

KAMPALA INTERNATIONAL UNIVERSITY

**THE INFLUENCE OF CORPORATE GOVERNANCE ON THE
MANAGEMENT OF CO-OPERATIVE MOVEMENTS
A CASE STUDY OF KAKAMEGA ENTREPRENEURS
SACCO**

**Research Report submitted to the School of Business and
Management, Kampala International University, in partial
fulfillment of the requirement for the Degree of
Bachelor of Business Administration**

**BY:
MWATHI MARK NJERU
BBA/8460/51/DF**

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DECLARATION

I **MWATHI MARK NJERU** DECLARE THAT THIS RESEARCH PROPOSAL IS FROM MY OWN FINDINGS AND HAS NEVER BEEN PRODUCED BY ANYBODY IN ANY UNIVERSITY OR ANY OTHER INSTITUTION.

NAME: MWATHI MARK NJERU

SIGNATURE..........

DATE:....02/06/08.....

APPROVAL

I CERTIFY THAT THE WORK SUBMITTED BY THIS CANDIDATE WAS UNDER
MY SUPERVISION.

SUPERVISOR.

NAME: **MICHAEL RUTEGANDA (BBA (U.S.A), MSC (UK), A.C.I.S)**

SIGNATURE.....*M Ruteganda*..... DATE.....*02/06/08*.....

DEDICATION

I dedicate this research proposal to my family and friends and any other person who might have given me a hand to complete this work.

To all I say, God Bless You.

ACKNOWLEDGEMENT

I wish to take this opportunity to thank my supervisor Michael Ruteganda for the support, devotion, tactical and professional guidance, encouragement and availability whenever I needed him during my research work.

I also like wish to thank my dear family for their moral, spiritual and financial support. Special thanks go to my Father Mr. Justin Njeru, My Mother Mrs. Perpetuah Njeru, Brothers Eric Theuri and Samuel Nyaga for the support they have given me.

Since it is not possible to mention each and everyone one, I would like to thank and acknowledge all those who made this research a success, my friends, Erico, Izo, Chris, Judy, Bobo, Grace, Lucy, Betty and the respondents and any other person who made this project a reality.

Last but not least I would like to thank the almighty God for giving me this chance to access this higher level Education as well as seeing me through this project and especially this course.

THANKS AND GOD BLESS YOU.

ACRONYMS

KES- Kakamega Entrepreneurs Sacco

SACCO- Savings and credit co-operative

CEO- Chief Executive Officer

BOD- Board of Directors

ILO- International Labour Organisation

ICA- International Co-operative Alliance

ABSTRACT

The basic aim of this research was to investigate the influence of Corporate Governance on the management of Co-operative societies. The Primary objectives of this study were:

- To identify the root causes of wrangles
- To prescribe solutions to the root causes
- To recommend systems to avoid reoccurrence of the wrangles

The population of the study comprised of 25 respondents from KES.17

In the study both primary and secondary data were used to collect data. The instruments used included questionnaires and schedules. The questionnaire contained both open ended and closed ended questions. The responses were analyzed using qualitative techniques. The findings were presented using tables and charts.

The research ultimately found out that Corporate Governance influences the way Co-operative societies are managed by issuing guidelines on how certain matters are to be handled in the best interest of the society at large.

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CHAPTER ONE

1.0 INTRODUCTION

A cooperative is defined as an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through jointly owned and democratically controlled enterprise. Through this association cooperatives are able to tap energies of group effort and economies of scale for the benefit of participating members.

Unlike other business enterprises, cooperatives operate under internationally recognized cooperative values, ideals and principles. Cooperative values promote self help, self responsibility, democratic control, equality, equity and solidarity. Ethical values of honesty openness, social responsibility and caring for others are also promoted. The key principles governing cooperative institutions and which are now embedded in Kenyan Cooperative Societies Act include;- Voluntary and Open Membership, Democratic Control, Member Economic Participation, Autonomy and Independence, Education, training and information of members, cooperation among cooperatives and concern for community.

Therefore the above values, ideas and principles enable cooperative institution to be more people oriented than being purely profit motivated.

There is more concern for the plight of all affiliated members than return on capital.

1.1 BACKGROUND OF THE STUDY

The Kenyan Cooperative Movement consists of about 4.9 million registered Cooperative members who have voluntarily united together to form economic association called cooperatives. Today, there about 9,000 registered cooperatives that cut across all our Kenyan economic spheres of life. The most dominant sub sector of cooperatives being the agriculture sector where they handle supply of farm inputs, farm credit, agriculture produce marketing and transport of farmers produce. The other major sub sector is

Financial sector in what is commonly called SACCO Societies that cover, urban employed labour force, rural agricultural farmers and Jua Kali or informal sector workers. The financial sector is supported at National level by apex bodies like, the Cooperative Bank of Kenya, Co-operative Insurance Company, Kenya Union of Savings and credit Cooperatives, Kenya Union of Rural Saccos and national Housing Cooperative Union. Out of these 9,000 registered cooperatives only 3,000 are affiliated to the apex bodies.

