

An Investigation on Corporate Governance in Savings and Credit Cooperatives (SACCO's) in Southern Malawi

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Abstract: *There have been some research on corporate governance in SACCO'S as revealed in the literature review but this study seeks to investigate the corporate governance in SACCO'S in the southern part of Malawi. The research attempts to solve corporate governance issues hindering the growth and sustainability of SACCO's, the effects of poor governance, and recommend ways of improving corporate governance. The study selected 10 managers from different SACCO'S in the southern part of Malawi as respondents of the questionnaire and a qualitative approach was used to analyse the data. The interviewed participants commented that with good governance the SACCO will be able to grow leading to an improved performance in operations with growth and profitability as by-products. With good governance practices the image of the company would be enhanced and have an ability to win investor confidence. Good corporate governance requires people with reputable integrity who can propel the business to greater heights. The overall recommendation is that there is need for training and demarcation of duties between management and the board of directors for smooth running of the SACCO'S.*

Keywords: *corporate governance, investor confidence*

I. Introduction

Corporate governance is an idea that included practices that involved the association of administration and control of organisations (Mwanja, Marangu, Wanjere and Thuo, 2014:125). Corporate governance is the method by which an association is coordinated and controlled. Corporate governance along these lines alluded to the procedures by which associations would be coordinated, controlled and considered responsible (Mwanja *et al*, 2014:125). Corporate governance included power, responsibility, stewardship, authority, course and control practiced in enterprises (Mwanja *et al.*, 2014:125). It mirrored the cooperation among those people and gatherings, which gave assets to the organisation and added to its execution, for example, shareholders, representatives, lenders, long haul suppliers and subcontractors (Brownbridge, 2007, cited by Wasike, 2012:1). Corporate governance might be seen as the arrangement of interlocking standards by which companies, shareholders and management oversee their conduct (Saad, 2010:20). These standards allude to individual firm characteristics and the components that permit organisations to keep up sound management even where open and private foundations could be generally weak (Saad, 2010:20). Such components may incorporate a partnership's possession structure, its associations with partners, money related straightforwardness, and data revelation practices, and also the arrangement of its overseeing boards (Saad, 2010:20). Savings and Credit Cooperatives (SACCO's) are growing in Malawi and therefore the whole continent thereby assisting in the promotion of economic improvements and the wellbeing of society. The SACCO's are run by members who choose other members to be their leaders. The problem is that the members who are chosen lack leadership skills and as such there are problems in running of the SACCO's due to poor governance. Good corporate governance in SACCO'S would lead to the realisation of the objectives of the SACCO which is the creation of wealth for sustained economic growth and development. For effective governance to take place there is need for the Board to help by guiding management on strategic issues who will then execute them. However, if there is no cooperation between the Board and management, it results in objectives not being met leading to poor profitability. The Board of Directors have too much power on operations compared to the strategic management of the SACCO's. Most SACCO's are limited on doing the same old things, which reads to no creativity within the SACCO and management is not empowered to run the SACCO's leading to poor governance resulting in poor performance of SACCO's. The study seeks to investigate how improvements in corporate governance can help SACCO's be sustainable.

1.2 Problem Statement

Though SACCO's could be applauded for their financial acumen, they do face a number of problems which inhibit them to grow, due to challenges such as lack of clarity and incorrect rules which separates management from making right decisions, unqualified people in management, lack of managerial skills, membership failure and boards acting in the best interest of another party (Odera, 2012:89). In short the main

problem facing SACCO's today is corporate governance. Thus in this case, the SACCO's are entrusted with a fiduciary obligation which entails taking care of money or property. The research therefore wants to examine the challenges in corporate governance facing SACCO'S, how they affect growth of the SACCO's and to make recommendations on areas of improvements which can sustain the growth of SACCO's in Malawi.

1.3 Research Questions

The following questions were generated for this study:

- What are the factors which lead to poor governance and management of SACCO's?
- What is the role of the board and management in the SACCO's operations?
- What are the effects of poor governance on SACCO's?
- What is SACCO's financial performance in view of poor governance and management?
- What ways can be used to improve Corporate Governance in Savings and Credit Cooperatives (SACCO's)?

1.4 Significance of the study

Africa, and the whole world today, is experiencing the growth of savings and credit cooperatives. These organisations have to run smoothly in order to assist their members. In Malawi most people are opting to join SACCO'S because they are saving their money for the future and they also benefit by getting dividends when the SACCO is profitable. Therefore with good corporate governance practices SACCOS will be managed well and in the end members will be happy. Moreover, the study will help board of directors and management to know their responsibilities, the general membership will be happy, and there will also be growth of the SACCO's. The study will also benefit SACCO's who are having corporate governance issues. So that they can improve in areas where they are lacking knowledge, for example if there is conflict between management and the Board with issues concerning managing the SACCO.

