

GOVERNANCE STRUCTURE AND LOAN PERFORMANCE OF DEPOSIT TAKING SACCOS IN NAKURU COUNTY KENYA

¹Rose Chepkwesi, ²Dr. Nehemiah Kiprop Kiplagat & ³Prof. Lawrence Kibet
^{1,2&3}Kabarak University, Po Box Private Bag Kabarak, 20157, Kenya, Tel: +254 704478746

***E-mail of Corresponding Author:** roseantonia@gmail.com

Publication Date: November 2025

ABSTRACT

Purpose of the Study: The study examined the relationship between firm size, governance structure and loan performance among Deposit Taking SACCOs in Nakuru County, Kenya.

Problem Statement: Deposit Taking SACCOs play a critical role in promoting financial inclusion, mobilizing savings, and extending affordable credit to support socio-economic growth in Kenya. However, persistent challenges related to governance weaknesses continue to undermine loan performance, leading to rising levels of non-performing loans and reduced financial stability

Methodology: The study adopted a descriptive research design and used a census approach targeting 65 respondents comprising credit officers, internal audit and compliance officers, finance officers, operations managers, and chief executive officers from Deposit-Taking SACCOs in Nakuru County. Data were collected through structured questionnaires and analyzed using SPSS version 25, employing both descriptive statistics and inferential techniques such as correlation and regression to examine the relationship between governance structure and loan performance.

Conclusion: The study concludes that effective governance characterized by strong board oversight, internal control mechanisms and sound risk management enhances loan recovery, reduces default rates and promotes financial sustainability.

Recommendation: The study recommends that SACCOs should strengthen their governance frameworks and ensure strict compliance with regulatory standards to enhance credit discipline and institutional performance. Boards should promote transparency, accountability, and ethical leadership to sustain sound lending practices and improve overall financial stability.

Keywords: *Governance Structure, Loan Performance, SACCOs, Nakuru County, SASRA.*

INTRODUCTION

Globally, governance structures have been recognized as a critical factor influencing the performance and sustainability of financial institutions. In developed economies such as the United States, governance mechanisms within credit unions and cooperative banks emphasize board oversight, risk management committees, and member participation to ensure effective loan portfolio management and minimize default risks. (Smith & Johnson, 2021). Similarly, in Europe, countries like Germany, France, and the Netherlands have institutionalized robust governance policies within Saccos, focusing on internal controls, ethical leadership, and member engagement to improve lending outcomes and financial stability (Müller & Schneider, 2020). In Asian economies such as Japan, South Korea, and Singapore, governance structures that integrate stringent regulatory compliance, risk assessment committees, and strategic board oversight have been linked to improved loan recovery rates and financial sustainability (Tan & Lim, 2022).

In Africa, the role of governance in cooperative financial institutions has gained prominence as countries seek to strengthen member-based savings and credit systems while mitigating credit risks. In South Africa, SACCOs have adopted governance practices including clear board structures, audit committees, and transparent reporting mechanisms to safeguard assets and enhance loan performance (Mabaso & Dlamini, 2022). In Nigeria, effective governance in credit cooperatives has been associated with improved loan repayment rates, although challenges such as political interference and weak oversight continue to hinder optimal performance (Okafor & Ume, 2023). Similarly, in Kenya, cooperative banks and deposit-taking SACCOs rely on governance practices such as board composition, supervisory oversight, and member participation to influence lending decisions and financial outcomes (Wambua & Njoroge, 2023).

In Nakuru County, deposit-taking SACCOs play a pivotal role in financial inclusion, providing affordable credit to members and supporting small and medium-sized enterprises. However, the effectiveness of these SACCOs in loan performance is often contingent on the strength of their governance structures. Key governance elements such as board effectiveness, transparency in decision-making, adherence to regulatory requirements, and member engagement are critical in determining the quality of loan portfolios and reducing incidences of non-performing loans (Mutua & Kariuki, 2021). Despite regulatory oversight by the Sacco Societies Regulatory Authority (SASRA), many SACCOs face challenges including weak board oversight, inadequate member

participation, and limited accountability mechanisms, which affect loan recovery and organizational sustainability (Omondi & Gichuhi, 2022).