1.2 BACKGROUND OF THE CASE STUDY

Kakamega Entrepreneurs Savings and Credit Society was registered on 23rd August 2002 as an entrepreneurial Sacco basically to address the informal sector groups i.e., the **Mama Mboga and Jua kali (Vegetable Women Market Vendors and Local market Artisans)**

The society has a current membership of **225** out of which **195** are active members who have put together (**Kenya Shillings, 2,730,803/=**) in shares and **Kenya Shillings 2,747,564/=** as loans given out to members.

The Sacco has undertaken a socio corporate responsibility with a clear dedication to the youth. Currently the Sacco has put together 42 youth most of unemployed graduates and a mechanism have been put in place to create a RLF that would enable them run community based projects i.e. an **information centre**, within the interior village.

The Sacco is in the process of starting a women leaguer to carter, encourage and manage or assist issues of the Girl Child, within the community.

The Sacco earmarks to start a men's league to be charged with modeling up responsible up bringing of men youth into responsible male youth. To enhance all the above members have contributed Kshs 600/= to meet costs of a five year strategic management plan of the society to address modality to achieve the same.

KES has partnered fully with **NACOS Kenyan national Co-operative Organizations** and purchased ownership of Kshs. **78,000/=** in **KUSCCO shares** Kenya Union of savings and credit co-operative society.

Kshs. **25,180/=** in Co-operative Bank of Kenya **shares**

Kshs. **80,000/=** in Co-operative Insurance Limited Company

Kshs. **115,000/=** in KUSCCO Housing Fund (the society intends to take a loan to put a Sacco building that would later graduate into a FOSA (Village Bank))

Kshs. **95,800** in Kuscco's Central Finance Program a Sacco for Saccos

The above portrays an account of a committed team in the rural out fit of Kenya through a savings and credit society limited. The routinely ensures that its accounts are audited annually and tabled to members for ratification and adoption.

1.3 STATEMENT OF THE PROBLEM

In the recent past there has been rising media coverage on wrangles among co-operative society stakeholders resulting from embezzlement or mismanagement of the society's funds by the management. The wrangles are so severe that a significant number of farmers pulled out of their co-operative societies and went to court to sue the management of the society for damages and compensation.. This problem affects the nation's economy directly, yet hardly any research has been done on it.

1.4 OBJECTIVES OF THE STUDY

To address the leadership wrangling problem, this research paper has identified, four objectives. The achievement of these objectives aims at attaining the goal of developing appropriate solutions to the above outlined problem. These objectives are;-

1. To identify the root cause of those wrangles
2. Prescribe solutions to the root causes
3. Recommended systems to avoid reoccurrence of the wrangles.
4. Identify the percentage of the cooperatives that have been involved in public wrangles

1.5 RESEARCH QUESTIONS

The research questions that shall be attended to in this study includes the following:

- What are the root causes of the leadership wrangles?
- What are the solutions to such problems?
- What systems can be implemented to prevent reoccurrence of the wrangles?

1.6 SCOPE OF THE STUDY

In order to address the three research questions listed above, I shall confine my self to Kakamega Entrepreneurs Sacco located in Kakamega Town, Western Kenya

I shall therefore try to retrieve information from this Sacco and analyze them so as to finally generate substantive answers to my research questions. I shall also explore information gathered in news papers, articles, books and the internet.

I shall also endeavor to collect my data from all of the three categories of the Board, Staff and Members of the co-operative societies. By doing so, I

would be able to know how each category is influenced by corporate governance. My sample will be limited to two Board members, six employees (or staff) of different hierarchical positions and ten to fifteen members of the Kakamega Entrepreneurs Sacco.

Using the information from this sample group, I will evaluate the influence of corporate governance on the management of co-operative movement.

1.7 SIGNIFICANCE OF THE STUDY

This study shall look at the influence of corporate governance on the management of co-operative societies. This paper seeks to make a contribution to the field of knowledge and most important of all, provide a platform upon which students of this university can actively participate in solving contemporary problems facing the Kenyan society.

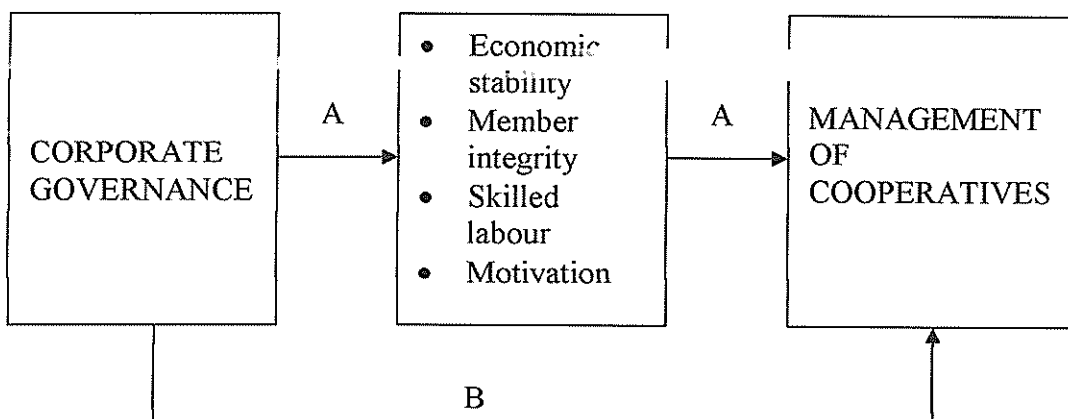
1.8 CONCEPTUAL FRAMEWORK

This helps us to define the topic of research through the explanation of the variables within the topic. There are independent variables which control, determine, predict and influence the dependent variables. There are also intervening variables to influence the dependent variables.