II. Literature Review

Heenetigala (2011) defined corporate governance as the framework by which firms were coordinated and controlled. It was concerned with the obligations and duties of an organisation's governing body to effectively lead the organisation, and their association with its shareholders and alternative groups (Heenetigala, 2011). It is moreover defined as a procedure in which shareholders incited management in acting to their greatest advantage, giving a level of financial specialist certainty that was important for the capital markets to work effectively (Heenetigala, 2011). All in all, corporate governance was being considered as having fundamental ramifications for the development prospects of an economy as a consequence of right organisation governance practices cut back risks for financial specialists, pulling in venture capital and enhancing execution of organisations (Heenetigala, 2011:3). Labie and Mersland (2011) cited in Munyi and Njiru (2015:902) have defined company governance "as a system or set of mechanisms by that an organisation is directed and controlled so as to succeed in its mission and objectives". Therefore, governance components incorporate seeing the activities, strategies and choices of firms and their operators. Corporate administration rehearses had been influenced on account of attempting to adjust the interests of partners. Mersland and Strom (2009) have contended that SACCOs were for the most part portrayed by a few objectives, nonetheless however contrasting in perspective of items, strategies, social needs and their conduct in regards to benefit looking for. As indicated by OECD standards corporate administration was a framework by which business organisations were coordinated and controlled (Heenetigala, 2011). The corporate administration structures determined the dissemination of rights and obligations among various members in the partnership, for example, the board, chiefs, shareholders and different partners, and spells out the tenets and techniques for settling on choices on corporate issues. By doing this, it gave the structure through which the organization targets were set, and the method for accomplishing those goals and observing execution (Heenetigala, 2011). The primary motivation behind corporate administration is to achieve responsibility and make preparations for approaching calamities. As pointed out by Labie and Perilleux (2008:8), credit unions have not had much consideration not surprisingly by a microfinance organisation. Today, organisation administration shortcomings of credit unions have prompted a few impediments and requirements to their improvement (Labie and Perilleux, 2008:8). SACCO is the short form for Savings and Credit Co-operative (Borda-Rodriguez and Vicari, 2014). There was no difference between a credit union and a SACCO and the term "credit union" was generally not used in Africa to avoid confusion with various other movements (Borda-Rodriguez and Vicari 2014:10). A Savings and Credit Co-operative (SACCO) was a democratic, unique member driven, self-help cooperative. It was owned, governed, and managed, by its members who had the same common bond: working for the same employer, belonging to the same church, labor union, social fraternity or living/working in the same community (Savings and Credit Co-operative League of South Africa, 2013, cited by Borda-Rodriguez, and Vicari, 2014). Management and supervision was needed to help in safeguarding owners from the opportunistic actions of the decision making (Odera, 2012:95). Thus, when ownership has been distributed among several, such as during

a SACCO, it becomes expensive for decision makers to be monitored because some of these owners lacked the skills and information which could help in supervisory activities, and find it more economical to delegate management to defend their interests (Odera, 2012:95). Corporate governance was connected to financial execution (Brownbridge, 2007). The way administration and control were sorted out influences the organisation's execution and its long run aggressiveness. Accordingly, corporate governance decided the conditions for getting to capital markets and the level of financial specialists' certainty (Brownbridge, 2007). The board likewise has the ability to contract and fire and set the pay of the supervisor. Board individuals have obligation to sanctions in the event that they have neglected to maintain their guardian duty in call administration. Choice standards are plainly spelt out by the SACCO local laws, agreeable and saving money laws, business contract code, bookkeeping standards, prudential laws, and authoritative planning frameworks (Odera, 2012)

2.1 Overview of Corporate Governance

It has been contended that the approach of advancement in the 1990s in Africa connection has empowered cooperatives to create as bona fide part controlled and business-oriented associations which thus have enhanced the prosperity of defenceless individuals (Borda-Rodriguez and Vicari,2014:15). Be that as it may, cooperatives in the African landmass have demonstrated a blended picture regarding execution (Borda-Rodriguez and Vicari, 2014:15). While there were examples of overcoming adversity, not all cooperatives attempts have performed well overtime. Understanding what made cooperatives ready to survive monetary and political stuns while keeping up their core functions was vital on the off chance that they expected to address their difficulties effectively (Borda-Rodriguez and Vicari, 2014:15.) Corporate governance contained a few components of the structure of the management, which included capital, work, market, association alongside their administrative instruments (Heenetigala, 2011:10). It additionally included the procedures that associated the structures with specialists, including administration control and responsibility, and also runs, directions, laws and standardised techniques and standards (Heenetigala, 2011:10). In any case, management was more than board procedures and methods, including connections between management, sheets, shareholders and different partners, for example, workers and the group (Heenetigala, 2011:10). Heenetigala (2011) saw corporate governance as an arrangement of instruments which guaranteed that potential suppliers of outer capital got a reasonable profit for their venture, on the grounds that the responsibility for was isolated from their control. Good corporate governance shielded a firm from vulnerability to future financial distress (Wambua, 2011:18). The case had been advanced time and time again that the governance structure of any corporate entity affected the firm's ability to respond to external factors that had some bearing on its financial performance (Wambua 2011:18). In this regard, it had been noted that well governed firms largely performed better and that good corporate governance was of essence to firm's financial performance (Wambua, 2011:18). It is believed that good governance generates investor goodwill and confidence. Again, poorly governed firms were expected to be less profitable. Wambua (2011) also posited that better corporate framework benefitted firms through greater access to financing, lower cost of capital, better financial performance and more favourable treatment of all stakeholders. They argued that weak corporate governance did not only lead to poor firm financial performance and risky financing patterns, but were also conducive for macroeconomic crises like the 1997 East Asia crisis (Wambua, 2011). Other researchers contended that good corporate governance was important for increasing investor confidence and market liquidity (Wambua, 2011).