Loan performance within deposit-taking SACCOs can be assessed through various indicators that reflect both organizational and member-level outcomes. Key measures include loan repayment efficiency, which evaluates how effectively members honor their repayment obligations within agreed timelines and interest structures (Mutua & Kariuki, 2021). Portfolio quality assesses the level of non-performing loans and the SACCO's ability to monitor and manage credit risk, which are vital in ensuring financial stability and member trust (Omondi & Gichuhi, 2022). Additionally, achievement of financial targets such as loan disbursement rates, recovery ratios, and adherence to regulatory compliance serves as a fundamental indicator of SACCO loan performance (Njoroge & Kihara, 2021).

Deposit-taking SACCOs in Nakuru County, which provide vital financial services to small-scale businesses and individual members, rely heavily on robust governance structures to achieve sustainable loan performance. Governance elements such as board composition, strategic oversight, transparency in decision-making, and member engagement significantly influence the quality of lending practices and recovery rates (Nyaga, 2020). Well-structured governance frameworks ensure that credit policies are consistently applied, risks are effectively managed, and accountability is maintained across all operational levels (Mutua & Kariuki, 2021; Omondi & Gichuhi, 2022).

Implementing strong governance practices can therefore serve as a powerful driver of loan performance, enhancing accountability, minimizing credit defaults, and promoting financial sustainability. Understanding the influence of governance structures on loan performance within deposit-taking SACCOs in Nakuru County is crucial for developing effective management and oversight mechanisms that not only improve loan recovery but also strengthen members' confidence in cooperative financial institutions (Nyaga, 2020; Njoroge & Kihara, 2021). Hence, the study examined the relationship between firm size, governance structure and loan performance among Deposit Taking SACCOs in Nakuru County, Kenya.

STATEMENT OF THE PROBLEM

Loan performance is a fundamental determinant of financial stability, member confidence, and the sustainability of Deposit Taking SACCOs in Kenya. It influences how effectively SACCOs mobilize savings, extend credit, and manage their loan portfolios. Despite its critical role, evidence suggests that loan performance in Deposit Taking SACCOs in Nakuru County has remained inconsistent and below optimal levels. Many SACCOs face challenges such as rising non-performing loans, poor credit assessment, delayed recovery processes, and weak internal controls, which hinder effective loan management and financial sustainability (SASRA, 2022, 2023). The absence of robust governance structures has contributed to poor oversight, mismanagement of loan disbursements, and eroding member trust, thereby affecting overall loan portfolio quality.

Although the SACCO Societies Regulatory Authority (SASRA) has issued governance guidelines and prudential standards aimed at improving accountability and financial management, the effectiveness of these measures in enhancing loan performance remains unclear. In some SACCOs, strengthened board oversight and compliance mechanisms have led to short-term improvements in loan recovery, while in others, issues such as board politicization, inadequate financial literacy among directors, and weak supervision of loan portfolios have undermined their impact (SASRA, 2023). This inconsistency suggests that governance structures in Deposit Taking SACCOs in Nakuru County may not be adequately designed or effectively implemented to sustain high loan performance. Therefore, this study sought to examine the effect of governance structure on loan performance of Deposit Taking SACCOs in Nakuru County, Kenya

THEORETICAL FRAMEWORK

The study was anchored on Stakeholder Theory, introduced by Freeman (1984). The theory posits that organizations exist within networks of stakeholders including shareholders, employees, customers, regulators, and the community whose interests should be considered in organizational decision-making. It emphasizes that management should balance these interests rather than focusing solely on shareholder wealth to ensure sustainability, ethical responsibility, and long-term performance. Key components of the theory include stakeholder identification, interest alignment, value creation, and accountability, highlighting transparency, inclusivity, and shared responsibility as essential elements of effective governance.

Stakeholder Theory is particularly relevant to cooperative financial institutions such as SACCOs, which are member-driven and rely on trust, engagement, and collective ownership. By ensuring that governance structures reflect the needs and expectations of members, regulators, and employees, SACCOs can minimize conflicts, improve decision-making, and enhance loan performance. Inclusive and transparent governance mechanisms such as effective board composition, independence, internal controls, and risk management practices can improve loan recovery, reduce defaults, and strengthen portfolio quality. Conversely, weak governance that ignores stakeholder interests often results in poor oversight, mismanagement of loans, and erosion of member confidence.

