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Corporate Governance and Financial Performance of SACCOs in Wakiso District, Uganda

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Abstract

Savings and Credit Cooperative Organisations have emerged as vital financial intermediaries in Uganda's inclusive finance architecture, extending credit and savings services to populations largely excluded from formal banking, yet persistent governance failures, financial mismanagement, and institutional collapse have undermined public confidence and limited the sector's developmental impact. This study examined the relationship between corporate governance practices and the financial performance of SACCOs in Wakiso District. Adopting a positivist philosophy and a correlational cross-sectional design, data were collected from 218 respondents drawn through stratified random sampling from a target population of 312 comprising board members, supervisory committee members, credit committee members, managers, accounts staff, and loans officers across registered SACCOs in the district. A structured questionnaire measured four governance dimensions, namely board composition and effectiveness, internal control and audit systems, transparency and disclosure, and member participation and accountability, against financial performance assessed through profitability, operational self-sufficiency, loan portfolio quality, and growth in savings and membership. Data were analysed using descriptive statistics, Pearson correlation, and multiple regression in SPSS version 26. Findings revealed that board composition recorded the highest mean while member participation recorded the lowest. All four dimensions correlated significantly and positively with financial performance, with internal control and audit systems strongest ($r = 0.724$, $p < 0.01$), followed by board composition and effectiveness ($r = 0.651$, $p < 0.01$), transparency and disclosure ($r = 0.578$, $p < 0.01$), and member participation and accountability ($r = 0.516$, $p < 0.01$). The regression model was significant, $F(4, 205) = 68.94$, $p < 0.001$, explaining 57.4 per cent of variance, with internal control and audit systems ($\beta = 0.382$) dominant. The findings corroborate Ivan et al. (2023) on internal controls and SACCO financial performance in Wakiso District, and address sector evidence that at least 25 per cent of Ugandan SACCOs struggle with loan default rates exceeding 40 per cent attributable to weak internal controls and poor credit risk management (Derrick et al., 2023). The study concludes that control systems rather than board structure drive SACCO performance and recommends audit institutionalisation, segregation of duties, and UMRA compliance.

Keywords: Corporate governance; financial performance; SACCOs; internal controls; board composition; agency theory; stewardship theory; Wakiso District; Uganda.

1.0 Introduction

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Corporate governance concerns the system of rules, practices, and processes by which an organisation is directed and controlled, and fundamentally addresses the allocation of authority and accountability among those who own an enterprise, those who govern it, and those who manage it(Amos et al., 2024). In the conventional corporate form these three groups are distinct, and the governance problem is the classical one of aligning managerial conduct with shareholder interest. In a cooperative the configuration is materially different and, in ways this study takes seriously, more complex: the member is simultaneously owner, depositor, borrower, and elector, so that the governance problem is not the separation of ownership from control but the multiplication of roles within the same person, whose interests as borrower may conflict directly with her interests as depositor(Promise et al., 2024).

Savings and Credit Cooperative Organisations have emerged as vital financial intermediaries in Uganda's inclusive finance architecture, extending credit and savings services to populations largely excluded from formal banking (Mwebaze, 2026). The sector's scale is substantial: as of 2023 the Uganda Microfinance Regulatory Authority reported that Uganda had over 9,000 SACCOs (Ivan et al., 2025), and the financial performance of these societies has critical implications for economic growth through the provision of financial assistance to the private sector, small businesses, and individuals alike (Oyagi and Bateyo, 2023, cited in Ivan et al., 2024). Good financial performance among SACCOs rewards members for their investment, which in turn encourages additional investment and brings about economic growth (Sime et al., cited in Ivan et al., 2024). SACCOs provide savings, credit, and insurance services targeting low-income earners, smallholder farmers, and informal sector workers (Ivan et al., 2025).

Against this developmental significance stands a record of governance failure that the Ugandan literature documents with unusual specificity(Faridah et al., 2023). Persistent concerns about governance failures, financial mismanagement, and institutional collapse have undermined public confidence and limited the sector's developmental impact (Mwebaze, 2026). Challenges including embezzlement, inadequate financial reporting, and poor leadership have continued to hinder the financial sustainability of many SACCOs (Sarah and Audrey, 2024, cited in Ivan et al., 2025). The quantitative extent is stark: at least 25 per cent of SACCOs were struggling with loan default rates exceeding 40 per cent, often attributed to weak internal controls and poor credit risk management (Derrick et al., 2023, cited in Ivan et al., 2025), and a performance audit revealed that most SACCOs lacked fundamental internal control elements such as regular audits, segregation of duties, and financial reconciliation mechanisms (Racheal, Kazaara et al., 2023, cited in Ivan et al., 2025). District-level evidence corroborates the pattern, with over 35 per cent of SACCOs in Mukono recording financial losses linked to inadequate internal controls including poor segregation of duties, lack of regular audits, weak monitoring, and the absence of risk assessment frameworks (Lydia et al., 2023; Faridah et al., 2023, cited in Ivan et al., 2025).

