

Influence of Financial Transparency on Financial Performance of Deposit-Taking SACCOs in Kenya: The Moderating Role of Firm Size

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Abstract— This study examined the influence of financial transparency on the financial performance of Deposit-Taking Savings and Credit Cooperative Societies (DT-SACCOs) in Kenya, with a particular focus on the moderating role of SACCO size. Drawing on Agency Theory, Stakeholder Theory, and Resource Dependence Theory, the study adopted a mixed-method explanatory design involving 221 respondents drawn from 123 DT-SACCOs regulated by the SACCO Societies Regulatory Authority (SASRA). Quantitative data were analysed using correlation and regression techniques, while qualitative insights were used to contextualise statistical outcomes. Findings revealed that financial transparency has a strong and statistically significant positive effect on financial performance ($r = 0.844$, $p < 0.001$), explaining 71.1% of performance variation ($R^2 = 0.711$). However, interaction analysis indicated that SACCO size significantly moderates this relationship, with larger SACCOs exhibiting reduced marginal benefits from transparency due to increased structural complexity. The study concludes that financial transparency is a critical governance driver of financial performance, but its effectiveness depends on institutional scale. Policy implications emphasise differentiated governance frameworks based on SACCO size to enhance efficiency, accountability, and sustainability in Kenya's cooperative financial sector.

Keywords— Financial transparency, financial performance, SACCO size, corporate governance, Kenya, DT-SACCOs

I. INTRODUCTION

Deposit-Taking Savings and Credit Cooperative Societies (DT-SACCOs) constitute a critical pillar within Kenya's financial ecosystem, particularly in advancing financial inclusion among low- and middle-income populations. By mobilizing savings and extending credit facilities, DT-SACCOs bridge the financing gap that often excludes underserved households and micro, small, and medium enterprises (MSMEs) from formal banking systems (SASRA, 2023; World Bank, 2020). Their member-owned structure and community-based orientation position them uniquely within the cooperative finance model, enabling them to reinvest surpluses back to members in the form of dividends, affordable loans, and social development programs. Over the past decade, the sector has experienced substantial growth in both membership base and asset accumulation, reflecting increasing public trust and demand for cooperative financial services in Kenya (SASRA, 2025).

Despite this expansion, the financial performance of DT-SACCOs has remained inconsistent. While key prudential indicators such as capital adequacy and liquidity ratios have generally remained within regulatory thresholds, other performance measures including return on assets (ROA), return on equity (ROE), loan portfolio quality, and cost efficiency have demonstrated fluctuating and, in some cases, declining

trends (SASRA, 2023; SASRA, 2025). Notably, the persistence of non-performing loans (NPLs) above the recommended benchmark continues to exert pressure on profitability and liquidity stability within the sector. These challenges suggest that growth in asset base and membership has not been fully matched by corresponding improvements in operational efficiency and financial sustainability. Consequently, concerns have been raised regarding the underlying governance mechanisms that influence financial outcomes in these institutions.

Corporate governance has been widely recognized as a fundamental determinant of financial performance in financial institutions, including cooperative societies (OECD, 2019; Shleifer & Vishny, 1997). Governance systems define the structures and processes through which organizations are directed and controlled, ensuring accountability, transparency, and alignment of managerial actions with member interests (Jensen & Meckling, 1976). Within the DT-SACCO context, governance is operationalized through mechanisms such as board oversight, internal control systems, risk management frameworks, and financial transparency practices. Among these dimensions, financial transparency has emerged as particularly significant due to its role in reducing information asymmetry between management and members, thereby strengthening accountability and trust (Armstrong et al., 2016).

Financial transparency refers to the extent to which organizations disclose accurate, timely, and comprehensible financial information to stakeholders, enabling informed decision-making and effective oversight (OECD, 2019). In cooperative financial institutions, transparency is expected to enhance financial discipline, reduce agency conflicts, and improve resource allocation efficiency. Empirical studies have generally associated higher levels of transparency with improved financial outcomes, including profitability, liquidity stability, and reduced default risk (Farouk et al., 2022; Mugambi & Mwangi, 2021). However, the effectiveness of transparency mechanisms may not be uniform across institutions, as organizational characteristics such as size, governance capacity, and technological adoption may influence how financial information is processed and utilized.