2.2 Brief History of SACCO's in Malawi

Enarsson and Wirén (2005) have opined that Savings and Credit Cooperatives (SACCOs) were initially advanced in Malawi by the Catholic Church and government in the 1970s to give investment funds management to individuals who were not overhauled by the business banks. In perspective of good funds records individuals from the SACCOs were over the long haul given transient credits. The improvement of this management was upheld by givers and set up a national affiliation named MUSCCO, in 1980 and through this backing to the SACCOs was directed (Enarsson and Wirén, 2005:4). Numerous SACCOs were formed at a work place among employees who worked for a common employer (Enarsson and Wirén, 2005:4). Deductions both for savings and loan repayments were often integrated into the salary/wage preparation (Enarsson and Wirén, 2005:4). The member decided how much he/she wanted to save every month or week and the repayments of loans were requested by the SACCO in accordance with the loan agreement (Enarsson and Wirén, 2005:4). In contrast, for community-based SACCOs, where location was the common bond, members normally came to the society themselves to make deposits and loan repayments (Enarsson and Wirén, 2005:4). The SACCOs achieved their goals in 2000 when there were 111 credit unions and 66 000 members (Enarsson and Wiré, 2005:5). Amid the most recent 4 years MUSCCO has needed to rebuild its participation. It could no more bolster unsustainable SACCOs, which were urged to develop or consolidate, or generally get to be profitable (Enarsson and Wirén,

2005). In the event that they were not fruitful, they needed to end their operations and participation. Today MUSCCO has 57 dynamic SACCOs, which have 55 000 individuals, for a normal participation for every SACCO of 970 members (Enarsson and Wirén, 2005:5). The centre business of the development was to give investment funds and credit administrations to members (Enarsson and Wirén, 2005:5). The terms and states of investment funds and advances are made by the SACCO, regularly basing on an approach affirmed by the AGM (Enarsson and Wirén, 2005). Every SACCO has a credit advisory group that supports advances and follows up on repayments (Enarsson and Wirén, 2005). Subsequent to being a part for a predefined period, ordinarily 3 to 6 months, one can apply for a credit, regularly 1.5 times the estimation of the part's shares and reserve funds. A few SACCOs offer up to 3 times the quality to individuals who have reimbursed before advances consistently. The reimbursement time frame is for the most part 12 months despite the fact that the Cooperative Act permits 24 months. To the degree an advance depends on investment funds, the bank account is hindered for withdrawals (Enarsson and Wirén, 2005). SACCOs were not quite the same as banks and can't work under the same enactment. Subsequently, the corporate governance arrangement of SACCOs must react to two arrangements of proprietor customers. SACCOs confronted the disagreements in the interests or destinations of the savers versus borrowers particularly in SACCOs overwhelmed by net borrowers, the vast majority of the proprietors and board individuals who might be principally keen on shabby and simple credits, instead of the money related feasibility or benefit of the SACCO (Odera, 2012:95). The blend of borrower-commanded SACCOs working in a domain that needed clear governance rules gave an allurements to inappropriate control of the credit endorsement and conceding process by executives (Branch & Baker, 1998) referred to by Odera (2012:95). Cooperatives development in Malawi was a test. Malawi was one of the poorest countries with an unfavourable domain for the private division. Macroeconomic precariousness, high expansion rates (25% at August 2012) made the average cost for basic items high for individuals that lived under not exactly a US\$ 1.25 a day (Borda-Rodriguez and Vicari, 2014). Remote trade deficiency, together with fuel and power lack, absence of satisfactory talented work, corruption of characteristic assets, for example, land and timberland, are amongst the primary difficulties. Furthermore, in the most recent decades Malawi had encountered a few common calamities, for example, surges and drafts, extreme starvation and HIV/AIDS pandemic which set the nation in a troublesome destitution trap (Borda-Rodriguez and Vicari, 2014). Thus cooperatives in Malawi needed to create in this dangerous and questionable environment portrayed by financial, atmosphere and social stuns. Understanding what influences their strength was along these lines of essential significance if cooperatives somehow managed to survive and created over time (Borda-Rodriguez and Vicari, 2014).

2.3 Need for Effective Corporate Governance

Effective corporate governance is very important for any organisation that wants to be successful. Good corporate governance help organisations to comply by adhering to policies, rules and regulations. An organisation is likely to get into problems when they fail to carry out these duties properly (Anand 2007). Moreover, if a company is seen having reputation of strong governance practices the investors will have greater confidence, which in turn could lead to a good flow in capital. Good corporate governance allow even outsiders to examine the company in the way it is being governed. Through corporate governance transparency of the business is enhanced thus helping achieve stakeholders trust. Again, the support that the company can get from its stakeholders will help in raising the capital easier. As put by Monks (2011) adoption of good corporate governance practices will increase corporate value of the company. Corporate governance was being seen as the system and structure used to coordinate and deal with the business issues of the organization towards upgrading business flourishing and corporate responsibility with a definitive target of acknowledging long haul shareholder esteem, while considering the enthusiasm of other stakeholders (Wakise, 2012). Corporate governance additionally incorporated the connections among the numerous players included (the partners) and the objectives for which the company was being governed (Wakise, 2012). The key players were the shareholders, administration and the governing body. Different partners incorporate representatives, suppliers, clients, brokers and different loan specialists, controllers, the earth and the group everywhere (Wakise, 2012).