For the purpose of this research, the independent variables will be corporate governance and the dependent variables will be management of co-operative societies. The intervening variables may include economic stability, member integrity, skilled labour (know how) and motivation. This can be illustrated with the aid of a diagram below:

CONCEPTUAL MODEL

Independent variable Intervening variables Dependent variables



ROUTE A

Corporate governance is a system by which a corporation is directed, controlled and held to account for the manner in which power is exercised, may work with the influence of the intervening variables to determine how cooperatives will be managed. This means that corporate governance principles combine with the intervening variables to influence an effect on the management of co-operative societies. For example the Corporate Governance principle of Transparency may have to combine with the manager's integrity to determine to what extent it will influence the management of the society. It therefore means that intervening variables add some influencing aspect to cause an effect on the management of the society. Also, the influence of Corporate Governance on management of Co-operative societies may also depend on the motivation of management and members to implement the Governance principles. The level of skills possessed by managers and members may also determine the effect Corporate Governance is going to have on the co-operative society because skilled managers or members would easily understand the reasons as to why some actions are taken.

ROUTE B

This is whereby corporate governance directly influences the management of co-operative societies. This means that no other factors come in between the two variables. This may mean corporate governance principles that have to be adhered to regardless of any other factors operating. Here, the corporate societies may be required to attain certain standards by corporate governance without the influence of any other factors. Such requirements are normally enacted for the good of the society's stakeholders. For example, co-operative societies may be required to recruit managers or staffs who have certain specified qualifications or experience for work. Thus the organization will have to consider such conditions when recruiting without considering other factors.

CHAPTER TWO

2.0 LITERATURE REVIEW

This chapter will cover the analysis and critical views on issues that have been put forward by different scholars and academicians on corporate governance in respect to the management of co-operative societies.

2.1 INTRODUCTION

Using both primary and secondary data, this chapter will highlight on the studies and work previously carried done on the subject of corporate governance in the management of co-operative societies with a clear view to show how corporate governance influences management of co-operative societies.

2.2 THE CONCEPT

There are about 10,800 registered Saccos amongst which face a number of problems ranging from none remittal of societies funds at times by employers, defaulting of loans by members and lose of society's funds by death of victims of HIV and AID'S victims and mismanagement of funds by the management of the Saccos. To a large extent, Kenya Union and Savings

co-operative society limited KUSCCO alongside other national co-operatives national organization are on course addressing the same.

Co-operatives are a major force in this country as about 63 per cent of the population directly or indirectly depends on the cooperative related activities for their livelihood.

The sector has mobilized more than **Kshs 100 billion** in savings, which is about 31 per cent of national savings. This calls for diversified overseeing effort by both the stakeholders and the related government ministry to offer adequate support to a further growth and up bringing of the few dormant ones to be revived.

The government and the stakeholders i.e. the National Co-operative organizations are at advanced stage encouraging Saccos on prudential management and course or need to put in place new technology measures to modernize Sacco operations, targeted at according members with effective services. Saccos are now encouraged to adopt use of software in their handling of service to members and proper record keeping.

2.3 THE CORPORATE GOVERNANCE STRUCTURE

The cooperative movement is indeed faced with a serious problem of recurring wrangles amongst the leaders in various Agricultural and finance based societies. The root causes of these problems are categorized into those three levels of the society's organizational structure, namely the Board, staff and member levels. The common organizational structure of these societies is constituted under the Kenyan Cooperative Societies Act. The Co-operatives Governance structure comprises of the Annual General Meeting, Board members, Supervisory Committee, Managers and other staff.

2.4 PRINCIPLES OF CO-OPERATIVE MOVEMENTS

The key principles governing Co-operatives institutions and which are now embedded in the Kenyan Cooperative Societies Act include;- Voluntary and open membership, Democratic control, Member economic participation, Autonomy and Independence, Education, Training and information of members, cooperation among co-operatives and concern for community.

These key governing principles and the legislation are not adequate to effectively manage the wrangles. Adoption of corporate governance as a complement to the legislation and governing principles proves to be way

forward in managing these wrangles. Part of new mandate of the Ministry of Co-operative Development and Marketing includes co-operatives Governance.

The principle – agent relationship exist in Co-operatives. Member-owners are also its clients who are made up of groups with different interests. Some are net savers and others net borrowers. Each member has one vote regardless of the amount of wealth invested by the member while most Co-operatives' electorate does not have high levels of business or financial acumen. These among other concerns demand the need for good governance. The principal-agent nature of the relationship requires separation of ownership and decision making between the Board Members and Management. It is for this reason that good corporate governance practices must be nurtured and encouraged to evolve best practices.