In the context of DT-SACCOs, institutional size represents a particularly important structural factor that may moderate the relationship between financial transparency and financial performance. Larger SACCOs often possess more sophisticated governance structures, advanced digital systems, and greater access to financial and human resources, which may enhance their capacity to implement transparency mechanisms effectively (Wanyama & Kimani, 2021). Conversely, smaller SACCOs may face constraints related to limited technical capacity, weaker internal systems, and less formalized reporting structures, potentially affecting the quality and impact of financial disclosures. As such, the interaction between financial transparency and institutional size presents an important analytical dimension in understanding performance variation within the sector.

Although prior research has extensively examined corporate governance and financial performance in SACCOs, much of the literature has treated governance as a composite construct rather than disaggregating its individual components. Consequently, the specific contribution of financial transparency, as well as its conditional effect under varying institutional contexts, remains insufficiently explored. This gap is particularly relevant in emerging cooperative economies such as Kenya, where regulatory reforms by the SACCO Societies Regulatory Authority (SASRA) have strengthened disclosure requirements, yet performance disparities across institutions persist (SASRA, 2023). Therefore, a more nuanced investigation into how financial transparency influences financial performance, and how this relationship is shaped by SACCO size, is both theoretically and practically warranted.

Against this background, this study examines the influence of financial transparency on the financial performance of DT-SACCOs in Kenya, with particular emphasis on the moderating

role of SACCO size. By integrating agency theory, stakeholder theory, and resource dependence theory, the study provides a comprehensive framework for understanding how governance mechanisms translate into financial outcomes under varying institutional conditions. The findings are expected to contribute to both academic literature on cooperative governance and practical policy formulation aimed at strengthening the financial sustainability of DT-SACCOs in Kenya.

II. LITERATURE REVIEW AND THEORETICAL FOUNDATION

1. Financial Transparency and Financial Performance Literature Review and Theoretical Foundation

Financial Transparency and Financial Performance

Financial transparency is a fundamental governance construct that refers to the degree of openness, clarity, accuracy, and accessibility of financial information disclosed to stakeholders within an organization. It encompasses the timely publication of financial statements, disclosure of financial risks, clarity in reporting structures, and the availability of audit information for oversight purposes. In cooperative financial institutions such as Deposit-Taking Savings and Credit Cooperative Societies (DT-SACCOs), financial transparency plays a particularly critical role due to the member-owned structure of these organizations, where members simultaneously act as owners, clients, and oversight agents (OECD, 2019).

From a governance perspective, financial transparency is widely recognized as a mechanism for improving institutional accountability and strengthening trust between management and members. According to Armstrong et al. (2016), transparent financial reporting reduces information asymmetry, thereby enabling stakeholders to make informed decisions and effectively monitor managerial actions. In SACCO environments, where agency conflicts may arise due to separation between management and members, transparency becomes essential in mitigating opportunistic behavior and enhancing oversight effectiveness (Jensen & Meckling, 1976). Empirical literature consistently demonstrates a positive association between financial transparency and financial performance. Farouk et al. (2022) found that organizations with higher levels of financial disclosure tend to exhibit improved profitability and operational efficiency due to enhanced stakeholder confidence and reduced perceived risk. Similarly, Mugambi and Mwangi (2021) established that financial transparency in Kenyan SACCOs significantly improves liquidity management, member retention, and loan repayment behavior. This is largely attributed to the fact that transparent institutions foster stronger trust relationships, which translate

into increased member participation and higher savings mobilization.

In cooperative financial systems, transparency also contributes to improved governance discipline by encouraging compliance with regulatory standards and reducing incidences of financial misreporting. Regulatory bodies such as the SACCO Societies Regulatory Authority (SASRA) emphasize transparency as a key prudential requirement aimed at safeguarding member funds and ensuring institutional sustainability (SASRA, 2023). However, despite regulatory improvements, variations in transparency practices across SACCOs continue to influence differences in financial performance outcomes, suggesting that transparency alone may not be uniformly effective across all institutional contexts.

2. Theoretical Anchors

This study is anchored on three complementary theoretical frameworks, namely Agency Theory, Stakeholder Theory, and Resource Dependence Theory. These theories provide a multidimensional lens for understanding the relationship between financial transparency and financial performance in DT-SACCOs.

