (2015), governments perceived cooperatives as mass organizations and tools for rural economic emancipation. Since then, the cooperative movement in Kenya has been a driving force in the country's progress. It has an impact on both the official and informal sectors of Kenya's economy. As much as 63% of the Kenyan population is thought to be participating in cooperative businesses [27]. Otieno *et al.* [28] established that in 1972 there was a conference that proposed a body to manage Saccos issues and that is how KUSCCO Ltd was born. This led to the registration of more Saccos, as reported by the ministry of cooperative development to over 12,000.

History has it that the Catholic Church was never left behind and, through Fr. Joachim G in 1964, there was a new Sacco in Mariira, currently Muranga County, and the establishment of chapters in Nairobi and Mombasa. In 1969, Ng'ang'a (2017) says that the government mandated that savings and credit societies be established only by employees whose employers agreed to allow payroll deductions in a system known as check-off. According to Cheruiyott *et al.* (2012), Makhokha (2013) and Wanyoike (2013), saccos have been mostly grouped by the aims, functions, and how they spend their income. In this connection, Tsumaa *et al.* (2015) say that it is with this in mind that Saccos are based on autonomy, community in mind, training,

education, employment outcomes, consensual and democratic principles.

However, in order to perform better, the SACCO Society Regulatory Authority (SASRA), recognized on June 18, 2010, it was established as an agency of the state and its mandate derived from Sacco Act No. 14 to regulate and license SACCOS in Kenya in 2008, both DTPs and saving ones. According to the Economic Survey (2021), as of the end of 2020, Kenya had 175 registered Saccos spread across all sectors.

#### **1.4 Statement of the Problem**

Closure of SACCOS as a result of poor performance emanating from corporate-governance challenges has been experienced in Meru County. The unfortunate financial performance of these SACCOS, stems from board of directors whose primary goal is to recoup their investment rather than the long-term operation of the firm. Notable efforts have been made by the government according to Bhutta, and Hasan [29] by establishing SASRA to regulate SACCOS to no avail.

One thing to note is that the effects of corporate governance on financial performance of Saccos has been felt in most of Meru Sacco for example Mutuku [30] adds that the total loans to total deposits ratio, which measures DT-SACCOS' ability to fund their loan portfolio from deposits, remained high at 110 percent in 2020, a slight decrease from the 100 percent ratio reported in 2019, this decrease according to Bhutta, and Hasan [29] was as a result of withdrawable deposits, board composition and leadership structure that didn't have a clear strategies to overcome challenges.

A study done by Kenani and Bett [31] contend that poor performance is exacerbated in part by a lack of board structure, unhealthy relationship between management and shareholders that is always complicating cooperative society governance. Dogan (2013) opines that Sacco's legal and regulatory framework supposedly functions of SASRA are just paper work and not action oriented. The MEA on the other hand over looks the transparency and accountability requirements hence fail to act in time when there are signs of failures.

However, it is necessary to conclude that not enough information has been demonstrated in some studies and scholarly articles about the relationship between board composition,

leadership, board size in whose hands lies the responsibility of transparency and accountability when it comes to DT-SACCOS operations in Meru County [32-37]. As a result, the present study sought to fill this gap by examining the effects of corporate governance on the financial-performance of deposit taking SACCOS in Meru County.

#### **1.5 Research Objective**

The general objective of the study was to establish the influence of leadership on financial performance of deposit taking SACCOS in Meru County.

#### **1.6 Scope of the Study**

This research looked at the effects of corporate-governance on the financial-performance of deposit taking SACCOS in Meru County which defined geographical scope of this study. The study focused on effects of corporate governance on financial performance which formed the content scope of the study, while there were other people affected by the corporate governance in the organization the study focused on CEOs (managing directors), board executive officials and SACCOS operational managers constituting population scope of this study. The study adopted a descriptive research design and utilize questionnaire for data collection forming a methodological scope. The study targeted 12 registered deposit taking SACCOS, with Meru County. The study considered performance of the deposit taking SACCOS for a period of five years (2017 – 2022).

### **2. LITERATURE REVIEW**

#### **2.1 Theoretical Literature Review**

##### **2.1.1 Stakeholders theory**

The Stakeholder theory was proposed by Freeman in 1984. This theory's tenets are based on the fact that for business to operate there are various groups of individuals who have a claim to its existence. These group of entities includes; employees, suppliers, local communities, creditors, and others while Clarkson (1995) emphasized, whereas secondary stakeholders have only a tangential affiliation. According to Freeman (1984), these stakeholders can affect the achievement of the organization's goals since its attributes are based strategies, and morals values established by these stakeholders.