2.4 Empirical Studies on Corporate Governance

Odera (2012:93) carried out an investigation with a particular focus to find out the governance problems in SACCO's, the results revealed that as SACCO'S were becoming larger and complex, specific knowledge and skills were needed in order to be making specialized decisions. However, the individual owners would probably not have the managerial and technical knowhow which might force management to seek services of new managers for critical management decisions (Odera, 2012:93). "The specialization of decision management helped in increasing the ability of the organisation's in operating in an entrepreneurial manner by seeking professional services." (Odera, 2012:93). Though this was the case, the division between ownership and decision making had led to principal-agent problems in view of governance (Odera, 2012). Wambua (2011:16) carried out a study on the determinants of performance of the SACCOs in

Kenya. According to his findings, lack of business planning, conflict of interest and absence of stringent monitoring and evaluation measures were among the causes of business failure in the SACCO industry. Some of his recommendations were that the government a policy in guiding the SACCOs on strategic planning, policy to ensure that qualified staff members were employed in the SACCOs and regular audit of the SACCO. Wambua (2011:16) studied the impact of liberalization in the banking industry on the SACCO's, found that there was need for SACCOs to adopt a corporate governance strategy for them to remain competitive in the industry. Management and supervision was needed to help in safeguarding owners from the opportunistic actions of the decision making (Odera, 2012:95). Thus, when ownership has been distributed among several, such as during a SACCO, it becomes expensive for decision makers to be monitored because some of these owners lacked the skills and information which could help in supervisory activities, and find it a lot economical to delegate management to defend their interests (Odera, 2012:95).

2.5 Board of Directors and Characteristics

The Board delegated decision creating functions to internal management and at the same time retaining complete management in endorsing and observing vital strategy activities and the course of the foundation (Odera, 2012). The board additionally has the ability to contract and fire and setting the pay of the supervisor. Board individuals have duty to sanctions in the event that they have neglected to maintain their trustee obligation in call administration. Choice principles are obviously spelt out by the SACCO local laws, helpful and keeping money laws, business contract code, bookkeeping standards, prudential laws, and hierarchical planning frameworks (Odera, 2012). Every one of these elements encroach upon operators decision conduct, helping in shaping the perception capacities, and indicating the execution criteria that assistance in deciding prizes (Odera, 2012:93). One of the primary difficulties which SACCOs keep on facing is the foundation of right administration system (Odera, 2012:93). Good administration will accordingly help in enhancing the execution of a SACCO and encouraging its long haul survival (Thomsen, 2008). To shield proprietors from the astute activities of leaders, a system for administration or supervision was required. Where possession was scattered among numerous, for example, in a SACCO, it was unreasonable for all individuals to as often as possible screen the choice makers (Odera, 2012). The greater part of the individual proprietors did not have the right stuff and data required to supervise administrative activities, and think that it is more effective to delegate administration to secure their interests. In like manner, proprietors vote in favour of agents to serve on the administration board (Odera, 2012:95). The board delegates basic leadership capacities to inside administration. The board held extreme control to support and screen real strategy activities and the general course of the institution (Odera, 2012:95). The board additionally had the ability to contract and fire and set the pay of the chief. Board individuals are subject for corrective approvals on the off chance that they neglected to maintain their trustee obligation in choice control. Choice principles were characterized by the SACCO local laws, agreeable and keeping money laws, business contract code, bookkeeping standards, prudential directions, and hierarchical planning systems (Odera, 2012:95). Every one of these variables compelled the choice conduct of operators, formed the observing capacities, and indicated the execution criteria that decided prizes (Odera, 2012).

2.6 Agency Theory and Corporate Governance

Corporate governance was based on agency theory, which was the relationship between agents and principals (Wambua, 2011:10). Agency theory explains "how best the relationship between agents and principals could be tapped for purposes of governing a corporation to realize its goals" (Wambua, 2011:10) Enthusiasm on office connections turn out to be more unmistakable with the rise of the huge corporation (Wambua, 2011). There were business visionaries who had a talent for gathering of capital, and chiefs who had an excess of thoughts to successfully utilize that capital (Wambua, 2011). Since the proprietors of capital (principals) had neither the essential skill nor time to viably run their ventures, they give them over to specialists (administrators) for control and everyday operations, subsequently, the division of possession from control, and the chaperon office problems (Wambua, 2011). In an organization relationship, principals and operators had plainly characterized duties. Principals were chosen and set up governors' chiefs and evaluators to guarantee compelling administration framework was actualized, while operators would be in charge of the everyday operations of the venture (Wambua, 2011:10). The suspicion had been that a powerful board included a more noteworthy extent of outside executives (Heenetigala, 2011:15), was critical to firm execution. As indicated by organization hypothesis, these outside non-official chiefs could give predominant execution as an aftereffect of their freedom from firm administration (Heenetigala 2011:15). In reality, powerful corporate governance is right now comprehended as including a wide number of participants (Wambua, 2011:11). The essential members were management, shareholders and the sheets of executives, however other key players whose interests were influenced by the enterprise are representatives, suppliers, clients, accomplices and the general group (Wambua, 2011:11). In this way, corporate governance, comprehended in these expanding social connections, guaranteed

that the top managerial staff were responsible to shareholders as well as to non-shareholder partners, including the individuals who had a personal stake in seeing that the enterprise was very much administered. Some corporate governance researchers (Wambua, 2011:11) additionally contended that at the heart of good corporate governance was not board structure, but rather board process (Wambua, 2011:11). The office model accepted that people had entry to financial data and financial specialists had huge learning of regardless of whether management exercises affirmed to their inclinations and the board knew about speculators inclinations (Heenetigala, 2011:11). In this way as per the perspective of the organization scholars, an effective business sector was viewed as an answer for moderate the office issue, which incorporated a proficient business sector for corporate control, administration work and corporate data (Heenetigala, 2011:11).