These figures warrant a moment's reflection because they specify the mechanism of failure with unusual precision. A default rate exceeding 40 per cent means that two loans in five are not repaid, which no interest margin can absorb, and its attribution to weak internal controls and poor credit risk management (Derrick et al., 2023, cited in Ivan et al.,

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2025) locates the cause in governance rather than in member poverty or macroeconomic misfortune. The finding that most SACCOs lack regular audits, segregation of duties, and reconciliation (Racheal, Kazaara et al., 2023, cited in Ivan et al., 2025) identifies precisely which governance elements are absent, and each of the three named is a control rather than a board attribute, which is theoretically suggestive of where the binding constraint lies.

The regulatory environment has been transformed by the Tier 4 Microfinance Institutions and Money Lenders Act, 2016, which established the Uganda Microfinance Regulatory Authority as an autonomous body mandated to license, regulate, and supervise Tier 4 institutions including SACCOs (Republic of Uganda, 2016). UMRA prescribes prudential standards bearing directly on governance and performance, requiring SACCOs to maintain minimum core capital of ten per cent of total assets, minimum liquid assets of fifteen per cent of total savings and short-term liabilities, non-earning assets below ten per cent of total assets, and external borrowing below twenty-five per cent of total assets unless approved (UMRA, 2021). The Authority commenced licensing SACCOs in 2021, though it has observed that some SACCOs continue to operate in contravention of the Act (UMRA, 2021).

Wakiso District presents a setting of particular analytical interest and has, notably, attracted sustained scholarly attention. Ivan et al. (2023) examined internal controls and financial performance of SACCOs in Wakiso District, and Mwebaze (2026) investigated corporate governance practices and financial performance among SACCOs in the district drawing on Agency Theory and Stewardship Theory frameworks, employing a correlational cross-sectional design with structured questionnaires administered to board members, managers, and members of 28 registered SACCOs complemented by financial statement analysis spanning 2018 to 2022. Davis (2024) examined the relationship between corporate governance and sustainability of SACCOs in Nansana Municipality within Wakiso District. This concentration of research reflects the district's significance: encircling Kampala and constituting Uganda's most populous local government, Wakiso combines a dense SACCO population with a membership whose peri-urban economic profile differs markedly from the agrarian membership that characterises SACCOs elsewhere.

The theoretical framing of the SACCO governance problem is contested in ways that matter for this study's design. Mwebaze (2026) draws on both Agency Theory and Stewardship Theory, and the pairing is not merely conventional. Agency theory presumes that agents will pursue self-interest absent monitoring, predicting that stronger controls improve performance. Stewardship theory contests this behavioural premise, holding that managers are frequently motivated by professional achievement and organisational success, and predicting that excessive monitoring imposes cost and signals distrust(Ntirandekura et al., 2022). In a cooperative the tension is acute, since board members are typically unpaid members serving their own society, which is the configuration stewardship theory describes, while the documented record of embezzlement (Sarah and Audrey, 2024, cited in Ivan et al., 2025) is the configuration agency theory predicts. Which theory better describes the Ugandan SACCO is an empirical question this study addresses.

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1.1 Problem Statement

SACCOs in Wakiso District are required, under the Tier 4 Microfinance Institutions and Money Lenders Act, 2016 and the SACCO Regulations made thereunder, to maintain functioning boards, supervisory committees, internal controls, and transparent reporting, and to meet prudential thresholds including core capital of ten per cent of total assets and liquid assets of fifteen per cent of savings and short-term liabilities (UMRA, 2021). The ideal situation is a society in which the board exercises informed oversight, in which controls prevent misappropriation, in which members receive accurate information and exercise meaningful accountability at general meetings, and in which the institution consequently generates surpluses, remains operationally self-sufficient, maintains portfolio quality, and grows its savings and membership base(F. Christopher & Shamirah, 2025).

The prevailing situation departs from this ideal in ways the Ugandan literature documents with precision. Persistent governance failures, financial mismanagement, and institutional collapse have undermined public confidence and limited the sector's developmental impact (Mwebaze, 2026). At least 25 per cent of SACCOs struggle with loan default rates exceeding 40 per cent, attributed to weak internal controls and poor credit risk management (Derrick et al., 2023, cited in Ivan et al., 2025). Most SACCOs lack fundamental internal control elements including regular audits, segregation of duties, and financial reconciliation mechanisms (Racheal, Kazaara et al., 2023, cited in Ivan et al., 2025). Embezzlement, inadequate financial reporting, and poor leadership continue to hinder financial sustainability (Sarah and Audrey, 2024, cited in Ivan et al., 2025). The Ministry of Finance has attributed reputational damage in the microfinance industry to rampant fraud in SACCOs (Ministry of Finance, Planning and Economic Development, 2018), and UMRA has noted that some SACCOs continue to operate in contravention of the licensing requirement (UMRA, 2021).

Should this situation persist, the consequences compound. A default rate above 40 per cent converts the society's principal earning asset into a loss, since the savings that funded the loans continue to accrue interest payable while the loans generate nothing, and no institution survives this arithmetic indefinitely(Alex & Moses, 2024). Embezzlement in a member-funded institution expropriates the savings of the poor by the officers they elected, which is a betrayal of a distinctive kind and which explains why the resulting loss of confidence is not merely commercial but civic. Institutional collapse excludes from formal finance precisely the low-income earners, smallholder farmers, and informal sector workers whom SACCOs exist to serve (Ivan et al., 2025), returning them to moneylenders whose terms the cooperative movement was founded to escape. Most consequentially, in a sector of over 9,000 institutions (Ivan et al., 2025), the failure of a substantial minority discredits the model itself.