EMPIRICAL REVIEW

Rahman and Chowdhury (2022) assessed the relationship between governance structure and loan recovery rates in agricultural cooperatives in Bangladesh. The study employed a cross-sectional research design, sampling 30 cooperatives with 300 respondents, including governance committee members and financial officers, selected through purposive sampling. Data was collected through interviews and cooperative records and analyzed using correlation analysis. The results indicated that cooperatives with centralized governance structures achieved higher loan recovery rates due to streamlined decision-making processes. The study concluded that the effectiveness of governance structures directly impacts the loan recovery performance of cooperatives.

Ahmed and Saleh (2020) studied the role of governance structures in enhancing loan performance in Islamic microfinance institutions in Egypt. Using a case study design, the research focused on three leading institutions, with 150 respondents, including board members and credit supervisors, selected via quota sampling. Data was collected using structured interviews and policy document reviews, and analyzed through thematic analysis. The findings showed that institutions with participatory governance models, where stakeholders were actively involved in loan-related decisions, had 20% fewer loan defaults. The study concluded that inclusive governance structures contribute to sustainable loan performance.

Abdi and Mohammed (2021) conducted a study on the influence of board governance structures on loan performance among Ethiopian credit unions. The study adopted a quantitative research design. Data was collected from 30 credit unions through structured surveys administered to board members and senior management. The findings revealed a positive association between

governance quality and loan performance, with credit unions exhibiting stronger governance structures demonstrating lower default rates and improved asset quality.

Ong and Tan (2019) conducted a study on the impact of governance mechanisms on loan performance in Malaysian Islamic banks. The study employed a mixed-methods approach. In addition, the study combined quantitative analysis of financial data from 10 Islamic banks with qualitative interviews with board members and regulators. Governance mechanisms such as board oversight, executive compensation, and risk management practices were examined for their influence on loan default rates and asset quality. The findings revealed that banks with stronger governance mechanisms exhibited lower default rates and higher loan portfolio quality, highlighting the importance of effective governance in mitigating credit risk and enhancing loan performance.

Mutiso and Ndungu (2023) explored the influence of governance structure on loan recovery rates in microfinance institutions (MFIs) in Nairobi, Kenya. The study adopted a descriptive research design, targeting 40 MFIs. Stratified random sampling was used to select 160 respondents, including loan officers and senior managers. Data was collected through structured questionnaires and analyzed using regression analysis. The findings revealed that institutions with clearly defined governance structures, including well-outlined roles and responsibilities for board members and management, achieved a 35% improvement in loan recovery rates. The study concluded that a robust governance structure enhances accountability and efficiency in loan recovery.

Ngugi and Otieno (2022) analyzed the influence of governance structure on loan portfolio quality in community-based Saccos in Kiambu County, Kenya. The study adopted a cross-sectional design, targeting 50 Saccos. From these, 250 respondents, including managers and loan officers, were selected through purposive sampling. Data collection involved structured questionnaires and document reviews, analyzed using correlation techniques. The findings indicated that Saccos with hierarchical governance structures experienced a 30% improvement in portfolio quality due to enhanced oversight. The study concluded that strong governance frameworks improve loan performance by reducing delinquency rates.