2.7 Growth and performance

Corporate governance frameworks might be along these lines considered as systems for setting up the way of proprietorship and control of associations inside an economy (Wakise, 2012). In this setting, corporate governance instruments are financial and lawful organizations that can be adjusted through the political procedure once in a while to improve things (Wakise, 2012). Organisation law, alongside different types of control both molded and was formed by winning frameworks of corporate governance. The effect of direction on corporate governance happened through its impact in transit in which organizations were claimed, the structure in which they were controlled and the procedure by which changes in possession and control occurred (Wakise, 2012). Possession was set up by organization law, which characterized property rights and wage floods of those with interests in or against the business undertaking (Wakise, 2012). The meaning of "possession" was dangerous in this setting (Wakise, 2012). At the base, contrasts in originations of possession prompted contrasts in types of control and, along these lines, contrasts in the detailing and usage of corporate methodology (Wakise, 2012). SACCOs in creating nations and years back had gotten to be crucial wellsprings of financing. In this view, SACCO's were presently being perceived by various researchers as assuming a dynamic part in the microfinance today (Labie and Périlleux, 2008). In later years the quantity of SACCO's have become hugely. For instance, as contended by Odera (2012:93) in 1996 in Africa, Asia and Latin America, there were 20,512 SACCOs offering their management to a population of sixteen million individuals and by 2006 the quantity of SACCOS had developed to 31,725 and now adjusting more than 59 million individuals. Accordingly, in ten years, these locals saw the development rate of more than 54% for SACCOs, and the scope of individuals getting right around 268% development (Odera, 2012:93). As put by Wakise (2012) distinctive nations had embraced diverse models in directing SACCOs. The method of control connected relied on upon the advancement period of the SACCOs in a specific country (Wakise, 2012). Most African nations were in the underlying stages or drawing nearer development. At the underlying phases of advancement, direction just involved enrolment of SACCOs to lead business (Wakise, 2012). As SACCOs drew closer development stage, controls concentrated on prudential norms which set up a danger evaluation process concentrating on liquidity, capital and governance. At the development stage, direction built up store ensure framework for express solace to individuals that their assets were safe (Wakise, 2012). Good corporate governance practices upgraded firm execution through better management and judicious distribution of firms' assets (Heenetigala, 2011:12). Profit coming about because of expanded execution, contributes altogether to share prices (Heenetigala, 2011:12). In this manner good corporate governance practices could expand the interest for shares and additionally expanding the cost of shares of an organisation (Heenetigala, 2011:12).

2.8 Benefits of Corporate governance

Good Corporate Governance was gone for expanding productivity and effectiveness of associations and their improved capacity to make wealth for shareholders, expanded vocation open doors with better terms for specialists and advantages to stakeholders (Mwangi, Nyachwaya and Cheruyoit, 2015:63). The straightforwardness, responsibility and integrity of associations made them worthy as minding, capable, fair and honest to goodness riches making organs of society. The upgraded authenticity, obligation and responsiveness of business undertakings inside the economy and enhanced associations with their different partners including shareholders, directors, representatives, clients, suppliers, host groups, suppliers of money and the earth improve their business sector standing, picture and reputation (Mwangi *et al*, 2015:63). Good corporate governance was essential in drawing in financial specialists both nearby and outside and guaranteeing them that their venture would secure and proficiently oversaw and in a straightforward and responsible procedure, making focused and productive organizations and business undertakings, upgrading the responsibility and execution of those depended to oversee partnerships and advancing productive and powerful utilization of restricted assets (Mwangi *et al*, 2015:63). Corporate governance advances productive utilization of assets inside the firm and the bigger economy (Heenetigala, 2011:22). It likewise solidifies its pull in ease speculation capital through enhanced financial specialist and loan boss certainty, both broadly and globally. It additionally expanded the organisations' responsiveness to the need of the general public and brings about enhancing long term

performance (Heenetigala 2011:22). As indicated Heenetigala (2011:22) good corporate governance brought better performance and reasonable assignment of the organisation's assets, and upgraded corporate execution which would altogether add to the organization's offer cost, expanding the estimation of a shareholder's holdings (Heenetigala, 2011:22).