While SACCO governance in Wakiso District has attracted scholarly attention, three gaps motivate this study. First, the existing Wakiso research has concentrated on internal controls as a single construct (Ivan et al., 2023), which cannot establish whether controls dominate the broader governance architecture of which they form part, or whether board effectiveness, transparency, and member participation contribute comparably. Second, Mwebaze (2026) drew

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on both Agency Theory and Stewardship Theory without the disaggregation that would permit their competing predictions to be tested against one another, since agency theory predicts control dominance while stewardship theory predicts that board quality and member trust matter more. Third, the sector evidence attributes default to weak internal controls and poor credit risk management (Derrick et al., 2023, cited in Ivan et al., 2025) without establishing the relative magnitude of control failure against other governance failures, which cannot guide the allocation of scarce governance improvement effort. This study addresses these gaps.

1.2 Main Objective

The main objective of the study was to examine the relationship between corporate governance practices and the financial performance of SACCOs in Wakiso District, Uganda.

1.3 Specific Objectives

i. To examine the relationship between board composition and effectiveness and the financial performance of SACCOs in Wakiso District.

ii. To assess the relationship between internal control and audit systems and the financial performance of SACCOs in Wakiso District.

iii. To determine the relationship between transparency and disclosure and the financial performance of SACCOs in Wakiso District.

iv. To establish the relationship between member participation and accountability and the financial performance of SACCOs in Wakiso District.

2.0 Literature Review

2.1 Theoretical Framework

The study is anchored in agency theory and stewardship theory, the pairing that Mwebaze (2026) employed in examining corporate governance and financial performance among SACCOs in Wakiso District, complemented by cooperative theory. Agency theory, formalised by Jensen and Meckling, conceives the firm as a nexus of contracts in which the separation of ownership from control generates agency costs comprising monitoring expenditure, bonding expenditure, and residual loss, and holds that governance mechanisms exist to constrain the divergence between agent conduct and principal interest(Brian et al., 2024). Its application to SACCOs requires an important adaptation, since the relevant conflict is not primarily between owners and managers but among members occupying incompatible roles: a member as depositor requires that loans be recovered, while the same member as borrower prefers forbearance, and the credit committee adjudicating between them is composed of members who are neighbours to both(Alex & Moses, 2024). The theory predicts that control mechanisms increasing the probability of detection and the certainty of consequence will improve performance, and the documented Ugandan evidence supports this prediction directly, since default exceeding 40 per cent is attributed to weak internal controls and poor credit risk management (Derrick et al., 2023, cited in Ivan et al., 2025).

Stewardship theory contests the behavioural premise, holding that managers and directors are frequently motivated by achievement, responsibility, and the intrinsic satisfaction of organisational success rather than by opportunism, and that excessive monitoring imposes costs and signals a distrust that becomes self-fulfilling(Deus, 2023). The theory's relevance to cooperatives is substantial and is frequently underestimated: SACCO board members are typically unpaid members serving societies in which their own savings are at risk, which is precisely the configuration in which stewardship motivations should dominate, since the steward's interest is aligned by ownership rather than by contract. Yet the documented record of embezzlement and financial mismanagement (Sarah and Audrey, 2024, cited in Ivan et al., 2025) indicates that stewardship cannot be assumed. The productive reading is not that one theory is correct but that the two describe different SACCOs, and that the sector's bifurcation between well-governed societies and collapsing ones may be precisely the bifurcation between stewardship and agency conditions(Julius & Matovu, 2025).

Cooperative theory supplies the account of the member-owner-borrower configuration that neither corporate theory anticipates(Faridah et al., 2023). The cooperative principles of democratic member control, member economic participation, and autonomy establish that a SACCO is not a firm with members but an association whose economic activity is incidental to its associational form(Sophie & Crispus, 2024). This has a governance consequence of the first importance: accountability runs to members exercising one vote each irrespective of shareholding, which means that a large depositor has no more governance power than a small borrower, and that the discipline which shareholding confers in a corporation is structurally absent(Promise et al., 2024). The theory predicts that member participation should therefore be a critical governance mechanism, since it is the only one members possess, which is directly testable in this study.

2.2 Board Composition and Effectiveness and Financial Performance

Board composition and effectiveness encompasses board size, the skills and financial literacy of directors, meeting frequency, committee functioning, and the board's willingness to challenge management. Bawaneh (2020, cited in Ivan et al., 2025) examined the impact of corporate governance on financial institutions' performance through a board composition case, establishing the dimension's relevance to financial institution outcomes. Ugandan evidence has examined board mechanisms specifically: research on board assurance and financial performance of SACCOs in Kiruhura District, using structural equation modelling with 184 respondents from six registered SACCOs against a population of 342, found that board assurance significantly improved financial management with a coefficient of 0.343, concluding that the more a SACCO's board took responsibility for decisions and communicated them to stakeholders, the better the society performed financially (Aheebwa et al., 2024). Marus et al. (2021, cited in Aheebwa

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et al., 2024) examined corporate governance and firms' financial performance among private business enterprises in Uganda from a Lira City perspective. The theoretical qualification is that board effectiveness in a cooperative is constrained by the pool from which directors are drawn, since a society's board is elected from its membership, and a membership of smallholders and informal traders may not contain the financial expertise that oversight of a lending institution requires(Alex & Julius, 2024).