CONCEPTUAL FRAMEWORK

Figure 1 presents conceptual framework

Independent Variable

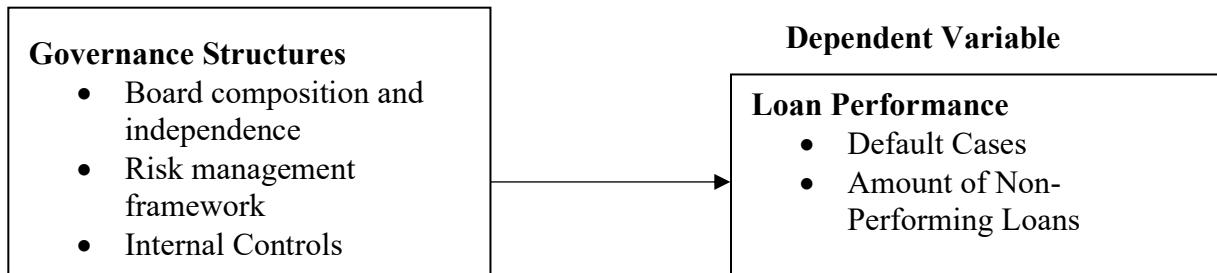


Figure 1: Conceptual Framework

RESEARCH METHODOLOGY

The study adopted a descriptive research design to examine the relationship between governance structure and loan performance among Deposit Taking SACCOs in Nakuru County, Kenya. The target population comprised 14 credit officers, 27 internal audit and compliance officers, 12 finance officers, 8 operations managers, and 4 chief executive officers drawn from the selected SACCOs. Given the manageable size of the population, the study employed a census approach to include all respondents. Primary data were collected using a structured questionnaire, while a pilot test was conducted at Imarisha SACCO in Kericho Town to ensure validity and reliability of the instrument. Both descriptive and inferential statistics were employed in the analysis. Descriptive statistics included the use of means, percentages, and standard deviations, while inferential analysis involved the use of correlation and regression to determine the relationship between governance structure and loan performance. Data were analyzed using SPSS version 25, and results were presented in tables for clarity and interpretation.

FINDINGS AND DISCUSSION

Response Rate

The study administered 65 questionnaires, out of which 50 were correctly filled out and returned. This resulted in a response rate of 77%

Table 1: Response Rate

	Sample Size	Returned	Non-Response Rate
Frequency	65	50	15
Percent (%)	100	77	23

Demographic Information

Position the Respondents

The researcher sought to determine the position the respondents holds within the Sacco. The findings are indicated in table 2.

Table 2: Position the Respondents Holds within the Sacco

Position	Frequency	Percentage
Credit Officer	12	24
Loan Compliance Officer	22	44
Finance Officer	8	16
CEO	4	8
Operations Manager	4	8
Total	50	100

From the findings majority of the respondents were loan compliance officers, constituting 44% of the sample. This suggests that the study gathered substantial input from individuals directly responsible for ensuring loan regulatory adherence. Credit Officers accounted for 24%, followed by finance officers at 16%, both of whom are actively involved in evaluating and managing credit processes within the SACCOs. Chief Executive Officers (CEOs) and Operations Managers each represented 8% of the respondents. Although fewer in number, these roles offer strategic and operational insights that contribute to a comprehensive understanding of the factors influencing loan performance. The varied representation across operational, compliance, and executive roles provides a balanced and multidimensional perspective essential for drawing meaningful conclusions in the context of SACCO operations.

Length of Service in the Sacco

The researcher sought to determine the duration the employees have been working within the Sacco. The findings are indicated in Table 3.

Table 3: Length of Service in the Sacco

Category	Frequency	Percentage
0- 5 years	4	8
6-10 Years	16	32
11–15 Years	23	46
16-20 Years	5	10
More than 20 years	2	4
Total	50	100

The findings indicated that the majority of respondents, 46%, had worked in the Sacco for a period of 11–15 years, followed by 32% who had served for 6–10 years. A smaller proportion, 10%, had worked for 16–20 years, while 8% had served for less than 5 years. Only 4% of the respondents had worked for more than 20 years. The findings imply that a significant proportion of employees have over 10 years of experience within the Sacco sector. This suggests that most respondents are well-versed with Sacco operations, regulatory requirements, and internal processes, thereby enhancing the reliability and validity of the information provided in this study. Additionally, the presence of experienced staff indicates institutional stability, continuity, and accumulated organizational knowledge, which are vital for effective financial reporting, liquidity management, and governance practices. This level of experience may also contribute positively to loan performance, as seasoned employees are likely to apply sound credit assessment and risk management practices

Descriptive Findings for Governance Structure

The researcher sought to assess the relationship between governance structure and loan performance of DT Saccos in Nakuru County Kenya. The findings were as indicated in table 4