2.5 GOVERNANCE REFORMS IN PLACE

The Co-operative Policies in East Africa have been constantly under review, while the Co-operative societies Legislation in Kenya, Uganda and Tanzania have seen amendments in order to strengthen Co-operative Governance. Issues of concern include setting stringent measures on adult standards,

misappropriation of funds and other measures to embrace prudential standards. The need to institute a Savings and Credit Co-operatives (Saccos) Legislation in Kenya is under consideration and has blessings of the Central Bank of Kenya and the Ministry of Co-operative Development.

Such legislations may include the following:

- Review of By-Laws to define who qualifies to assume positions of the director and the functions of the supervisory Committee
- Establishment of ethical codes of best practices and control by Co-operative Societies
- By-Laws to provide for rotation by Board members and maximum tenure of office of the leaders
- Government policy on declaration of wealth which affects Board Members and managers of Co-operative Societies. Upon election or employment, Board Members and management staff are expected to provide a financial statement of their income, assets including, but not limited to land, buildings, vehicles, investments and financial obligations. They are also expected to provide details of their spouses, dependants and their liabilities on an annual basis.
- The Commissioner for Co-operative Development to carry out routine inspections of books and records of Co-operative societies.

CHAPTER THREE

3.0 METHODOLOGY

This chapter describes how the research will be conducted. It shows the methods I shall use to collect data and why I will use them. Findings, interpretations and conclusions shall be made upon collection of data using these methods.

3.1 RESEARCH DESIGN

The study shall adopt both quantitative and qualitative methods. The qualitative research design will be used to review literature on the influence of corporate governance on the management of cooperative societies. I will use simple random sampling in order to select records of review. This is because the method minimizes bias in the sampling process to achieve reasonable precision given the constraints of the study.

3.2 STUDY POPULATION

The study population will entail the management of Kakamega Entrepreneurs Sacco, staff and members of the society with emphasis on how they feel corporate governance influences their organization's operations.

3.3 SOURCES OF DATA

I shall apply both primary and secondary data, which shall assist me, the researcher to make a thorough analysis of the study problem.

3.3.1 Primary Data

Primary data refers to raw data collected through personal interviews, questionnaires and so on. This is first hand data collected directly from the relevant respondents. Primary data will therefore be collected from personal interviews and questionnaires as well as discussions with various stakeholders of Kakamega Entrepreneurs Sacco.

3.3.2 Secondary Data

Secondary data refers to the data obtained through the existing literature from libraries, published bulletins, articles and newspapers. This data shall largely be obtained from bulletins, newspapers, textbooks, journals, public libraries, the internet, Ministry of Co-operative Development records and Kakamega Entrepreneurs Sacco annual reports.

3.4 DATA COLLECTION

The following are the techniques and instruments that I shall use to collect the data:

3.4.1 Questionnaire

This refers to the collection of items to which the respondent is required to fill in the questions asked by the researcher. This technique is good for collection of primary data. The questionnaires will be self-administered with both open and closed ended questions to Kakamega Entrepreneurs Sacco stakeholders.

3.4.2 Interviews

This method refers to person -to –person verbal communication in which a person or groups of persons asks the questions intended to obtain information. Interview schedule will be used and the main respondents will be the management, staff and members of Kakamega Entrepreneurs Sacco.

3.5 DATA ANALYSIS

I shall use descriptive analysis which includes diagrams to expound on the influence of corporate governance on the management of co-operative movements.

3.6 DATA PROCESSING

After the collection of data, it will be checked and edited for accuracy and legibility.

3.7 DATA PRESENTATION

Data shall be presented in a descriptive, tabular and graphical form so as to help in its interpretation.

3.8 LIMITATIONS OF THE STUDY

- Inadequate resources in terms of time, funds and accessing appropriate data.
- Some of the literature reviewed dates far back thus not so appropriate to use now
- The time framework within which the research report was to be completed was not enough yet good research work takes some time.

CHAPTER FOUR

4.0 DATA ANALYSIS AND PRESENTATION

4.1 INTRODUCTION

The study was carried out to find out the influence of Corporate Governance on the management of co-operative movements. This chapter indicates information on the background of the respondents and the study results as guided by the objectives

4.2 BACKGROUND INFORMATION

Of the total number of respondents interviewed, 4%were aged below 18 years,32%between 19-29years, 16% between30-39 years, 40% between 40-50 years and only 8% were 50 years and above as shown in the tale below.

Table 1.0

Age in Years	No. of respondents	Percentage (%)
Below 18	1	4
19-29	8	32
30-39	4	16
40-50	10	40
Above 50	2	8
Total	25	100

4.2.1 Gender

The gender for the interviewed respondents is as shown in the graph below.

Figure1.0

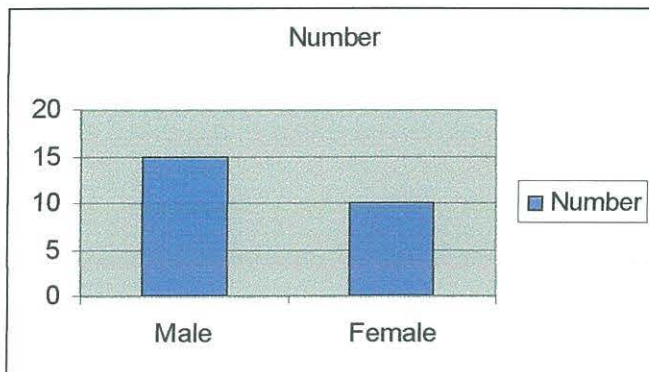


Table 2.0

Category	No of respondents	Percentage (%)
Top management	2	8
Finance Department	3	12
Human Resource Department	4	16
Social and education Department	6	24
Members	10	40
Total	25	100

Source: Primary Data

4.2.2 Education Level

Findings indicated most of the interviewees had Secondary level of Education compared to University Education as shown in table the below.