2.3 Internal Control and Audit Systems and Financial Performance

Internal control and audit systems encompass segregation of duties, authorisation hierarchies, reconciliation, risk assessment, monitoring, and internal and external audit(Alex et al., 2023). This dimension has attracted the most sustained Ugandan attention and yields the strongest evidence. Ivan et al. (2023) examined internal controls and financial performance of SACCOs in Wakiso District. Ivan et al. (2024) examined the same relationship in Bushenyi District, noting that the study would guide policy formulation and that regulatory bodies including the Association of Microfinance Institutions in Uganda and the Uganda Cooperative Alliance could use the findings to advise government on policies promoting vibrant and well-functioning SACCOs. Comparable research examined internal controls and financial performance of SACCOs in Moyo District (Ivan et al., 2024) and in Mukono District (Ivan et al., 2025). The sector evidence identifies the mechanism directly: at least 25 per cent of SACCOs struggle with default exceeding 40 per cent, attributed to weak internal controls and poor credit risk management, while most SACCOs lack regular audits, segregation of duties, and financial reconciliation mechanisms (Derrick et al., 2023; Racheal, Kazaara et al., 2023, cited in Ivan et al., 2025), and over 35 per cent of SACCOs in Mukono recorded losses linked to inadequate controls (Lydia et al., 2023, cited in Ivan et al., 2025). The convergence of these findings across multiple Ugandan districts constitutes unusually strong evidence for a single governance dimension.

2.4 Transparency and Disclosure and Financial Performance

Transparency and disclosure encompass the accuracy and timeliness of financial reporting, the availability of accounts to members, and disclosure of related-party lending and insider transactions(David et al., 2023). The theorised mechanism is that informed members can hold officers accountable while uninformed members cannot, so that disclosure is the precondition of the democratic control that cooperative principles establish. The Ugandan evidence identifies the deficit: inadequate financial reporting is named among the challenges hindering SACCO financial sustainability (Sarah and Audrey, 2024, cited in Ivan et al., 2025), and Mwebaze (2026) complemented questionnaire data with financial statement analysis spanning 2018 to 2022, an approach presupposing that statements exist and are reliable, which the sector evidence suggests cannot be assumed. The theoretical qualification is significant: disclosure operates through market or member discipline, and in a cooperative whose members possess limited financial literacy, disclosure may produce documents that no one can interpret, so that transparency is achieved formally without generating the accountability it exists to enable(Faridah et al., 2023).

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2.5 Member Participation and Accountability and Financial Performance

Member participation and accountability encompasses attendance at annual general meetings, engagement in elections, scrutiny of accounts, and the exercise of the democratic control that cooperative principles establish(T. Christopher & Nelson, 2024). The theorised mechanism is that members are the ultimate principals and their vigilance is the ultimate control, since a board that faces informed members behaves differently from one that faces empty chairs. Davis (2024) examined the relationship between corporate governance and sustainability of SACCOs in Nansana Municipality, Wakiso District, and Mwebaze (2026) administered questionnaires to members alongside board members and managers, recognising members as governance actors rather than merely as customers. The empirical difficulty is that participation is frequently ceremonial: attendance at general meetings is often low, the accounts presented are frequently unintelligible to those present, and elections often return incumbents unopposed. The theory therefore predicts a dimension whose potential is substantial and whose realisation is weak, which is a pattern this study can test.

2.6 Research Gap

The reviewed literature establishes that internal controls bear a strong relationship to SACCO financial performance across multiple Ugandan districts (Ivan et al., 2023; 2024; 2025) and that governance failures are widespread and quantified (Derrick et al., 2023; Racheal, Kazaara et al., 2023, cited in Ivan et al., 2025). Three gaps motivate this study. First, Wakiso research has examined internal controls in isolation (Ivan et al., 2023) rather than within the governance architecture of which they form part. Second, the agency-stewardship pairing that Mwebaze (2026) employed has not been tested through disaggregation permitting their competing predictions to be compared. Third, the relative magnitude of control failure against board, transparency, and participation failure remains unestablished, which cannot guide the allocation of governance improvement effort. This study addresses these gaps.

3.0 Methodology

3.1 Research Philosophy and Design

The study adopted a positivist research philosophy, premised on the position that governance practices and financial performance exist independently of the researcher and can be apprehended through systematic measurement. A correlational cross-sectional research design was employed, following the design that Mwebaze (2026) adopted in examining corporate governance and financial performance among SACCOs in Wakiso District, and consistent with the cross-sectional methodology employed by Ivan et al. (2023) in the same district. This design measures variables and assesses their statistical relationships without manipulation, and the cross-sectional structure permits data collection at a single point from a defined population within available resources.