Agency Theory

Agency Theory, as developed by Jensen and Meckling (1976), explains the relationship between principals (members) and agents (managers) in organizations where decision-making authority is delegated. The theory posits that conflicts of interest may arise when managers pursue personal objectives that are not aligned with the interests of members, resulting in agency costs. In such contexts, financial transparency serves as a critical governance mechanism for reducing information asymmetry between principals and agents.

By ensuring open access to financial reports, audit findings, and performance indicators, transparency enhances monitoring efficiency and limits managerial discretion. Shleifer and Vishny (1997) further argue that effective disclosure mechanisms reduce the likelihood of managerial opportunism and improve resource allocation efficiency. In DT-SACCOs, where members rely on management for financial stewardship, transparency ensures that decisions regarding lending, investments, and expenditures are aligned with member interests, thereby improving financial performance outcomes.

Stakeholder Theory

Stakeholder Theory, advanced by Freeman (1984), extends the focus of organizational accountability beyond shareholders or members to include all parties affected by organizational activities, including regulators, employees, and the broader

community. Within this framework, financial transparency is viewed as a mechanism for enhancing accountability, inclusivity, and trust across diverse stakeholder groups.

Transparent financial reporting enables stakeholders to assess organizational performance, evaluate risks, and engage meaningfully in governance processes. In cooperative institutions such as SACCOs, stakeholder engagement is central to sustainability, as members actively participate in decision-making and oversight. According to OECD (2019), organizations that prioritize stakeholder-oriented transparency tend to achieve higher legitimacy and stronger institutional performance due to improved trust and collaboration.

In the DT-SACCO context, stakeholder theory suggests that transparency enhances communication between management and members, improves confidence in governance systems, and strengthens long-term financial stability through increased member participation and loyalty.

Resource Dependence Theory

Resource Dependence Theory (RDT), developed by Pfeffer and Salancik (1978), posits that organizations depend on external resources for survival and performance, and that access to such resources is influenced by organizational behavior and legitimacy. In this context, financial transparency serves as a strategic tool for attracting and maintaining critical resources such as member deposits, external financing, and regulatory support.

Transparent institutions are perceived as more credible and stable, thereby increasing their ability to attract financial resources and reduce uncertainty in stakeholder relationships. According to Hillman et al. (2009), organizations that effectively manage external dependencies through transparency are better positioned to secure long-term financial stability and operational resilience.

In DT-SACCOs, financial transparency enhances institutional legitimacy, which in turn improves access to liquidity and strengthens member confidence. This is particularly important in competitive financial environments where trust plays a central role in determining deposit mobilization and loan uptake. Consequently, transparency not only improves internal governance but also strengthens external resource acquisition capacity, leading to improved financial performance.

III. METHODOLOGY

1. Research Design

This study adopted a descriptive and explanatory research design to examine the influence of financial transparency on financial performance of Deposit-Taking Savings and Credit Cooperative Societies (DT-SACCOs) in Kenya, with particular emphasis on the moderating effect of SACCO size. The descriptive design was appropriate for providing a systematic and accurate profile of governance and financial performance characteristics within DT-SACCOs, while the explanatory design enabled the assessment of causal relationships among study variables (Saunders et al., 2019).

The integration of both descriptive and explanatory approaches aligns with positivist analytical traditions, allowing the study to quantify relationships between governance variables and financial outcomes while also providing structured interpretation of observed patterns. This approach is particularly suitable for financial governance research, where objective measurement of institutional performance and statistical testing of relationships are required (Creswell & Creswell, 2018).

2. Target Population and Sampling Procedure

The target population comprised all 178 licensed Deposit-Taking SACCOs in Kenya as regulated by the SACCO Societies Regulatory Authority (SASRA, 2025). These institutions represent the formal segment of cooperative financial institutions authorized to mobilize deposits and offer credit services.

From this population, 123 SACCOs were selected using stratified random sampling to ensure proportional representation across different asset sizes and regional classifications. Stratification was necessary due to heterogeneity in SACCO structure, governance capacity, and financial performance across tiers. This approach enhances representativeness and reduces sampling bias by ensuring that both large and small SACCOs are adequately captured in the analysis (Cochran, 1977).

3. Sample Size and Respondents

The study involved 221 respondents drawn from key governance positions within the selected SACCOs. These included Board members, Chief Executive Officers (CEOs), and Heads of Internal Audit or Risk Management. These categories were purposively selected due to their direct involvement in financial oversight, decision-making, and governance implementation.