Table 3.0

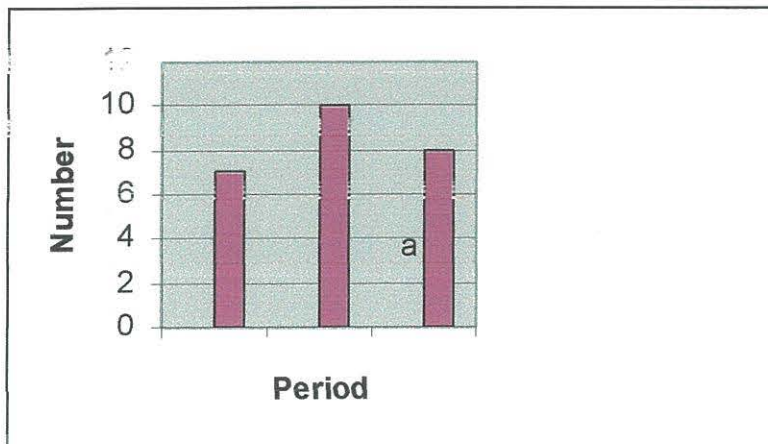
Category	Number	Percentage (%)
Primary	5	20
Secondary	13	39
University	7	28
Total	25	100

Source: Primary data

4.2.3 Working Period

Findings indicated that 28%of the interviewees were at work for 1-2 years, 40% for a period of 3-4 years and only 32% for a period of 5-6 years as shown in the graph below.

Figure2.0



4.3 CAUSES OF WRANGLES

The respondents were asked about some of the causes of wrangles in co-operative societies, what category they arise from (the categories are underlined) and what aggravates such causes. They outlined them as follows:

4.3.1 Lack of good corporate governance

Many respondents argued that although the government is putting efforts in streamlining the functions of cooperatives, as evidenced in the passing of recent bills such as the Cooperative society's amendment bill in 2003, there still lacks implementation of the new legislation. Cooperative management principles continue to give Board members a big say in the day to day running of the societies. This big say is known to create some tension between boards and managers, who feel like their duties and powers are

being usurped by the board that does not play a direct hands-on role in the day to day running of the societies. This may lead to instances of well qualified managers being pushed out by politicized boards. “The cooperative movement is not providing value to its members, instead they are stealing from members who are not aware”, said one of the respondents.

4.3.2 Ignorance and lack of education amongst membership

Some respondents said that shareholders in cooperative societies must play their role in ensuring that their organizations are well governed and run effectively. In the absence of this, ignorance and lack of education has caused members to subject themselves to poor leadership because they are likely to support a candidate who does not represent their best interests. Friction raised by this is likely to spur in fighting and bring about divisions within the cooperatives as share holders may not be carrying out their duties effectively which include attending members education days in order to know their cooperative society.

4.3.3 Poor Management by the Board

It was noted that in the absence of clear cut role playing and understanding of fundamental rules in place to run the society, there may arise instances

from the two levels of authority”. Here again the interaction between the board and the management staff ignites and propagates conflicts.

4.3.6 Appointments

Many of the member respondents attributed this as one of the core causes of wrangles in co-operative societies. Appointments in senior management positions and that of managers have been tainted with accusations of tribalism and political affiliation. When a partisan attitude is employed in the appointment of key leadership positions by the Board, friction is likely to be caused among the leaders. Leaders are known to portray high levels of altruism basing their generosity on the 6th cooperative principal of “Cooperation among Co-operators”. This extraordinary altruism in appointing management positions is not genuine; instead it is pure black mail, which is later on used to coerce management staff to return favors in exchange for the altruism granted.

4.3.7 Lack of transparency

This problem was cited by almost all respondents interviewed in the study. They said that this especially comes into play in the accounting of funds obtained for the benefit of the general society. The absence of independent

remuneration committees to make sure things like sitting allowances, disclosure of interests by directors, composition, mix of skills and competencies of the Management and Board are up to international standards causes friction within the societies.

4.3.8 Corruption

This point was highly emphasized by members of the society. The Financial sector is partially opened up and this has often encouraged corruption. Corruption shows in various ways, most notably in the appointment of leaders and the accounting for and disbursement of funds by the Board or Management staff. Both these areas are very sensitive and time and again have been a source of internal conflict.

4.3.9 Lack of good corporate communication

Some members blamed this as one of the contributing factors to wrangles in co-operative societies. Lack of well defined formal channels of communication in cooperative societies and all relevant information regarding the societies causes problems because this information time and again is not communicated in a timely and efficient manner causing hiccups in the execution of duties by management staff and board members.