Two limitations warrant statement. First, temporal precedence cannot be established, and the governance-performance relationship is plausibly bidirectional, since a well-performing SACCO can afford the audit that a struggling one

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cannot, so that controls may follow performance as readily as producing it. Findings are accordingly interpreted as associations. Second, financial performance was measured perceptually rather than through audited statements, a decision necessitated by the requirement for within-population variation across respondents; the approach differs from Mwebaze (2026), who complemented questionnaires with financial statement analysis spanning 2018 to 2022, and that triangulation would strengthen the present design were reliable statements uniformly available, which the sector evidence on inadequate financial reporting (Sarah and Audrey, 2024, cited in Ivan et al., 2025) suggests they are not.

3.2 Study Population and Sample

The target population comprised 312 individuals with direct engagement in the governance of SACCOs registered and operating within Wakiso District, distributed across board members, supervisory committee members, credit committee members, managers, accounts staff, and loans officers. This population definition follows Mwebaze (2026), who administered structured questionnaires to board members, managers, and members of 28 registered SACCOs in the district. The population was bounded by the criterion of informed visibility, since respondents were required to assess whether audits occur and whether duties are segregated, judgements presupposing participation in governance processes.

A sample of 218 was determined using the Krejcie and Morgan table for a population of 312 at 95 per cent confidence and 5 per cent margin of error. Stratified random sampling was employed with strata defined by governance role, which was essential because vantage points differ systematically and in ways central to the agency-stewardship question this study addresses: board members assess their own oversight, supervisory committee members assess controls they administer, and accounts staff assess controls to which they are subject. A board member and a cashier would describe the same segregation of duties differently, and both accounts are necessary.

Stratum	Population	Sample	Technique
Board members	84	59	Stratified random
Supervisory committee members	51	36	Stratified random
Credit committee members	47	33	Stratified random
Managers	29	20	Stratified random
Accounts staff	56	39	Stratified random
Loans officers	45	31	Stratified random
Total	312	218	

3.3 Data Collection Instrument

Data were collected using a structured questionnaire, following the instrument type employed by Mwebaze (2026) and Ivan et al. (2023) in comparable Wakiso District SACCO research. Section A captured demographic and institutional characteristics including gender, age, education, professional qualification, SACCO of affiliation, governance role, and tenure. Section B measured the four governance dimensions: board composition and

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effectiveness through ten items covering size, skills and financial literacy, meeting frequency, committee functioning, and challenge of management; internal control and audit systems through twelve items covering segregation of duties, authorisation, reconciliation, risk assessment, monitoring, and internal and external audit, dimensions informed by the control elements that Racheal, Kazaara et al. (2023, cited in Ivan et al., 2025) identified as commonly absent; transparency and disclosure through eight items covering reporting accuracy and timeliness, availability of accounts to members, and related-party disclosure; and member participation and accountability through eight items covering general meeting attendance, election engagement, scrutiny of accounts, and perceived member influence. Section C measured financial performance through thirteen items spanning profitability, operational self-sufficiency, loan portfolio quality, and growth in savings and membership, a construct informed by the loan portfolio quality and operational self-sufficiency indicators that Mwebaze (2026) identified. All substantive items employed a five-point Likert scale. Items were aligned to the regulatory vocabulary of the Tier 4 framework, including core capital, liquid assets, and supervisory committee as defined by UMRA (2021), and to cooperative terminology including annual general meeting and member.

3.4 Validity and Reliability

Content validity was established through expert review by two accounting and governance academics and three practitioners including a SACCO manager, a district cooperative officer, and an external auditor with cooperative sector experience, yielding a Content Validity Index of 0.88. Construct validity was assessed through exploratory factor analysis using principal components extraction with varimax rotation, an approach consistent with the principal component analysis employed by Ivan et al. (2023) in Wakiso District SACCO research; the Kaiser-Meyer-Olkin measure of sampling adequacy was 0.849 and Bartlett's test of sphericity was significant, confirming factorability. Items loading below 0.50 or cross-loading substantially were removed, and the retained solution reproduced the hypothesised five-factor structure.

Reliability was assessed through Cronbach's alpha computed on a pilot of 30 respondents drawn from SACCOs in a neighbouring district and excluded from the main study, yielding 0.834 for board composition and effectiveness, 0.891 for internal control and audit systems, 0.812 for transparency and disclosure, 0.796 for member participation and accountability, and 0.906 for financial performance, all exceeding the 0.70 threshold. Common method bias was addressed procedurally through anonymity assurance and item order mixing, and statistically through Harman's single-factor test, in which the first unrotated factor accounted for 30.9 per cent of variance, below the 50 per cent threshold indicating problematic bias.

3.5 Data Analysis

Completed questionnaires were screened for completeness, coded, and entered into IBM SPSS version 26, following the SPSS-based analytical approach employed by Ivan et al. (2023) in comparable Wakiso District research.

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Descriptive statistics summarised respondent characteristics and variable distributions, with mean interpretation guided by a scale in which 1.00 to 1.80 denotes very low, 1.81 to 2.60 low, 2.61 to 3.40 moderate, 3.41 to 4.20 high, and 4.21 to 5.00 very high. Pearson product-moment correlation established the strength and direction of bivariate relationships, and multiple linear regression estimated the joint and relative contributions of the four dimensions. Regression assumptions were tested through Shapiro-Wilk statistics and normal probability plots for normality, scatterplots of standardised residuals for linearity and homoscedasticity, variance inflation factors for multicollinearity, and the Durbin-Watson statistic for independence of errors(Nelson et al., 2022).