The combination of organizational-level sampling (SACCOs) and respondent-level data collection ensured a multi-perspective approach to governance analysis, thereby improving the reliability and validity of findings (Etikan et al., 2016).

4. Data Collection Methods

Data were collected using structured questionnaires designed to capture standardized responses on financial transparency, financial performance, governance practices, and SACCO size. The questionnaire included both Likert-scale items and limited open-ended questions to enrich quantitative findings with contextual insights.

The use of structured questionnaires ensured consistency in measurement across respondents and facilitated statistical analysis of governance-performance relationships. Data collection followed ethical research procedures, including informed consent, confidentiality assurance, and voluntary participation.

5. Data Analysis Techniques

Data were analyzed using IBM SPSS Version 26, which provided robust tools for both descriptive and inferential statistical analysis. The analytical process was conducted in multiple stages. First, descriptive statistics such as means, frequencies, and standard deviations were used to summarize respondent characteristics and key study variables. This enabled the identification of patterns in financial transparency and performance indicators across DT-SACCOs. Second, Pearson correlation analysis was conducted to examine the strength and direction of relationships between financial transparency and financial performance. This step provided initial evidence of association among variables. Third, regression analysis was employed to determine the extent to which financial transparency predicts financial performance. This allowed for the quantification of the explanatory power of governance practices on financial outcomes.

Finally, hierarchical regression analysis was used to test the moderating effect of SACCO size on the relationship between financial transparency and financial performance. This method enabled stepwise inclusion of variables to assess changes in model fit and interaction effects, thereby providing a more nuanced understanding of contextual influences (Aiken & West, 1991).

6. Ethical Considerations

The study adhered to established ethical standards in social science research. Participation was voluntary, and respondents were assured of confidentiality and anonymity. Data were used

strictly for academic purposes, and no identifying information of SACCOs or respondents was disclosed. Ethical approval was obtained prior to data collection in accordance with institutional and regulatory research guidelines.

IV. RESULTS

1. Descriptive Findings on Financial Transparency

The empirical results on financial transparency among Deposit-Taking Savings and Credit Cooperative Societies (DT-SACCOs) in Kenya reveal a generally moderate level of implementation across the sector. The aggregate mean score of 3.55 indicates that, on average, respondents agreed that financial transparency practices are present but not optimally institutionalized. This suggests that while DT-SACCOs have made notable progress in strengthening disclosure mechanisms, significant inconsistencies persist across key dimensions of transparency governance.

The strongest aspects of financial transparency were observed in routine disclosure and member engagement processes. Specifically, the sharing of financial statements with members recorded a mean score of 3.84, indicating that most SACCOs regularly provide financial reports to their members. This finding reflects compliance with cooperative governance principles that emphasize periodic disclosure as a mechanism for enhancing accountability and member oversight (OECD, 2019). Similarly, member participation in Annual General Meetings (AGMs) scored highly ($M = 3.82$), suggesting that SACCOs have maintained relatively strong participatory governance structures where members are actively involved in reviewing financial performance and making key organizational decisions. This level of engagement is consistent with cooperative principles that emphasize democratic member control and participatory accountability (International Co-operative Alliance [ICA], 2015).

Another relatively strong area was the use of digital financial reporting platforms, which recorded a mean score of 3.61. This indicates a growing adoption of technology-driven reporting systems within DT-SACCOs, likely influenced by regulatory modernization efforts and digital transformation initiatives within Kenya's financial sector. Digital reporting enhances the speed, accessibility, and efficiency of financial information dissemination, thereby improving transparency and reducing information asymmetry between management and members (Armstrong et al., 2016).

Despite these strengths, several weaknesses were identified in critical aspects of financial transparency. The most notable gap was observed in the notification of financial restatements,

which recorded the lowest mean score of 3.18. This indicates that many SACCOs do not consistently or promptly inform members when financial corrections or adjustments are made after initial reporting. Such delays or inconsistencies in corrective disclosure can undermine trust, weaken accountability, and increase agency risks within cooperative institutions (Jensen & Meckling, 1976). From a governance perspective, this gap represents a critical weakness in transparency systems, as timely correction of financial information is essential for maintaining accuracy and credibility in financial reporting.