2.9 Challenges Facing SACCO's

Efficiency was key to profitability and related to the SACCOs' internal structure which is different than the structure of commercial banking operations (Wambua, 2011). The challenge for most SACCOs is to reduce their operational costs by using methodological, organizational, and technological innovations (Wambua, 2011). While all banks are concerned about portfolio quality, SACCOs require greater and more aggressive follow up on delinquent loans as well as incentive programs for staff responsible for collecting repayments (Wambua, 2011). Portfolio yield was synonymous with revenue generation (Wambua, 2011). To be profitable, SACCOs must source for cheap funds and charge interest rates that cover relatively high administrative costs associated with doing lending (Wambua, 2011). SACCOs requires an expensive cost structure that is completely different from the internal structure of most commercial banking operations. In addition, SACCOs must pay a high cost for the technology, technical assistance, and infrastructure needed to reach a dispersed and low density population.

III. Research Methodology

Creswell (2011) defined qualitative research as an inquiry process of understanding a social or human problem based on building a complex, holistic picture, formed with words, reporting detailed views of informants, and conducted in a natural setting. Creswell (2011) characterized quantitative examination as an investigation into a social or human issue in light of testing a hypothesis made out of variables, measured numbers and broken down with factual strategies, so as to determine if the gainful speculations of hypothesis remain constant. This study followed a qualitative approach because of the number of the organisations chosen to take part in the study.

3.1 Research Design

A research design that is appropriate is important in determining the type of data, data collection technique and sampling procedure (Hair, Money, Samuel, and Page, 2007). This study took the form of exploratory approach as it involved a number of SACCO's in Southern Region. The survey method was chosen because it allows many questions to be asked about the subject and this also helps to provide flexibility in data analysis.

3.2 The Research Philosophy

A research philosophy is a belief about the way in which data about a phenomenon should be gathered, analysed and used. There are two major research philosophies that have been identified namely positivist (sometimes called scientific) and interpretivist (also known as anti-positivist) as put forward by (Saunders *et al* , 2009). Positivists believe that reality is stable and can be observed and described from an objective viewpoint (Cooper and Schindler 2014), i.e. without interfering with the phenomena being studied. They contended that phenomena should be isolated and that observations should be repeatable. This often involves manipulation of reality with variations in only a single independent variable so as to identify regularities in, and to form relationships between, some of the constituent elements of the social world. On the other hand, interpretivists have contended that only through the subjective interpretation of and intervention in reality can that reality be fully understood. The study of phenomena in their natural environment is key to the interpretivist philosophy, together with the acknowledgement that scientists cannot avoid affecting those phenomena they study (Cooper and Schindler 2014). In view of this study, an interpretivist philosophy approach has been followed.

3.3 Research Strategy

There are several research strategies and each is different from the other in two main ways that is questions being asked and the methods used to answer them. Examples of these strategies include experimental design, surveys, case study, action research, grounded research theory, ethnography, casual-comparative research, correlation research, explanatory research and exploratory research. Surveys enable the researcher to obtain data about practices, situations or views at one point in time through questionnaires or interviews (Cooper and Schindler 2014). Quantitative analytical techniques are then used to draw inferences from this data regarding existing relationships. The use of surveys permit a researcher to study more variables at one time than is typically possible in laboratory or field experiments, whilst data can be collected about real world environments. A key weakness is that it is very

difficult to realise insights relating to the causes of or processes involved in the phenomena measured (Cooper and Schindler 2014). The case study method focus is on one case, or perhaps a small number of related cases, from which the researcher seeks a lot of detailed information. However common as we have noted, case study research frequently involves quantitative data and case study method should be seen as both qualitative as quantitative. This becomes effective if researcher is using how and why questions over which he or she has little control embedded in a real life context (Saunders et al, 2009). Case studies allow a lot of detail to be collected that would not normally be easily obtained by other research designs. The data collected is normally a lot richer and of greater depth than can be found through other experimental designs.

3.4 Target Population

For this study 13 SACCO's in Southern Region were considered. The study considered the population in view of what the study wants to find out.

3.5 Sampling Strategy

There are two distinct sampling methods that the researcher should be familiar with and these are probability and non-probability. To begin with, probability sampling is a sample that could be selected using random selection so that each unit in the population had a known of being selected to be part of the sample to be used in the study (Cresswell,2011).Some of the examples under this sampling include simple random, stratified, cluster and systematic sampling techniques. As put by Cresswell (2011) the non-probability sampling assert that selection of respondents does not depend on randomness and some examples include convenience, purposive and snowball sampling. Therefore in view of the nature of the study a purposive sampling technique which is non-probability was considered. By using purposive technique the researcher had already identified the characteristics of the sample. This technique means obtaining information from a particular target group. In this case, the target group were SACCO's managers in Southern region. This study interviewed managers of each of the 10 SACCO's. The sample of 10 was considered because this study used a qualitative approach.

3.6 The Research Instrument

In this study, the information was collected by use of semi interview guide to interview the sampled participants. The interview guide had two sections namely a section requiring personal details. During the interviewing process a pen and a paper was used to record information from the participants.

3.7 Pilot Study

A pilot study as put by Crossman (2014: par 1) "is a preliminary small-scale study that researchers conduct in order to help them decide how best to conduct a large-scale research project". Thus for this research a pilot study was carried out to 2 SACCO managers who were not to be included in the main study to pre-test the questions prepared under the interview guide. The whole purpose was meant to make sure that the questions conformed to the set objectives of the study. After the pilot study there were no amendments because it proved that the questions were well crafted and were easy to understand.