3.6 Ethical Considerations

Ethical clearance was obtained from the relevant institutional review committee and administrative permission was secured from participating SACCO management and from the office of the District Commercial Officer, Wakiso. Given that the study enquired into governance weaknesses in a sector where embezzlement is documented (Sarah and Audrey, 2024, cited in Ivan et al., 2025) and where a respondent's report of absent segregation of duties could implicate colleagues or superiors, anonymity protection was treated as paramount: no identifying information was recorded, responses were not attributable to individuals or to named SACCOs, questionnaires were returned through sealed collection boxes, and data were stored securely with access restricted to the researcher. No confidential financial records were solicited, and no responses were shared with SACCO boards, with UMRA, or with any third party, a protection disclosed explicitly during consent so that respondents could report candidly on the governance of societies in which they hold office. Participation was voluntary with the right of withdrawal and no inducements were offered.

4.0 Results

4.1 Response Rate

Of 218 questionnaires distributed, 213 were returned and 210 were usable after screening, yielding an effective response rate of 96.3 per cent. This substantially exceeds the threshold conventionally regarded as adequate and is comparable to the 92.9 per cent rate that Ivan et al. (2023) achieved with 210 of 226 respondents in Wakiso District SACCO research. The high rate is attributable to management endorsement, on-site administration, the compact district geography, and the professional relevance of governance to the respondent population.

4.2 Descriptive Statistics

Variable	N	Min	Max	Mean	Std. Dev	Interpretation
Board composition and effectiveness	210	1.90	4.80	3.47	0.684	High
Internal control and audit systems	210	1.25	4.75	2.63	0.849	Moderate
Transparency and disclosure	210	1.38	4.75	2.91	0.792	Moderate
Member participation and accountability	210	1.13	4.63	2.38	0.867	Low

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Financial performance	210	1.46	4.69	2.84	0.771	Moderate

Source: Primary Data, 2025

The descriptive results presented a portrait consistent with the sector evidence and diagnostically revealing. Board composition and effectiveness recorded the highest mean of 3.47, in the high band, with the smallest standard deviation of 0.684, indicating both the most favourably rated dimension and the greatest consensus. This pattern is intelligible: board existence and composition are the governance elements most visible, most prescribed by the cooperative constitution, and most readily verified, since a board either meets or does not and its membership is a matter of record. The rating warrants caution rather than celebration, however, since the literature distinguishes formal from substantive board effectiveness, and a board that convenes as constituted may nonetheless lack the financial expertise that oversight of a lending institution requires, given that directors are elected from a membership of smallholders and informal traders rather than recruited for competence.

Transparency and disclosure recorded a mean of 2.91, in the moderate band, with a standard deviation of 0.792. This rating corroborates the sector finding that inadequate financial reporting is among the challenges hindering SACCO financial sustainability (Sarah and Audrey, 2024, cited in Ivan et al., 2025). The interpretation warranted is of reporting that occurs but that neither reaches nor informs members reliably, which is the condition in which transparency is achieved formally while the accountability it exists to enable is not.

Internal control and audit systems recorded a mean of 2.63, at the lower boundary of the moderate band, with a wide standard deviation of 0.849. This finding corroborates the Ugandan sector evidence with striking precision: a performance audit revealed that most SACCOs lacked fundamental internal control elements such as regular audits, segregation of duties, and financial reconciliation mechanisms (Racheal, Kazaara et al., 2023, cited in Ivan et al., 2025), and a low-moderate rating on a control dimension is exactly what that finding predicts. The wide dispersion is diagnostically important, indicating that control practice varies markedly across societies, which points to institutional rather than environmental determinants and implies that better practice is achievable within the same district. This bifurcation is theoretically significant, since it is consistent with the proposition advanced in the literature review that the sector divides between societies in which stewardship conditions obtain and those in which agency conditions do.

Member participation and accountability recorded the lowest mean of 2.38, in the low band, with the largest standard deviation of 0.867, marking it as both the weakest and the most contested dimension. This finding merits emphasis because it concerns the governance mechanism that cooperative principles establish as fundamental. A cooperative is constituted on democratic member control, in which each member holds one vote irrespective of shareholding, and member vigilance is therefore the ultimate accountability mechanism, since no other principal exists. A low rating on this dimension indicates that the mechanism on which the cooperative form structurally depends is the one least in operation, which is not a peripheral weakness but a failure at the form's foundation. The likely constituents are low

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general meeting attendance, accounts presented in a form members cannot interpret, and elections returning incumbents unopposed.

Financial performance recorded a mean of 2.84, in the moderate band, sitting below board effectiveness and transparency but above controls and participation. The configuration is consistent with a sector in which the visible governance elements are in place and the operative ones are not, which is precisely the condition the sector evidence describes in documenting default rates above 40 per cent in a quarter of SACCOs alongside boards that formally exist (Derrick et al., 2023, cited in Ivan et al., 2025).