In addition, clarity and simplification of financial reports recorded a mean score of 3.41, which, although slightly above the acceptable threshold, suggests only marginal effectiveness in making financial information understandable to members. This finding implies that while financial reports are being produced and disseminated, they may not be sufficiently simplified to match the financial literacy levels of all members. This limitation reduces the effectiveness of transparency practices, as information that is not clearly understood may not translate into meaningful member participation or informed decision-making (Farouk et al., 2022).

Overall, the results indicate that financial transparency practices in DT-SACCOs are characterized by a dual structure: relatively strong performance in routine disclosure and participatory governance, but weaker performance in corrective disclosures and clarity of financial communication. This uneven implementation pattern suggests that transparency in the sector is still evolving and remains more procedural than fully institutionalized. The findings highlight the need for strengthening disclosure systems, particularly in areas related to financial restatements and communication clarity, to enhance trust, accountability, and overall financial performance in DT-SACCOs.

2. Correlation Analysis

A Pearson correlation analysis was conducted to examine the strength and direction of the relationship between financial transparency and financial performance among Deposit-Taking Savings and Credit Cooperative Societies (DT-SACCOs) in Kenya. The results revealed a strong, positive, and statistically significant relationship between the two variables ($r = 0.844$, $p < 0.001$).

This finding indicates that higher levels of financial transparency are strongly associated with improved financial performance outcomes in DT-SACCOs. In practical terms, SACCOs that demonstrate greater openness in financial reporting, improved disclosure practices, and enhanced

accessibility of financial information to members tend to record better performance indicators such as improved efficiency, stronger member confidence, and enhanced financial stability. The strength of the correlation coefficient ($r = 0.844$) suggests a robust linear association, implying that financial transparency is not only positively related to performance but also potentially a major governance driver within the cooperative financial sector. The statistical significance ($p < 0.001$) further confirms that this relationship is unlikely to have occurred by chance, thereby reinforcing the reliability of the observed association. From a theoretical standpoint, this result aligns with Agency Theory, which posits that increased transparency reduces information asymmetry between management and members, thereby improving monitoring efficiency and organizational outcomes (Jensen & Meckling, 1976). It also supports Stakeholder Theory, which emphasizes that enhanced disclosure strengthens trust, accountability, and stakeholder engagement, all of which contribute to improved financial performance (Freeman, 1984).

Overall, the correlation results provide strong preliminary evidence that financial transparency is a critical determinant of financial performance in DT-SACCOs in Kenya.

3. Regression Analysis

A simple linear regression analysis was conducted to determine the extent to which financial transparency predicts financial performance among Deposit-Taking Savings and Credit Cooperative Societies (DT-SACCOs) in Kenya. The results indicate that financial transparency is a statistically significant and strong predictor of financial performance.

The model summary shows an R^2 value of 0.711, implying that 71.1% of the total variation in financial performance is explained by financial transparency alone. This suggests a substantial explanatory power of transparency practices in accounting for differences in financial outcomes across DT-SACCOs. The relatively high coefficient of determination further indicates that improvements in transparency practices are strongly associated with improvements in financial performance indicators within the sector.

The regression coefficient ($\beta = 0.390$) is positive and statistically significant, demonstrating that an increase in financial transparency is associated with a corresponding increase in financial performance. This implies that SACCOs with stronger disclosure practices, better reporting clarity, and higher accessibility of financial information tend to achieve superior financial outcomes compared to those with weaker transparency systems.

The F-statistic ($F = 542.088$, $p < 0.001$) confirms that the overall regression model is statistically significant, indicating that financial transparency is a meaningful predictor of financial performance rather than a result of random variation. The strength of the F-value further reinforces the robustness of the model and the reliability of the observed relationship.

Overall, the regression results provide strong empirical evidence that financial transparency is a key determinant of financial performance in DT-SACCOs in Kenya. The findings suggest that strengthening transparency mechanisms, particularly in financial reporting and disclosure systems, has the potential to significantly enhance institutional financial outcomes.