3.8 Validity and Reliability of Qualitative Research

Trust is the key to the establishment of validity and reliability of qualitative research. Qualitative research is trustworthy, when it accurately represents the experience of the study participant. The method of establishing trustworthiness was adopted from that of (Lincoln and Guba 1985:294). Credibility is about the trustworthiness of findings in qualitative research studies. Credibility is demonstrated when participants recognise the reported research findings as their own experiences and in achieving credibility, the researcher has employed the following measures: The dependability criterion relates to the consistency of findings. According to Lincoln and Guba (1985:316), there can be no validity without reliability (and thus no credibility without dependability). Therefore, a demonstration of the former is sufficient to establish the existence of the latter. The same principle also applied in this research. Data was also organised in categories and themes. All interview materials, transcriptions, documents, findings, interpretations, and recommendations, were kept, and any other material relevant to the study made available and accessible to the supervisor. Confirmability refers to the objectivity or neutrality of the data, such that there will be agreement between two or more independent people about the data's relevance or meaning (Cresswell.2011).After data collection was done, it was analysed and validated by the supervisor and this included an audit trail of the verbatim descriptions, categories and themes. Transferability refers to the extent to which the findings can be applied in other contexts, or with other participants (Saunders et al, 2009).

3.9 Data Analysis

When data was collected it was analysed by identifying themes and using Microsoft Excel. This is because when information has been collected it has to be interpreted. This data was firstly coded and presented qualitatively. A thematic analysis approach was used for this study.

3.10 Ethical Considerations

Saunders, Lewis and Thornhill (2009) have posited that ethical issues are pertinent during the data collection stage.

Ensuring participants have given informed consent: Before a fully-fledged study took place, informed consent was sought from the sampled participants. This means that before the collection of data, the participants have to agree to be interviewed and will be told that their participation was voluntary.

Ensuring no harm comes to participants: The study was explained to the respondents before the start of the collection of data.

Ensuring confidentiality and anonymity: This research ensured observation of confidentiality regarding accessing of raw data, storage and reporting findings in a way not to reveal the identity of the sampled participants. During the interview, names will not be asked but the participant was assigned a number for researcher identification purposes.

Ensuring that permission is obtained: Before carrying out the study, the researcher sought permission from the mother body of SACCO's, MUSCCO.

3.11 Limitations of the Study

The study was limited in SACCO's to Southern Malawi. This was because time and resources were not on the side of the researcher to incorporate SACCO's from other parts of the country. Thus the findings from SACCO's in Southern Malawi were generalised to other SACCO's across the country.

3.12 Elimination of Bias

Bias can take place in a number of ways and this could be done by the interviewer, the interviewee, during formation of questions and choice of the participants. Biases could occur when the researcher decides to include friends or relatives in the study. This research study did not interfere with the participants when giving their responses or select a particular race or ethnic group to be part of the study.

IV. Results

In this study all 10 participants were interviewed, representing a 100% response rate. The participants targeted were SACCO managers and these comprised 7 males and 3 females.

4.1 Analysis of the Research Findings

The study was carried out to investigate Corporate Governance in Savings and Credit Cooperatives (SACCO's) in Southern Malawi. In order to come up with findings and then recommendations, qualitative research approach was used. The researcher also used an interview guide to interview the 10 participants sampled for this study. The findings of the study have been quantitatively analysed but are presented qualitatively.

4.2 Identify factors leading to poor governance and management

The results revealed that the majority of participants were aware about the definition of governance. Out of 10 participants, 6 of them defined governance as the way how a company/firm are being directed and controlled and also the power and authority to control and drive affairs of business to achieve its intended purpose while 4 others defined it as the values and establishment of policies and continuous monitoring of the policies by the members of the governing body. Another question was asked regarding the benefits of good governance and management. Since the question was open ended we categorized them into four categories from the answers of the respondents. The category of answers were as follows good relationship, separation of roles and responsibility, growth of SACCO and improved performance. The participants agreed that where there was good governance there will be good relationship between Board of directors and management.

4.3 Assessing the role of the board and management in the SACCO'S operations.

Participants were asked about the roles of the tasks of board of directors, the majority of participants said that the responded that the Board was there to guide and set direction to management as well as setting policies which management will follow in their daily operations. It was important to appoint right people in the created positions in order to achieve the intended objectives. The board additionally has the ability to contract and fire and setting the pay of the supervisor. Board individuals have duty to sanctions in the event that they have neglected to maintain their trustee obligation in call administration.

4.4 Examining the effects of poor governance on SACCO's

When asked on the effects of poor governance in SACCO operations the majority 9 out of 10 of the participants responded that the SACCO will have poor operations if there was poor governance and incur losses if poor governance continues as well as experiencing no growth.