Table 4: Governance Structure

Governance Structure	SA	A	N	D	SD	Mean	Std
	%	%	%	%	%		
The Sacco has a diverse and independent board which provides oversight, ensuring sound loan policies.	48	28	14	10	0	4.1400	1.01035
Independent members are more likely to challenge decisions that may negatively affect loan performance.	36	38	16	10	0	4.0200	.97917
The Sacco has a risk management framework to identify and mitigate potential risks, reducing default rates.	42	36	12	10	0	4.1000	.97416
The Sacco has better equipped to handle economic shocks, ensuring stable loan performance.	54	24	14	6	2	4.2200	1.03589
The Sacco has a strong internal control which minimize fraud and mismanagement, preserving loan funds.	44	34	12	10	0	4.1200	.98229
Proper controls streamline operations, ensuring timely loan disbursement and repayment monitoring.	46	38	8	6	2	4.2000	.96890
Overall (Mean & SD)						4.1333	0.9918

Key: SD=Strongly Disagree, D=Disagree, N=Neutral, A=Agree, SA=Strongly Agree

The findings indicate that 48.0% of respondents strongly agreed that their SACCO has a diverse and independent board which provides oversight, ensuring sound loan policies; 28.0% agreed, 14.0% were neutral, and 10.0% disagreed, with a mean of 4.1400 and a standard deviation of 1.01035. This suggests that most respondents believe their SACCOs have diverse and independent boards that offer effective oversight, leading to sound loan policies that enhance accountability and prudent credit management. Regarding whether independent members are more likely to challenge decisions that may negatively affect loan performance, 36.0% of respondents strongly agreed, 38.0% agreed, 16.0% were neutral, and 10.0% disagreed, resulting in a mean of 4.0200 and a standard deviation of 0.97917. This implies that independent board members play a vital role in promoting transparency and ensuring that decisions are subjected to objective scrutiny, which ultimately supports improved loan performance and governance integrity.

In addition, 42.0% of respondents strongly agreed that their SACCO has a risk management framework to identify and mitigate potential risks, reducing default rates; 36.0% agreed, 12.0% were neutral, and 10.0% disagreed, with a mean of 4.1000 and a standard deviation of 0.97416. This indicates that most SACCOs have established strong risk management mechanisms that help identify, assess, and mitigate risks, thereby reducing default rates and improving portfolio quality. When asked whether the SACCO is better equipped to handle economic shocks, ensuring stable loan performance, 54.0% of respondents strongly agreed, 24.0% agreed, 14.0% were neutral, 6.0% disagreed, and 2.0% strongly disagreed, giving a mean of 4.2200 and a standard deviation of 1.03589. This suggests that SACCOs are resilient to economic fluctuations, and their governance systems have enabled them to maintain stability and loan performance even under adverse economic conditions.

Furthermore, 44.0% of respondents strongly agreed that their SACCO has strong internal controls which minimize fraud and mismanagement, preserving loan funds; 34.0% agreed, 12.0% were neutral, and 10.0% disagreed, with a mean of 4.1200 and a standard deviation of 0.98229. This implies that SACCOs have instituted effective internal control systems that enhance transparency, reduce misappropriation of funds, and ensure proper loan fund utilization. Lastly, 46.0% of respondents strongly agreed that proper controls streamline operations, ensuring timely loan disbursement and repayment monitoring; 38.0% agreed, 8.0% were neutral, 6.0% disagreed, and 2.0% strongly disagreed, yielding a mean of 4.2000 and a standard deviation of 0.96890. This indicates that efficient governance structures promote operational effectiveness by ensuring timely loan processing and proactive repayment follow-up, which improves overall credit performance.

Overall, the findings revealed an average mean of 4.1333 and a standard deviation of 0.9918, implying that respondents generally agreed that Deposit Taking SACCOs in Nakuru County have well-established governance structures. These structures, characterized by board independence, effective risk management, strong internal controls, and operational efficiency, contribute significantly to improved loan performance, reduced default rates, and enhanced institutional sustainability. The results align with stakeholder theory, which posits that sound governance practices balance the interests of all stakeholders and promote long-term organizational performance and trust.

Loan Performance

The study sought to assess aspects of loan performance of DT Saccos in Nakuru County Kenya. The findings were as indicated in table 5.