4.3 Correlation Analysis

Variable	**1**	**2**	**3**	**4**	**5**
1. Board composition and effectiveness	1				
2. Internal control and audit systems	.571**	1			
3. Transparency and disclosure	.538**	.612**	1		
4. Member participation and accountability	.462**	.487**	.554**	1	
5. Financial performance	.651**	.724**	.578**	.516**	1

Note: ** Correlation is significant at the 0.01 level (2-tailed), N = 210.

Source: Primary Data, 2025

All four governance dimensions correlated positively and significantly with financial performance at the one per cent level, providing consistent support for the proposition that governance bears a real relationship to SACCO outcomes and corroborating the general finding of Mwebaze (2026) in the same district. The uniformity of significance indicates that no dimension is merely ceremonial in the sense of bearing no relationship whatsoever to performance, though the ordering carries the analytical weight. Internal control and audit systems exhibited the strongest association with financial performance at $r = 0.724$, sharing approximately 52.4 per cent of variance. This is the study's headline correlational finding and it corroborates directly the sustained Ugandan evidence on this dimension, including Ivan et al. (2023) in Wakiso District itself and comparable findings across Bushenyi, Moyo, and Mukono districts (Ivan et al., 2024; 2025). The mechanism is arithmetically direct and the sector evidence specifies it: at least 25 per cent of SACCOs struggle with default rates exceeding 40 per cent attributed to weak internal controls and poor credit risk management (Derrick et al., 2023, cited in Ivan et al., 2025), and a loan not recovered generates no income while the savings that funded it continue to accrue interest payable, so that control failure converts an earning asset into a loss-making one in a single movement. The magnitude of this coefficient constitutes strong evidence for the agency-theoretic prediction over the stewardship alternative, since it indicates that detection and consequence rather than intrinsic motivation determine performance.

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Board composition and effectiveness recorded the second strongest association at r = 0.651, in the strong range. This corroborates the Kiruhura District finding that board assurance significantly improved SACCO financial management with a coefficient of 0.343, and that the more a board took responsibility for decisions and communicated them to stakeholders the better the society performed (Aheebwa et al., 2024). The interpretation requires care, since boards do not themselves appraise loans; the mechanism is better understood as enabling, since it is the board that establishes the control environment, appoints and supports the supervisory function, and determines whether a credit committee that declines a member's application is backed or overruled. The substantial inter-correlation between board effectiveness and internal controls at r = 0.571 supports this reading, indicating that where boards are effective, controls are stronger.

Transparency and disclosure correlated at r = 0.578, a moderate to strong association ranked third despite this dimension recording a higher implementation mean than controls. This divergence between implementation and association is analytically interesting and admits a theoretically grounded explanation. Disclosure operates through member discipline, and in a cooperative whose members possess limited financial literacy, disclosure produces documents that few can interpret, so that transparency is achieved formally without generating the accountability that would discipline conduct. Reporting describes what happened; controls determine what happens, and the coefficient ordering reflects that distinction.

Member participation and accountability recorded the weakest association at r = 0.516, though this remained moderate and highly significant. Read alongside the descriptive finding that this is the weakest implemented dimension at a mean of 2.38, the coefficient is very likely attenuated by restricted variance at the low end, since a mechanism that is uniformly weak cannot express its potential through variation(Nelson et al., 2023). The theoretical case that member participation matters is strong, since it is the only accountability mechanism the cooperative form structurally provides, and the coefficient should be read as a floor rather than a measure of its importance.

4.4 Regression Analysis

Model Summary			
R	R Square	Adjusted R Square	Std. Error
.758	.574	.566	.5081

ANOVA	**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
Regression	71.204	4	17.801	68.94	.000
Residual	52.929	205	0.258		
Total	124.133	209			

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Predictor	**B**	**Std. Error**	**Beta**	**T**	**Sig.**	**VIF**
(Constant)	0.376	0.214		1.757	.080	
Board composition and effectiveness	0.312	0.062	.277	5.032	.000	1.586
Internal control and audit systems	0.347	0.057	.382	6.088	.000	1.812
Transparency and disclosure	0.148	0.058	.152	2.552	.011	1.698
Member participation and accountability	0.126	0.051	.142	2.471	.014	1.487

Dependent Variable: Financial Performance. Durbin-Watson = 1.912.

Source: Primary Data, 2025

The regression model was highly significant, $F(4, 205) = 68.94$, $p < 0.001$, establishing that the four governance dimensions jointly predict financial performance. The coefficient of determination of 0.574 indicates that the model explains 57.4 per cent of the variance in financial performance, with the adjusted value of 0.566 confirming robustness. The unexplained 42.6 per cent reflects factors outside the model, plausibly including the competence and stability of staff, information systems, the economic circumstances of a peri-urban membership, competition from mobile money and village savings associations, capital adequacy against the UMRA thresholds of ten per cent core capital and fifteen per cent liquid assets (UMRA, 2021), and the macroeconomic environment. Diagnostics supported the model: variance inflation factors ranged from 1.487 to 1.812, well below the threshold of concern, and the Durbin-Watson statistic of 1.912 approximated the ideal value of 2(Nelson et al., 2023).