According to stakeholder theory, a company's performance is only truly successful if it benefits the greatest number of its constituents. As noted by Civelek, emberci, Artar, and Uca (2015), fulfillment as a measure of performance should be determined from the perspective of all stakeholders.

This theory is anchored on two objectives of this current study; a) to determine the impact of board composition and leadership structure and b) to test the effect of the relationship between management and shareholders on SACCOs' financial performance. In determining board composition and leadership structure, the stakeholder theory emphasizes the need to have a diverse board in age, education and experience or executive and Non-executive. In so doing the business will then be able to accommodate other stakeholders and needs met. This will in turn create a leadership structure that is acceptable to all since consideration of stakeholders is paramount. When a board is chosen that is acceptable, the need to have a better relationship between management and shareholders will fall into place.

The board's composition and leadership structure, which includes directors with a focus on gender and educational levels, has a responsibility to actively consider other stakeholders both inside and outside of the SACCOs. As Donald and Preston [7] emphasize, everyone in the organization has an agenda. A few of them, such as legislators, start creating the legal and regulatory framework, which can harm the financial performance of SACCOs, while others create an environment that promotes transparency and accountability.

## **2.2 Empirical Literature**

### **2.2.1 Leadership**

Effective leadership may help organizations achieve their objectives. According to Igbaekemen (2014), leadership is the action of inspiring followers to focus their efforts on a shared mission. When it comes to organizations, Wheatley (2011) explains, leadership has an indirect but significant impact. Culture, rules, processes, and controls all contribute to a company's ability to achieve its objectives.

Ganescu and Gangone (2013) propose that the cultivation of responsibility in corporate leadership is an element that falls within the

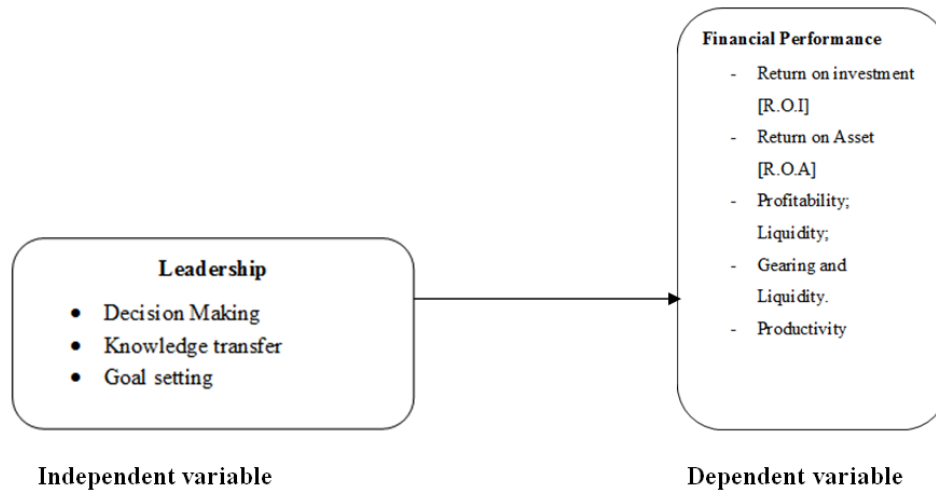
purview of corporate governance. This refers to making use of the resources that companies possess in order to bring about societal transformation. A person who is considered to be a leader in responsible corporate governance views the overall policy approach more as an opportunity than a difficulty. In their 2016 article, Wagenberg and Gutiérrez concur with this assessment, reiterating the significance of fostering a desire for environmentally responsible behavior.

Contemporary ideas of leadership and accountability in the context of corporate governance are not static. According to Bachman (2016), the role of a company's CEO has shifted from addressing issues in a given context to bridging the gap between reality and ideal. Most institutions handling financial resources in an African environment seem to be struggling because they lack the resources and the right kind of leadership to adapt to the changing demands of the market (Owoye & Bissessar, 2012). People argue that the failure of Africa's leadership and institutions after independence has led to the continent's widespread corruption. When it comes to the widespread failure of institutions, Obiwuru, Okwu, Akpa, and Nwankwere (2011) are spot-on when they suggest that poor leadership is to blame. According to their research, leadership is a key component in understanding institutional behavior.