Table 5: Loan performance of DT Saccos

Firm Size	SA	A	N	D	SD	Mean	Std
	%	%	%	%	%		
The Sacco has recorded an increase in the number of members	44	28	14	12	2	4.0000	1.12486
The size of our membership positively influences the performance of our Sacco	52	24	12	10	2	4.1400	1.10675
The Sacco has significantly grown its asset base over the past five years	30	52	8	10	0	4.0200	.89191
The current value of our assets adequately supports the Sacco's operational and financial objectives	32	34	10	20	4	3.7000	1.23305
Overall (Mean & SD)						3.9650	1.0891

Key: SD=Strongly Disagree, D=Disagree, N=Neutral, A=Agree, SA=Strongly Agree

The findings indicate that 44.0% of respondents strongly agreed that their SACCO has recorded an increase in the number of members, 28.0% agreed, 14.0% were neutral, 12.0% disagreed, and 2.0% strongly disagreed. This resulted in a mean of 4.0000 and a standard deviation of 1.12486, implying that most SACCOs have experienced membership growth which contributes to overall financial stability. The findings further reveal that 52.0% of respondents strongly agreed that the size of their membership positively influences the performance of their SACCO, 24.0% agreed, 12.0% were neutral, 10.0% disagreed, while 2.0% strongly disagreed. The mean of 4.1400 and standard deviation of 1.10675 indicates a strong consensus that larger membership bases enhance SACCO performance through increased contributions and borrowing capacity.

Additionally, 30.0% of respondents strongly agreed that their SACCO had significantly grown its asset base over the past five years, 52.0% agreed, 8.0% were neutral, and 10.0% disagreed. With a mean of 4.0200 and a standard deviation of 0.89191, the findings suggest strong asset growth trends across SACCOs, attributed to prudent investment and effective management. On whether the current value of SACCO assets adequately supports operational and financial objectives,

32.0% strongly agreed, 34.0% agreed, 10.0% were neutral, 20.0% disagreed, and 4.0% strongly disagreed. The mean of 3.7000 and standard deviation of 1.23305 show moderate agreement, with some divergence in opinion regarding the sufficiency of assets to sustain long-term operational and financial goals.

The overall mean score of 3.9650 and standard deviation of 1.0891 indicate that SACCOs in Nakuru County generally demonstrate moderate to strong loan performance, particularly in areas of membership growth and asset expansion. However, variations exist regarding whether asset values adequately support SACCO operations, reflecting differences in institutional capacity and resource utilization. These findings are consistent with Kipkemboi and Mwaura (2020), who emphasized that effective loan monitoring and resource management enhance SACCO sustainability. Similarly, Cheruiyot and Simiyu (2021) found that asset growth and lower delinquency ratios among SACCOs in Kenya directly influence financial stability. Karanja and Mwangi (2022) also concluded that prudent credit management practices strengthen SACCO loan performance and overall resilience.

Inferential Statistics

The inferential statistics includes correlation and regression analysis

Table 6: Correlation Analysis

		Management of pending bills
Governance	Pearson Correlation	.757
Structure	Sig. (2-tailed)	.000
	N	50

The study revealed a strong and positive statistically significant relationship between governance structure and loan performance of DT Saccos ($r = 0.757$, $p = 0.000$). This implies that SACCOs with strong governance frameworks are significantly more likely to experience high loan performance. Effective governance mechanisms, such as board oversight, internal controls, and policy enforcement, contribute to better credit evaluation, member discipline, and accountability. These findings echo those of Njeri & Mwangi (2019), who found that good governance practices are associated with lower default rates in cooperative societies. Similarly, Musyoka and Chebet (2021) showed that SACCOs with well-trained boards and independent audit committees

performed better in credit recovery. This study supports previous literature affirming that robust governance practices are foundational to sustainable financial health in SACCOs.

Table 7: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.948	.616		1.540	.131
Governance Structure	.800	.256	.520	3.129	.003

a. Dependent Variable: Loan performance of DT Saccos

The regression model became;

$$Y = 0.948 + 0.800X$$

Where, Y represents Loan Performance; X represents Governance Structure

From the finding's governance structure had a standardized coefficient ($\beta_3 = 0.520$), with an unstandardized coefficient of 0.800 and a significant p-value of 0.003. This demonstrates that a unit improvement in governance such as board oversight, compliance practices, and strategic direction results in a 0.800 increase in loan performance. This strong and significant relationship indicates that well-governed SACCOs are more likely to maintain financial discipline, screen borrowers more effectively, and reduce default rates. The results underscore governance as a critical pillar in SACCO success.