4.4.4 Induction training and development of Directors

Emphasis needs to be placed on the induction and training of board members. A proper understanding of individual roles should be encouraged soon after elections and development of directors, so as to enable them to perform their assigned roles as best they can.

A Board should put in place an effective induction programs for new directors and training and development programs should be continuously mounted in order to provide the directors with newer and emerging skills in their area of business and in good corporate governance. Also the board should monitor its collective performance of individual management.

4.4.5 Succession planning

The respondents emphasized that succession of leaders should be based solely on merit and a proven track record to ensure that the cooperative is steered in the right direction. This process should also be as transparent as possible and involve the participation of members of the society as well as leaders. Appointment procedures for directors should ensure that directors disclosed actual or perceived conflict or interest so that the board can function independently objectively and only in the best interest of cooperative societies.

Also in order to ensure continuity of the board the appointment of board members should be staggered and the practice of rotation of directors be applied.

4.4.6 Cultivating a good relationship between Board and Management

The culture and environment within which the Board and the management operate should ideally be enabling, an effective atmosphere within good governance and management can thrive. The boards should also approve and ensure the implementation of written codes of best practice for the societies.

Time and resourcefulness should be devoted to the cooperative society at least once every month and hosted in an open forum where everybody has a say and issues arising are dealt with democratically and with honesty. A significant population of the professionals has been educated with loans borrowed from the cooperatives. The question that begs for an answer is “I do not understand why these professionals can not go back to the movement later and contribute positively and safeguard members fund from the education obtained through these loans?”

4.4.7 Merit based appointment

The board should appoint the CEO and participate in the appointment of all senior management in conjunction with the membership of the society to ensure that there are adequate development programs for the management and other employees and putting in place management succession planning for senior management.

4.4.8 Disclosure of interests by Directors

On appointment and on a continuous basis all directors should in good faith disclose to the board for recording any business or other interest that is likely to create a potential conflict of interest. Directors should however as much as possible ensure they avoid any potential conflict of interest from the outset. This recommendation is key in ensuring objectivity that is need in this error of organization.

4.4.9 Financial operational and Governance reporting

The Boards of cooperative societies should ensure that financial reports follow the international accounting standards and that there is effective communications of all operational reports to the various supervisory agents and various stakeholders. This solution also helps curb corruption instances.

4.5 WEAKNESSES OF CORPORATE GOVERNANCE

The respondents figured out some limitations of Corporate Governance in its bid to streamline the co-operative movement.. The most critical challenges facing Co-operatives in the rural sector are among others;

- **Lack of standardized accounting** and prudential standards.
- Lack of concessionary **credit facilities** previously given by Government with donor contributions
- **High capital cost** brought about by liberalization of financial sector
- **High farm input** cost as a result of liberalization of International trade (import-export) and also liberalization of market players.
- **Decontrol of marketing** of local commodities namely Agricultural produce which has brought high competition
- Withdrawal of government **production support services** in the Agricultural sector especially in areas of Artificial Insemination, clinical services (Veterinary Services), Dip Management, extension services, and dissemination of research findings through education to farmers.

- **General lack of preparedness by members** and Co-operative leaders on the challenges and opportunities brought about by economic liberalization.
- **Lack of qualified staff** and the high levels of illiteracy and yet Co-operatives are democratic in nature.
- **Co-operative Laws** have been adopted from some of the developed economies and yet the realities on the ground are different. There are new Co-operative Laws in Kenya, Tanzania, Uganda and Mauritius.
- **HIV/AIDS** scourge has affected the membership, savings and development of Co-operatives.

4.6 OTHER SECTORS THAT PROMOTE CORPORATE GOVERNANCE PRINCIPLES

Analysis of data from respondents showed that Co-operative Banking could facilitate sound governance of the Co-operative sector. This is exemplified through the success story of the Co-operative Bank of Kenya. Its objectives in fulfilling its position as the banker for the Co-operative Movement include:-

- Mobilizing of the financial resources of the Co-operative Organization creating a pool out of which credit could be channeled back to the same Organizations according to their needs.
- Organizing appropriate savings services to the Co-operative Organizations
- Channeling outside financial resources from donor agencies into the Co-operative sector and
- Assisting the Co-operative sector in their international trade.

The Commercial Banks could also ensure sound Governance of the Co-operative Sector through ensuring due diligence of the financial statements offered by Boards and Management of Co-operative Societies. In the privatization process there should be deliberate efforts for the formal workers to participate in the privatization of parastatals. There is also need for the Government to have a clear policy of Co-operatives filling up the vacuum where Commercial Banks have withdrawn from the Rural set up.