Leadership styles have an effect on how effectively all workers work inside an organization. This might be accomplished in a variety of ways. According to Dim and Nzube [38], effective leadership motivates subordinates to realize their full potential in terms of enhancing their organization's efficiency and accomplishing their goals. According to Ngaithe (2016), one of the reasons why it is essential to have an awareness of the impacts of leadership on performance is because it is seen as a possible source of managerial growth. Makori and Kinyua [39], who had a similar viewpoint, were certain in their belief that an institution's competitive edge may be improved with the support of competent leadership. The leadership of an organization is able to convey its goals and expectations more effectively when there is open communication amongst all parties involved.

## **2.3 Conceptual Framework**

Conceptual framework shown in Fig. 1.



**Fig. 1. Conceptual framework**

## 2.4 Research Design

A research design is a framework used by scientists to facilitate the efficient and error-free completion of standard processes in the conduct of studies that provide reliable results (Denscombe, 2012). According to Lavrakas (2018), a research design is a design or overview of the study that regulates the research method, from preliminary to final testing, inquiry, and proposal, and from documentation of the findings to presentation of the results. A comprehensive plan for collecting and evaluating data in a way that strives to add value to the research endeavor in a cost-effective manner is called a research design, as explained by Kothari [40]. Descriptive research methodology will be used for this study.

## 2.5 Target Population

Kothari and Garg (2014) define a population as a full collection of individuals, objects, and cases that share characteristics but can be distinguished from other populations. The target population for this study included 12 Deposit Taking SACCOs accredited by the SASRA (2022) to operate in Meru County, Kenya. Only SACCOs with Headquarters in Meru County was considered in this study. The study targeted the CEOs, board executive members and operational managers. The study target population was 120 senior executives (inclusive of CEO) managing affairs of SACCOs.

## 2.6 Sampling Procedures and Techniques

Purposive sampling technique was adopted to identify either CEOs, Board executive members and operations manager.

## 2.7 Research Instruments

The study used semi structured questionnaire for the purpose of the primary data collection, while secondary data was captured using a checklist. The research instrument consisted of Section A which captured respondent's background information, Section B will contain information on Board composition, Section C will capture information on leadership, Section D will solicit respondent's opinion on Board size while section E will capture information on accountability and transparency.

## 2.8 Data Analysis Techniques and Procedures

### 2.8.1 Response rate

Out of a sample of 120 respondents from 12 deposit taking SACCOs, 84 questionnaires were properly filled and returned. This translated to 70% response rate which was considered appropriate and acceptable representative for data analysis, conclusions and formulating recommendations.

### 2.8.2 Reliability test

The study assessed the validity of study tool through professional assessment and pre-test. This was carefully applied to improve the research instrument. Pre-testing was conducted at 3 deposit taking SACCOs in Tharaka Nithi County, which was outside the geographical scope of the main study. The CEO, Board executive members and operational manager were targeted by the pre-test exercise. The responses obtained from participants guided

towards improvements on the instrument. Seeking for Expert opinions from the supervisor guided further improvements and corrections on the instrument. This ensured that the instrument effectively fulfilled the objective(s) of the study. Mugenda and Mugenda [41] puts forth professional input and pre-testing are suitable tools in improving the validity condition of study tool.

## 2.9 Sample Characteristics

### 2.9.1 Current membership of SACCOs

The respondents were required to indicate their current membership. The results were presented in Table 1.

**Table 1. Membership in Saccos**

| Membership     | Frequency | Percent |
|----------------|-----------|---------|
| Up to 1,000    | 3         | 21.3    |
| 1, 001 – 5000  | 6         | 54.5    |
| 5,001 - 10,000 | 2         | 15.1    |
| > 10,000       | 1         | 9.1     |
| Total          | 12        | 100.00  |

Findings from Table 1 indicate that majority (54.5%) of the SACCOs had a membership of between 1001 – 5000. This was followed by those which had up to 1,000 members with 21.3%. The least were those with greater than 10,000 members with 9.1%.

### 2.9.2 Sacco’s length of operation

The researcher sought to establish the SACCOs length of service. The responses were as presented in Table 2.