4. Moderating Effect of SACCO Size

The interaction analysis reveals that SACCO size plays a statistically significant moderating role in the relationship between financial transparency and financial performance among Deposit-Taking SACCOs in Kenya. The results indicate that the strength of the relationship between financial transparency and financial performance varies depending on the scale of the institution, confirming that organizational size is a critical contextual factor shaping governance effectiveness. Empirical evidence suggests that larger SACCOs tend to experience a weakening effect of financial transparency on financial performance compared to smaller SACCOs. This diminishing marginal effect can be attributed to several structural and operational constraints associated with organizational scale. First, structural complexity increases as SACCOs grow, leading to more layered governance systems, multiple reporting lines, and diversified operational units. This complexity can dilute the direct impact of transparency practices, as financial information must pass through several administrative layers before reaching decision-makers and members, potentially reducing its timeliness and clarity (Pfeffer & Salancik, 1978).

Second, communication delays are more prevalent in larger SACCOs due to expanded membership bases and geographically dispersed operations. As the volume of financial information increases, the speed and efficiency of disclosure processes may decline, thereby reducing the immediacy and usefulness of transparency in influencing financial outcomes. This delay can weaken member responsiveness and reduce the effectiveness of oversight mechanisms that rely on timely information flows (Armstrong et al., 2016).

Third, increased coordination costs in larger SACCOs further constrain the effectiveness of financial transparency. Larger institutions often require more complex coordination between

management, board committees, audit functions, and regional branches. These coordination demands may introduce inefficiencies in the dissemination and interpretation of financial reports, thereby limiting the extent to which transparency translates into improved financial performance (OECD, 2019).

Overall, these findings indicate a diminishing marginal effect of financial transparency as SACCO size increases, suggesting that while transparency remains a significant driver of financial performance, its effectiveness is not uniform across institutional scales. In smaller SACCOs, transparency is more directly linked to performance due to simpler governance structures and closer member engagement. In contrast, in larger SACCOs, the benefits of transparency are partially offset by organizational complexity and communication inefficiencies. From a theoretical perspective, this result aligns with Resource Dependence Theory, which posits that organizational effectiveness is influenced by structural constraints and resource coordination challenges in larger entities (Pfeffer & Salancik, 1978). It also supports contingency-based governance perspectives, which argue that the effectiveness of governance mechanisms depends on organizational context rather than being universally fixed.

In conclusion, SACCO size significantly conditions the financial transparency–financial performance relationship, highlighting the need for differentiated governance frameworks tailored to institutional scale to optimize financial outcomes across the DT-SACCO sector.

V. DISCUSSION

The empirical findings demonstrate that financial transparency is a significant and robust determinant of financial performance among Deposit-Taking Savings and Credit Cooperative Societies (DT-SACCOs) in Kenya. This outcome is consistent with established theoretical and empirical literature that positions transparency as a central governance mechanism for enhancing institutional efficiency, accountability, and financial sustainability.

From an Agency Theory perspective, the results provide strong evidence that financial transparency reduces information asymmetry between SACCO management and members. By improving the availability, accuracy, and accessibility of financial information, transparency strengthens monitoring mechanisms and reduces the likelihood of opportunistic managerial behavior. This aligns with Jensen and Meckling (1976), who argue that reduced agency conflicts lead to lower agency costs and improved organizational performance. In the

context of DT-SACCOs, enhanced disclosure practices enable members to better evaluate managerial decisions, thereby improving oversight and reinforcing financial discipline.

The findings also support Stakeholder Theory, which emphasizes that organizations achieve sustainable performance when they effectively respond to the needs of multiple stakeholder groups. Financial transparency enhances trust, legitimacy, and engagement among SACCO members by ensuring that financial information is openly shared and understandable. This strengthens participatory governance structures, particularly in cooperative institutions where members are both owners and beneficiaries of financial outcomes. Consequently, transparency becomes not only a compliance requirement but also a strategic instrument for strengthening institutional credibility and member confidence (Freeman, 1984).

However, the moderating effect of SACCO size introduces an important contingency dimension to the governance–performance relationship. The results indicate that although larger SACCOs often possess more advanced systems and resources, their effectiveness in leveraging financial transparency is comparatively weaker. This phenomenon can be attributed to increased organizational complexity, which affects the efficiency of information flow and decision-making processes.

In larger SACCOs, communication channels are often more layered, and financial information must pass through multiple administrative and governance structures before reaching members. This structural complexity can reduce the timeliness and clarity of disclosures, thereby weakening the practical impact of transparency on financial performance. Additionally, larger institutions tend to experience higher coordination costs due to expanded operations, diverse membership bases, and geographically dispersed branches. These factors collectively dilute the direct influence of transparency practices on financial outcomes.