Internal control and audit systems emerged as the strongest predictor with a standardised coefficient of 0.382, significant at $p < 0.001$, the largest marginal effect in the model. Its retention of dominance after controlling for board effectiveness, transparency, and participation demonstrates an independent contribution not reducible to its association with board quality. This is the study's central substantive finding and it resolves the agency-stewardship question that Mwebaze (2026) posed but did not test comparatively: controls dominate, which is the agency-theoretic prediction, and the stewardship expectation that unpaid member-directors would be motivated by intrinsic commitment rather than requiring monitoring is not supported. The finding corroborates the sustained Ugandan control literature (Ivan et al., 2023; 2024; 2025) and it specifies the remedy for the documented sector failure in which 25 per cent of SACCOs carry default above 40 per cent attributed to weak internal controls (Derrick et al., 2023, cited in Ivan et al., 2025).

The practical significance is amplified by the descriptive result: internal controls are simultaneously among the weakest implemented dimensions at a mean of 2.63 and the strongest predictor, which identifies the largest reservoir of unexploited improvement capacity, since marginal returns are greatest where implementation is lowest. That most SACCOs lack regular audits, segregation of duties, and reconciliation (Racheal, Kazaara et al., 2023, cited in Ivan et al., 2025) therefore describes both the sector's principal deficiency and its principal opportunity.

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Board composition and effectiveness was the second strongest predictor with a beta of 0.277, significant at $p < 0.001$. Its substantial independent contribution, persisting after controls are held constant, indicates that boards influence performance through channels beyond establishing the control environment, plausibly including strategic direction, the appointment and supervision of management, and the credibility conferred on the supervisory function when it challenges a borrower who is also a member and a neighbour. This corroborates Aheebwa et al. (2024) on board assurance in Kiruhura District and Bawaneh (2020, cited in Ivan et al., 2025) on board composition and financial institution performance.

Transparency and disclosure recorded a beta of 0.152, significant at $p = 0.011$, ranking third despite recording a higher implementation mean than internal controls. This inversion between implementation and effect supports the interpretation advanced above: disclosure is retrospective and operates through member discipline that a financially unsophisticated membership cannot exercise, so that reports are produced without producing accountability. The finding does not indicate that transparency is unimportant but that its mechanism is blocked downstream, and it implies that disclosure improvement absent member financial literacy would generate documents rather than discipline.

Member participation and accountability recorded the smallest beta at 0.142, significant at $p = 0.014$. Read against its descriptive standing as the weakest dimension at a mean of 2.38, this modest coefficient carries an implication its rank might obscure. A mechanism that is both the weakest implemented and a significant independent predictor represents unexploited capacity, and its theoretical standing is exceptional, since democratic member control is the accountability mechanism on which the cooperative form is constituted and the only one members possess. The finding that the form's foundational mechanism is its weakest in practice is the study's most sobering result, and it suggests that Ugandan SACCOs are operating as lending institutions with cooperative constitutions rather than as cooperatives. The regression equation may be expressed as FP = 0.376 + 0.312(BCE) + 0.347(ICAS) + 0.148(TD) + 0.126(MPA).

5.0 Conclusion and Recommendations

The study concludes that corporate governance exerts a substantial and statistically significant influence on the financial performance of SACCOs in Wakiso District, jointly explaining 57.4 per cent of variance. Internal control and audit systems dominate while being among the weakest implemented dimensions, which identifies both the sector's principal deficiency and its principal opportunity and corroborates the sustained Ugandan control literature (Ivan et al., 2023; 2024; 2025). Board effectiveness contributes substantially as an enabling condition. Transparency, despite higher implementation, contributes modestly because its member-discipline mechanism is blocked by financial literacy constraints. Member participation, the mechanism on which the cooperative form is constitutionally founded, is the weakest in practice. The findings support the agency-theoretic prediction over the stewardship alternative that Mwebaze (2026) juxtaposed.

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It is recommended that SACCOs in Wakiso District treat internal control strengthening as the priority, since it combines the strongest effect with weak implementation. This should begin with the three elements that a national performance audit identified as commonly absent, namely regular audits, segregation of duties, and financial reconciliation mechanisms (Racheal, Kazaara et al., 2023, cited in Ivan et al., 2025), since these are foundational rather than advanced and their absence explains the default rates above 40 per cent that afflict a quarter of the sector (Derrick et al., 2023, cited in Ivan et al., 2025). Audit must be followed up, since a finding issued and ignored is documentation rather than control. Credit risk management should be systematised through documented appraisal criteria applied uniformly and delinquency follow-up triggered by defined ageing thresholds, so that recovery is procedural rather than discretionary and the officer pursuing a fellow member acts under institutional instruction. Board capability should be strengthened through director training in financial literacy and oversight, recognising that a board elected from a membership of smallholders and informal traders will not contain such expertise unless it is deliberately built. Member participation should be revived rather than merely convened, which requires presenting accounts in a form members can interpret, since a general meeting at which unintelligible statements are tabled discharges a legal duty without creating accountability. Finally, SACCOs operating without UMRA licences should regularise, since the Authority has noted continued operation in contravention of the Act (UMRA, 2021), and compliance with the prudential thresholds of ten per cent core capital and fifteen per cent liquid assets (UMRA, 2021) supplies an external discipline that internal governance has demonstrably struggled to provide.

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