**Table 2. SACCO’s length of operation**

| Years of operation | Frequency | Percent |
|--------------------|-----------|---------|
| < 3                | 2         | 16.7    |
| 3 – 5              | 4         | 33.3    |
| 6 – 10             | 4         | 33.3    |
| > 10               | 2         | 16.7    |
| Total              | 12        | 100.00  |

Findings in Table 2 indicates that majority (33.3%) of SACCOs had operated for 6 – 10 years and 3 – 5 years each. The category with the least number of SACCOs was those with a length of operation greater than 10 years (16.7%) and less than three years. The SACCOs in Meru County had operated for a length which was able to give information on the influence of corporate governance on their financial performance.

## 2.10 Descriptive Analysis of Study Variables

### 2.10.1 Leadership

The second objective of this study was to establish the influence of leadership on financial performance of deposit taking SACCOs in Meru County. To achieve this objective, the respondents were required to indicate whether the SACCOs had standardized code of conduct for management staff and/or the board of directors. Further, the researcher sought to establish the extent to which the respondents agreed with the statements given on a scale of 1-5 where 1= strongly disagree; 2= disagree; 3= neutral; 4= agree and 5= strongly agree.

**Table 3. Leadership rating**

| Statements   | SD    | D     | N       | A       | SA      |
|--|-------|-------|---------|---------|---------|
| There is conducive separation of powers between board of directors and the SACCO CEO.                    | 0(0%) | 0(0%) | 28(33%) | 48(57%) | 8(10%)  |
| Good communication in the SACC contributes to the harmonious working in the organizational structure.    | 0(0%) | 0(0%) | 0(0%)   | 56(67%) | 28(33%) |
| The board of directors constantly undergoes capacity building trainings on necessary managerial skills.  | 0(0%) | 0(0%) | 23(28%) | 28(33%) | 33(39%) |
| The SACCO has a functional and effective succession plan of the board of directors and the CEO.          | 0(0%) | 0(0%) | 21(25%) | 25(30%) | 38(45%) |
| Code of ethics and/or code of best practices effectively govern the conduct of staff and management team | 0(0%) | 0(0%) | 10(12%) | 13(15%) | 61(73%) |
| Mean Total   | 0(0%) | 0(0%) | 15(18%) | 28(33%) | 41(49%) |

The results in Table 3 revealed that on average majority (49%) of the respondents strongly agreed that; There was conducive separation of powers between board of directors and the SACCO CEO, good communication in the SACCO contributed to the harmonious working in the organizational structure, the board of directors constantly underwent capacity building trainings on necessary managerial skills and that the SACCOs had a functional and effective succession plan of the board of directors and the CEO. Further 49% of the respondents agreed that Code of ethics and/or code of best practices effectively governed the conduct of staff and management team [42-46]. No respondents disagreed in either way.

The research further sought to establish the association between leadership as rated with respect to the statements in financial performance of the SACCOs.

The results presented in Table 4 shows a strong positive association between board leadership and SACCO's financial performance ( $r = 0.812$ ,  $p < 0.05$ ). This means that an enhancement in leadership skills would lead to an increase in financial performance of SACCOs by a factor of 0.812. These results agree with the study by Barante, (2020) which indicated that a good board leadership should monitor and evaluate the implementation of strategies, policies and management performance criteria and the plans

of the corporation. In addition, the board should constantly review the viability and financial sustainability of the enterprise and must do so at least once in a year. This will improve the financial performance of organizations. The board should identify the corporation's internal and external stakeholders; agree on a policy or policies determining how the corporation should relate to, and with them, increasing wealth, jobs and sustainability of a financially sound corporation while ensuring that the rights of stakeholders established by law or customs are recognized and protected [47-54]. The Board should ensure that no one person or group of persons has uncontrolled power and that there is an appropriate balance of power on the board so that it can exercise objectives and independent judgment (Gordon, 2015).

### 2.10.2 Multiple regression analysis

The researcher further sought to establish the contribution of the independent variable, (leadership) to the DT-SACCO's financial performance.

Finding from Table 5 established that the coefficient of determination R square was 0.542 implying that 54.2% of variation in the dependent variable is determined by the independent variables (predictors) thus fulfilling the goodness of fit test.