4.5 Evaluating SACCO'S financial performance in view of poor governance and management

On the effects of poor governance on financial performance of the SACCO, the majority of participants concurred that the SACCO will have no surpluses at the end of the financial year and that there will be no transparency in the operations of the SACCO. Respondents were asked on their attitude towards SACCO operations and the majority 7 out of 10 thought that it was a good concept while others thought that it was a brilliant and excellent concept in helping the livelihood of the people. Training of SACCO leadership was very important if SACCOs were going to be successful. Good corporate governance shielded a firm from vulnerability to future financial distress (Wambua, 2011:18). When asked if good governance could lead to effective management of SACCO'S, the majority 8 out of 10 participants agreed that that it was possible for good governance to lead to the effective management of SACCO'S. The results as raised by participants have revealed that governance was the way how a company/firm are being directed and controlled and also the power and authority to control and drive affairs of business to achieve its intended purpose while others governance as the values and establishment of policies and continuous monitoring of the policies by the members of the governing body. On factors leading to poor governance the majority of participants cited lack of education while others pointed mainly at lack of leadership skills. The participants further cited conflict of interest and culture as also contributing factors towards poor governance. When asked on the benefits of having good governance, the majority of participants to this study responded that there will be separation of roles between management and Board of directors which will benefit the SACCO and thought that with good governance there will be improved performance in the SACCO operations which will lead to growth and profitability. The participants further said that there will be high staff retention and reduced conflict. When asked if they knew the role of the Board of Directors the participants to the study agreed that the Board was there to guide and set direction to management and setting policies which management will follow in their daily operations. This means that the Board of Directors role was very important. On what they thought were the effects of poor governance in SACCO operations the majority of participants responded that the SACCO were going to have poor operations if there was poor governance, would incur losses as well as experiencing no growth. In terms of the effects of poor governance on Financial performance of the SACCO, the majority of the respondents agreed that there were no surpluses at the end of the financial year and no transparency in the operations of the SACCO and that it would lead to poor performance since there will be no growth, loses and employees morale will be affected at work. On their attitudes towards SACCO operations, the interviewed participants agreed that it was a good concept. When asked whether good governance could lead to effective management of SACCO's, the majority of participants agreed that it was possible for good governance to lead to the effective management of SACCO's.

V. Conclusions And Recommendations

The information coming from the interviewees has revealed the majority of the participants defined governance as the way how a company/firm are being directed and controlled and also the power and authority to control and drive affairs of business to achieve its intended purpose while others governance as the values and establishment of policies and continuous monitoring of the policies by the members of the governing body. When asked on factors leading to poor governance the majority of participants cited lack of education while others pointed mainly at lack of leadership skills. The participants further cited conflict of interest and culture as also contributing factors towards poor governance. When asked on the benefits of having good governance, the majority of participants to this study responded that there will be separation of roles between management and Board of directors which will benefit the SACCO and thought that with good governance there will be improved performance in the SACCO operations which will lead to growth and profitability. The participants further said that there will be high staff retention and reduced conflict. When asked if they knew the role of the Board of Directors the participants to the study agreed that the Board was there to guide and set direction to management and setting policies which management will follow in their daily operations. This means that the Board of Directors role was very important. When asked to respond what they thought were the effects of poor governance in SACCO operations the majority of participants responded that the SACCO will have poor operations if there was poor governance, will incur losses as well as experiencing no growth. When participants asked to share what would be the effects of poor governance on Financial performance of the SACCO, the majority of the respondents agreed that there will be no surpluses at the end of the financial year and no transparency in the operations of the SACCO and that it would lead to poor performance since there will be no growth, loses and employees morale will be affected at work. When asked on their attitudes towards SACCO operations, the majority of respondents agreed that it was a good concept. When further asked if good

governance could lead to effective management of SACCO's, the majority of participants agreed that it was possible for good governance to lead to the effective management of SACCO's, while others did not give a proper answer to the question. This means that there were not sure whether good governance could lead to the effective management of SACCO's. Good corporate governance was very important in organisations. As revealed in literature review good governance led to good work operations and business sustainability. This is why the interviewed participants said that with good governance the SACCO will be able to grow while and there will be improved performance in the SACCO operations which will lead to growth and profitability. The participants further said that there will be high staff retention and reduced conflict. With good governance practices the image of the company would be enhanced and have an ability to win investor confidence rather than personal integrity. Good corporate governance requires people with reputable integrity who can help propel the business to greater heights.

5.1 Recommendations

- Board should be trained on their roles as directors ,because some try to do the roles of a manager or take it to personal gratification;
- There is need also scrutinize the qualifications of those elected into office;
- There is also need for proper training to all leaders of the SACCO and clearly indicate to them the separation of powers;
- The board and management should be trained on the demarcation of duties between them to avoid the board doing the duties of management which may lead to sour relationship;
- There is need for improved trust between board and management. This means that where transparency exists trust will be achieved;
- There is need to employ professionals in managerial positions, elect into BOARD experts on field of study and promote democratic governance; and
- There is need for Board of Directors to leave operations for management while they concentrate on the strategic direction of the SACCO's.

5.2 Area for further research

One area for further research could be 'An examination of SACCO benefits to shareholders.

5.3 Conclusion

Good corporate governance was very important in organisations. The reviewed literature has shown that good governance led to good work operations and business sustainability .Transparency and trust would be crucial if corporate governance was to be achieved. Besides, need to provide proper and appropriate training to all leaders of the SACCO and clearly indicate to them the separation of powers. The board and management should be trained on the demarcation of duties between them to avoid the board doing the duties of management which may lead to sour relationship. SACCO's are run by members who choose other members to be their leaders, the problem is the members who are chosen do not have leadership skills as such there are problems in running of the SACCO's due to poor governance. Good Corporate governance in SACCO'S would lead to the realization of objective of the SACCO which is creation and wealth for sustained economic growth and development. For effective governance to take place there is need for the Board to help by guiding management on strategic issues who will then execute them. All in all, good corporate governance is good in achieving sustainable success of businesses.

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