Hypothesis Testing

The study sought to test the hypothesis, which stated that governance structures have no statistically significant effect on loan performance of DT SACCOs in Nakuru County. The regression results revealed a strong positive and statistically significant effect of governance structure on loan performance, with an unstandardized coefficient of $\beta = 0.800$, a standardized beta of $\beta = 0.520$, and a p-value of 0.003, which is below the 0.05 significance level. Correlation analysis also indicated a very strong positive relationship between governance structure and loan performance ($r = 0.757$, $p = 0.000$). These findings suggest that SACCOs with well-established governance frameworks such as strong board oversight, compliance mechanisms, and strategic decision-making are more likely to achieve better loan performance.

CONCLUSION

The study concludes that governance structures significantly influence the loan performance of Deposit-Taking SACCOs in Nakuru County. Effective governance practices anchored on strong leadership, accountability, and compliance frameworks were found to enhance loan oversight, credit administration, and overall financial stability. The presence of independent and well-trained boards ensures objective decision-making, prudent risk management, and transparency in loan processes, which collectively reduce default rates and strengthen institutional sustainability. These findings affirm that SACCOs with sound governance frameworks are better positioned to manage credit risk, safeguard members' funds, and achieve consistent portfolio growth.

The study further concludes that the stakeholder theory provides a strong foundation for understanding the role of governance in SACCO performance. By emphasizing inclusivity and shared responsibility among members, management, and regulators, the theory highlights how participatory governance fosters trust and commitment, leading to improved loan repayment and institutional credibility. Open and participative governance ensures that member interests are integrated into decision-making processes, reinforcing transparency and confidence in SACCO operations. These conclusions are consistent with the findings of Kangogo and Kiptoo (2020), who demonstrated that board independence and effective risk management significantly enhance loan performance in Kenyan SACCOs.

RECOMMENDATIONS

The study recommends that SACCOs should strengthen their internal governance mechanisms by promoting transparency, accountability, and adherence to best management practices. Boards should be composed of individuals with relevant skills, professional integrity, and adequate experience to enhance effective oversight and strategic decision-making. Continuous capacity-building programs should be instituted to ensure board members remain updated on current governance trends, risk management practices, and regulatory expectations. Such initiatives will enhance compliance, minimize financial misconduct, and improve the quality of credit administration within SACCOs. The study further recommends that the SACCO Societies Regulatory Authority (SASRA) and policymakers should develop and enforce standardized governance frameworks to ensure consistency across all Deposit-Taking SACCOs. These frameworks should define clear guidelines on board composition, internal controls, and

performance evaluation mechanisms to strengthen accountability and ethical leadership. Policymakers should also facilitate regular monitoring, audits, and governance assessments to identify weaknesses early and promote corrective action. Through these measures, SACCOs will enhance credit discipline, reduce default rates, and improve overall financial sustainability in the cooperative sector.

REFERENCES

Abdi, F., & Mohammed, S. (2021). Influence of board governance structures on loan performance among Ethiopian credit unions. *Journal of Cooperative Finance*, 12(3), 45–62.

Ahmed, H., & Saleh, M. (2020). *The role of governance structures in enhancing loan performance in Islamic microfinance institutions in Egypt*. Cairo: Al-Azhar University Press.

Barney, J. (2018). *Gaining and sustaining competitive advantage* (5th ed.). New York, NY: Pearson.

Cheruiyot, E., & Simiyu, J. (2021). Asset growth and delinquency ratios in Kenyan SACCOs: Implications for financial stability. *African Journal of Banking and Finance*, 6(2), 23–37.

Donaldson, T., & Preston, L. E. (1995). The stakeholder theory of the corporation: Concepts, evidence, and implications. *Academy of Management Review*, 20(1), 65–91. <https://doi.org/10.5465/amr.1995.9503271992>

Donaldson, T., & Preston, L. E. (2018). Revisiting the stakeholder theory: Origins, concept, and relevance. *Journal of Business Ethics*, 152(4), 1–18. <https://doi.org/10.1007/s10551-018-3951-2>

Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Boston, MA: Pitman.