**Table 4. Board leadership and financial performance**

|                              |                     | Leadership | Financial performance |
|------------------------------|---------------------|------------|-----------------------|
| <b>Leadership</b>            | Pearson Correlation | 1          | .812**                |
|                              | Sig. (2-tailed)     | .000       | .000                  |
|                              | N                   |            | 84                    |
| <b>Financial performance</b> | Pearson Correlation | .812**     | 1                     |
|                              | Sig. (2-tailed)     | .000       | .000                  |
|                              | N                   |            | 84                    |

**Table 5. Model summary**

| <b>Model Summary</b> |                   |          |                   |                            |
|----------------------|-------------------|----------|-------------------|----------------------------|
| Model                | R                 | R square | Adjusted R square | Std. error of the estimate |
| 1                    | .736 <sup>a</sup> | .542     | .526              | .15066                     |

a. Predictors: (Constant), Board Composition, Board Size, Leadership, Transparency and Accountability

**Table 6. Coefficients of the effect of variables**

| Model                       | Unstandardized coefficients |            | Standardized coefficients | T      | Sig. |
|-----------------------------|-----------------------------|------------|---------------------------|--------|------|
|                             | B                           | Std. error | Beta                      |        |      |
| (Constant)                  | .764                        | .033       |                           | 23.150 | .000 |
| leadership(X <sub>1</sub> ) | .208                        | .050       | .938                      | 4.16   | .000 |



Dependent Variable: Financial performance

The regression model was obtained as;

$Y = 0.764 + 0.208X_1 + \epsilon$ . It can be noted that the independent variable was significant

Where:

Y = Dependent variable (financial performance)  
X1 = Leadership

The contributing variable was leadership with a factor of 0.208 implying that a unit positive change in leadership would cause a positive change in financial performance of a SACCO by a factor of 0.208 at 5% significant level. These results agree with the earlier results which showed that there was a strong positive association between board composition ( $r = 0.851$ ) and financial performance of SACCOs, positive association between board leadership and SACCO's financial performance ( $r = 0.812$ ), strong positive association between transparency and accountability and SACCO's financial performance, ( $r=0.884$ ) and a negative association between size of boards and SACCO's financial performance ( $r = - 0.784$ ).

### 3. SUMMARY OF THE RESULTS

The regression analysis for this study showed that a change of one unit in the composition of leadership would positively influence the financial performance of DT-SACCOs. It was also established that an increase in board size would negatively influence the financial performance of DT-SACCOs. These results were also supported by the correlation results which revealed that there was a strong positive correlation (association) between board composition, leadership, transparency and accountability and a negative correlation (association) between board size and financial performance of DT-SACCOs.

The researcher found out that there was one legal officer in every DT-SACCO. This was followed by finance specialist, economists and accounting which had a high percentage in composition. It was also noted that only a few of the DT-SACCOs had educationists and members from the informal sector.

The academic qualification composition was that, majority of the board members had first degree

as their highest academic qualification followed by those with diploma and A-level qualifications respectively. The least were those with master's degree.

On gender composition, it was established that majority of board members were male though the mix of boards members in terms of gender balance had almost fulfilled the two-third majority rule of either gender. Gender balance had a weak association with the DT-SACCOs' financial performance.

### 4. CONCLUSIONS

The topic of the study was "Effects of Leadership on Financial Performance of Deposit Taking Saccos in Meru County." The general objective of the study was to establish the influence of leadership on financial performance of deposit taking SACCOs in Meru County. The research questions for the study sought to answer how does leadership influence financial performance of deposit taking SACCOs in Meru County? The findings established that the variables affect financial performance.

The composition of the DT-SACCO board members in Meru County in terms of profession, academic qualification and gender influenced the financial performance of DT-SACCOs. Academic qualification and profession were found to have the highest influence on DT-SACCOs' financial performance compared to gender balance which had weak positive association.

The leadership of SACCOs influences their financial performance. The leadership of SACCOs was evaluated as indicated by; conducive separation of powers between board of directors and the SACCO CEO, good communication in the SACCO contributing to the harmonious working in the organizational structure, the board of directors constantly undergoing capacity building trainings on necessary managerial skills and the SACCOs having a functional and effective succession plan of the board of directors and the CEO.

### 5. RECOMMENDATIONS TO POLICY

Based on the findings of this study, the researcher made these recommendations.

The board of directors should constantly organize for capacity building trainings for all the committee members on necessary managerial

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

## 6. SUGGESTIONS FOR FURTHER RESEARCH

This study investigated the influence of leadership on financial performance of deposit taking SACCOs in Meru County. The multiple regression equation showed that the variable leadership influenced financial performance with the later having the highest influence.

Further research can be done to determine such other variables that influence financial performance of DT-SACCOs.

## COMPETING INTERESTS

Authors have declared that no competing interests exist.

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