4.7 OTHER SYSTEMS TO PREVENT REOCCURENCE OF WRANGLES

The respondents came up with various systems or strategies that they feel should be implemented to minimize the reoccurrence of such wrangles again. They include the following:

- Distinction of the role of the BOD and management.
- The requirement that board members provide an indemnity of a certain amount arising from action and omission as a consequence of mismanagement of resources of a co-operative society
- Institution of the Anti-corruption commission to investigate cases of fraud and corruption including co-operative societies.
- Proposed appointment of co-operative officers by the Attorney general as Public prosecutors for cases arising on mismanagement of co-operatives.
- The Co-operative Tribunal being involved in solving all disputes between members and co-operative societies

4.8 INTERNATIONAL BODIES THAT AIM TO PROMOTE CORPORATE GOVERNANCE

Research findings also indicated that in order to ensure practical and tangible deliverables in the area of Corporate Governance, there is need to utilize the existing Institutions and facilitate various networks through;

- The **International Co-operative Alliance (ICA)** – The ICA has 22 member Organizations from 88 countries and representing more than 800 million individuals worldwide. The African Regional Office based in Nairobi provides various activities which include awareness about Co-operatives, advocacy and appropriate policy environment. Other activities include providing technical assistance and information on best practice.
- The **International Labour Organization (ILO)** is also instrumental in ensuring sound corporate governance. There have been initiatives such as the Co-operative Management improvement project that addressed issues such as Personnel Policy guidelines, Management Information Systems, Training and follow up and appropriate marketing and credit systems. Lately, the initiative has been

extended to the informal economy workers in Kenya, Uganda, Tanzania and Rwanda through ILO Syndicoop.

- **World Council of Credit Unions (WOCCU)** supports the development of SACCO Societies worldwide. In Africa Kenya, Malawi, Rwanda and South Africa are members of WOCCU.
- **The African Confederation of Co-operative Savings and Credit Associations (ACCOSCA)** was formed to promote and develop Savings and Credit Co-operatives (SACCOs) in Africa. With the support of development partners, ACCOSCA could be revitalized to support the 28 member Countries and support the formation of National Associations where SACCOs are emerging.
- **Regional Association of SACCOs** have been formed and these include the East African Regional Association of SACCOs, the Southern Regional Association of SACCOs and the West and Gulf Regional Association of SACCOs. These Associations strive to improve governance in the respective Regions.
- **The African Cotton Producer Association** based in Bamako, Mali aims at defending the interests of cotton producers and Governments of cotton producing countries bring to an end the World Trade Organization subsidies.

CHAPTER FIVE

5.0 INTRODUCTION

This chapter discusses the findings, presents conclusions and makes recommendations based on the already stated objectives.

5.1 DISCUSSIONS

The researcher wrote a proposal indicating the path and methodology that was to be used to effectively undertake the research project. On approval of the proposal, he went ahead to collect data from various respondents.

Research questionnaires were handed out, interviews conducted and data collected and analyzed.

5.2 CONCLUSIONS

As discussed earlier, it is therefore important for one to realize the

Importance of Corporate Governance in the running of co-operative

Societies in Kenya and Africa as a whole as it facilitates achievement of:

- Strategic thinking and strategy setting
- Balance of power and control
- Efficiency and effectiveness
- Transparency and probity

- Productivity and responsiveness
- Responsibility and receptiveness
- Creativity and innovativeness
- Competitiveness and sustainability

These factors are the products of the influences of Corporate Governance on the management of Co-operative societies.

On the other hand, without Corporate Governance, Organisations would

Suffer consequences like:

- *High staff turnover* and the resultant high costs attributed to repeated recruitment, training and replacement affect the image of the organization and the income level
- *Environment for fraud*, misappropriation of funds and loss of track of operations is created
- *Reduced profitability* to the organization thus affecting the reward level (dividends) to the member-owners thus weakening their confidence in the organization and the subsequent degeneration into possible oblivion.

In conclusion, whereas at the individual member level what is required in integrity, competence and commitment, internally what is crucial to observe in a Co-operative is the structure, continuity, balance in the composition of the Board and accountability. There is also need for the Board members to ensure transparency and compliance with the regulations.

With the support of the Kenya Centre for Corporate Governance, a *Code of Best Practices* and Corporate Governance in Kenya has been developed and the same could be replicated in Uganda, Tanzania, Rwanda and Burundi. Part of the *new mandate* of the Ministry of Co-operative Development and Marketing includes Co-operative Governance. Aspects that need urgent attention however include enhanced legislation for effective supervision and issues relating to Borrower Domination and the attendant rules, credit rationing and the role of financial intermediaries in a liberalized environment.

5.3 RECOMMENDATIONS

In corruption, the hypothesis that “most leaders in the cooperative movement are corrupt, uneducated and old guards who run the affairs of the society barely on social grounds rather than on economic principles” is true the

extent of the nine common causes identified across the organizational structure of these organization. The aspect of old guards is a fallacy as young board members and management staff are on record of mismanaged societies reported to have wangles. However the back does not stop at the Board, individual member level participation is required in terms of integrity, competence and commitment. Within the membership, it is crucial to observe in a Co-operative structure; continuity, balance in the composition of the Board and accountability. There is also need for the Board members to ensure transparency and compliance with the regulations by instituting corporate governance in their by-laws. Otherwise managing cooperatives without corporate governance is like a dog chasing its tail in a various circle.

All said and done it is the onus of all Kenyan citizens to take the next step in developing good acceptance leadership in the cooperative movement through active participation. Leadership is practiced at both levels of an organization and one does not need to wait until they are at the top to practice good leadership. Hence it is the duty of all citizens to embrace and support the Corporate Governance principles for the good management and survival of our Co-operative societies.