Freeman, R. E., Harrison, J. S., & Wicks, A. C. (2007). *Managing for stakeholders: Survival, reputation, and success*. New Haven, CT: Yale University Press.

Jensen, M. C. (2002). Value maximization, stakeholder theory, and the corporate objective function. *Business Ethics Quarterly*, 12(2), 235–256. <https://doi.org/10.2307/3857812>

Kangogo, P., & Kiptoo, C. (2020). Board independence, risk management, and loan performance in Kenyan SACCOs. *International Journal of Cooperative Governance*, 12(2), 39–55.

Karanja, P., & Mwangi, R. (2022). Prudent credit management practices and SACCO loan performance in Kenya. *International Journal of Finance and Banking Studies*, 11(1), 14–28.

Kariuki, P. (2020). Financial transparency and accountability in SACCOs: The role of governance. *Kenya Journal of Cooperative Development*, 9(2), 56–72.

Key, S. (2017). The context and contingencies of stakeholder theory. *Business & Society*, 56(1), 5–32. <https://doi.org/10.1177/0007650315582425>

Kipkemboi, P., & Mwaura, S. (2020). Loan monitoring and resource management as determinants of SACCO sustainability. *African Journal of Finance and Management*, 5(1), 12–27.

Mabaso, P., & Dlamini, T. (2022). Governance practices in South African SACCOs: Implications for loan performance. *Journal of African Cooperative Finance*, 8(2), 45–60.

Müller, H., & Schneider, F. (2020). Governance policies in European SACCOs: Improving financial stability and loan performance. *European Journal of Cooperative Finance*, 6(3), 20–36.

Musyoka, K., & Chebet, S. (2021). Board training, audit committees, and credit recovery in Kenyan SACCOs. *Journal of Finance and Governance*, 10(3), 78–92.

Mutua, J., & Kariuki, P. (2021). Loan performance indicators and SACCO operational efficiency in Kenya. *Kenya Cooperative Review*, 7(1), 33–48.

Ngugi, M., & Otieno, J. (2022). Governance structures and loan portfolio quality in community-based SACCOs in Kiambu County, Kenya. *International Journal of Cooperative Studies*, 14(2), 23–39.

Njoroge, J., & Kihara, P. (2021). Measuring SACCO performance: Loan disbursement, recovery, and compliance. *African Journal of Cooperative Studies*, 11(1), 40–55.

Nyaga, P. (2020). Governance structures and financial performance in Kenyan SACCOs. *Kenya Journal of Business Ethics*, 5(2), 15–30.

Okafor, L., & Ume, C. (2023). Governance in Nigerian credit cooperatives: Effects on loan repayment. *Nigerian Journal of Cooperative Finance*, 9(1), 34–49.

Omondi, R., & Gichuhi, M. (2022). Internal controls, regulatory compliance, and SACCO performance in Kenya. *Journal of Cooperative Governance*, 8(1), 27–42.

Rahman, M., & Chowdhury, S. (2022). Governance structure and loan recovery rates in agricultural cooperatives in Bangladesh. *International Journal of Cooperative Research*, 15(1), 10–25.

SASRA. (2022). *Annual report 2022: SACCO performance and regulatory compliance*. Nairobi: SACCO Societies Regulatory Authority.

SASRA. (2023). *Annual report 2023: Deposit Taking SACCOs in Kenya*. Nairobi: SACCO Societies Regulatory Authority.

Smith, A., & Johnson, P. (2021). Governance mechanisms in U.S. credit unions and cooperative banks. *Journal of Cooperative Finance*, 13(2), 12–28.

Tan, C., & Lim, S. (2022). Board oversight and regulatory compliance in Asian SACCOs: Implications for loan performance. *Asian Journal of Cooperative Banking*, 7(1), 55–72.

Wambua, J., & Njoroge, P. (2023). Governance practices and lending outcomes in Kenyan cooperative banks. *Kenya Journal of Cooperative Studies*, 10(2), 48–63.