5.4 AREAS FOR FURTHER RESEARCH

Further studies can be carried out on this topic to find out how Corporate Governance can be successfully implemented to control Co-operative societies. This is so because there is always some laxity in the people implementing them due to their own selfish interests. Research can therefore be carried out to find out how we can make Corporate Governance a collective responsibility.

APPENDICES

Appendix 1: REFERENCES

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Solomon, J. and Solomon, Aris (2004) Corporate governance and accountability, New York: John Wiley

Appendix 2: QUESTIONNAIRE

Dear respondent,

I am a student of Kampala International University studying Bachelor of Business Administration. As part of the requirements of the course I am expected to do a research study. The study is on THE INFLUENCE OF CORPORATE GOVERNANCE ON THE MANAGEMENT OF CO-OPERATIVE MOVEMENTS.

Please take time to fill out this questionnaire:

The purpose of this questionnaire is to get information on the influence brought about by corporate governance on the management of co-operative movements. The study is purely academic and high confidentiality is assured. Your participation in this study will contribute to the success of this study.

INSTRUCTIONS: Please Put a TICK on the option box of your answer and fill out the spaces where necessary.

BACKGROUND INFORMATION

Age

- ☐ Below 18
- ☐ 19-29
- ☐ 30-39
- ☐ 40-50
- ☐ Above 50

Gender

- ☐ Male
- ☐ Female

Your category in Organisation

- ☐ Top management
- ☐ Accounts and finance department
- ☐ Human resource department
- ☐ Social and education department
- ☐ Member

Education level

- ☐ Primary
- ☐ Secondary
- ☐ University

Working Period

☐ 1-2 years ☐ 3-4 years ☐ 5-6 years

SECTION A

1(a) What do you think are some of the causes of wrangles in co-operative societies?

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(b) In what category in the organisation do you think most of these causes of wrangles come from? ☐

☐ Board level ☐ Staff level ☐ Members level

2. What do you think are some of the reasons that aggravate such causes of wrangles?

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3. Who do you think is responsible for handling or preventing such causes from happening?

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SECTION B

4. (a) What are some of the solutions to the above root causes of wrangles in co-operative societies?

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(b) What are the weaknesses of implementing Corporate Governance?

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5. What other sector(s) do you think helps in the implementation of Corporate Governance principles?

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SECTION C

6. What systems do you recommend to be put in place to avoid reoccurrence of such wrangles?

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7. What other bodies can be involved to strengthen the corporate Governance principles?

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Appendix 3: BUDGET

ITEM	COST IN USHS
Internet use	70,000
Photocopying and printing	150,000
Transport	50,000
Accommodation	80,000
Miscellaneous	50,000
GRAND TOTAL	400,000

Appendix 4: TIME FRAME ALLOCATIONS

ACTIVITY	TIME PERIOD IN MONTHS
Preparation of Research Design	3 Months
Literature Review	4 Months
Selection of Data Sources	2 Months
Development of Research Instruments	3 Months
Collection of Data	4 Months
Analysis of Data	2 Months
Report Writing	4 Months

Appendix 6: CURRICULUM VITAE

Name: Mwathi Mark Njeru

Date of Birth: 18th October 1983

Address: P.O BOX 222 Kakamega

Cell Phone: +254723350031

E-mail: Mwathi_m@yahoo.com

Religion: Christian

Nationality: Kenyan

Marital Status: Single

Objectives: To achieve maximum potential and experience in banking operations and finance control strategies.

To work in institutions providing challenging tasks and to maximum high level of competency, efficiency and professional ethics in the organization and outside.

EDUCATIONAL BACKGROUND

2005 – 2008: Bachelors Degree in Business Administration (Banking and Finance option) at Kampala International University.

March 2003 – December 2004: Lakeside College Luzira

Award: Uganda Advanced Certificate of Education

1999-2002: Kakamega High School

Award: Kenya Certificate of Secondary Education

1991-1998: Kakamega Township Primary School

Award: Kenya Certificate of Primary Education

COMPUTER LITERACY

Converse with the following packages, training done at Kenya School of Professional Studies (SPS).

Ms Word

Ms Excel



**OFFICE OF THE DEAN
SCHOOL OF BUSINESS AND MANAGEMENT**

Date: 2nd June, 2008

THE HUMAN RESOURCE MANAGER,
KAKAMEGA ENTREPRENEURS SACCO,
KAKAMEGA
KENYA.

Dear Sir/Madam,

RE: MWATHI MARK NJERU REG.NO.BBA/8460/51/DF

The above mentioned is a bonafide student of Kampala International University pursuing a Bachelor of Business Administration programme in the School of Business and Management of the University.

He is currently conducting field research and the title of the Research project is "THE INFLUENCE ON THE MANAGEMENT OF CO-OPERATIVE MOVEMENTS" A CASE STUDY OF KAKAMEGA ENTREPRENEURS SACCO. As part of his studies (research work) he has to collect relevant information through questionnaires, interviews and other relevant reading materials.

Your Institution has been identified as a valuable source of information pertaining to his research project. The purpose of this letter is to request you to avail him with the pertinent information he may need.

All and any information shared with him will be used for academic purposes only and we promise to share our findings with your institution.

Any assistance rendered to him in this regard will be highly appreciated.

Yours Sincerely,