These findings are strongly consistent with Resource Dependence Theory, which posits that organizational effectiveness is shaped by the ability to manage internal and external resource dependencies. As SACCOs expand, their increasing complexity requires more sophisticated coordination mechanisms, and inefficiencies in managing these structures can reduce the effectiveness of governance practices such as transparency (Pfeffer & Salancik, 1978). The results therefore suggest that while transparency remains essential, its effectiveness is contingent upon organizational structure and

capacity to efficiently process and disseminate financial information.

Overall, the discussion highlights that the relationship between financial transparency and financial performance is both theoretically grounded and context-dependent. While transparency consistently enhances financial outcomes, its marginal effect is moderated by SACCO size, reinforcing the importance of adopting differentiated governance frameworks that reflect institutional scale and complexity.

VI. CONCLUSION

The study establishes that financial transparency is a significant and positive determinant of financial performance in Deposit-Taking Savings and Credit Cooperative Societies (DT-SACCOs) in Kenya. This finding reinforces the central role of disclosure practices in strengthening institutional accountability, improving decision-making efficiency, and enhancing overall financial outcomes within cooperative financial systems.

However, the results further demonstrate that this relationship is not uniform across all institutions. SACCO size emerges as a statistically significant moderating factor that shapes the effectiveness of financial transparency. In particular, larger SACCOs exhibit a weakened impact of transparency on financial performance. This outcome is largely attributed to structural and operational complexities associated with scale, including layered governance systems, communication bottlenecks, and higher coordination costs. These factors reduce the speed, clarity, and effectiveness of financial information flow, thereby diminishing the marginal benefits of transparency in large institutions.

In contrast, smaller SACCOs tend to benefit more directly from transparency practices due to simpler organizational structures and more direct communication channels between management and members. This variation confirms that governance effectiveness is context dependent and influenced by institutional characteristics such as size and operational complexity.

Overall, the study concludes that while financial transparency is essential for enhancing financial performance in DT-SACCOs, its effectiveness is contingent upon organizational scale. This underscores the need for differentiated governance frameworks that account for SACCO size in order to optimize transparency outcomes and strengthen financial sustainability across the sector.

Recommendations

Based on the empirical findings of the study, the following recommendations are proposed to enhance the effectiveness of financial transparency and improve financial performance in DT-SACCOs in Kenya:

Strengthening Digital Financial Reporting Systems

DT-SACCOs should invest in advanced digital financial reporting infrastructure to enhance real time disclosure of financial information. The adoption of integrated financial management systems, automated reporting tools, and member accessible digital dashboards will improve the timeliness, accuracy, and accessibility of financial data. This will also reduce delays in communication and improve transparency efficiency across all institutional levels.

Enhancing Regulatory Enforcement on Financial Restatements

Regulatory authorities such as the Sacco Societies Regulatory Authority (SASRA) should develop and enforce stricter guidelines on the communication of financial restatements and corrections. Mandatory timelines for disclosure of financial errors should be established to ensure timely notification to members. This will reduce information asymmetry, strengthen accountability, and improve trust in financial reporting systems.

Adoption of Size Sensitive Governance Frameworks

Governance frameworks should be differentiated based on SACCO size to reflect variations in structural complexity and operational capacity. Larger SACCOs require more streamlined communication structures and decentralized reporting systems to reduce coordination bottlenecks, while smaller SACCOs may benefit from simplified governance models that enhance efficiency. This context specific approach will improve the overall effectiveness of governance mechanisms across the sector.

Capacity Building and Financial Literacy Enhancement

SACCOs should implement continuous capacity building programs aimed at improving financial literacy among members. Training initiatives, simplified financial reporting formats, and member education forums should be introduced to enhance understanding and interpretation of financial disclosures. Improved financial literacy will enable members to actively participate in governance processes and make informed financial decisions, thereby strengthening accountability and institutional performance.

Contribution to Knowledge

This study makes a significant contribution to the literature on cooperative governance and financial performance by

providing empirical evidence that financial transparency is a strong and statistically significant predictor of financial performance in Deposit-Taking Savings and Credit Cooperative Societies (DT-SACCOs) in Kenya. Unlike prior studies that often treat governance as a broad, composite construct, this research isolates financial transparency as a distinct governance dimension and demonstrates its direct and measurable impact on financial outcomes.

In addition, the study advances theoretical and empirical understanding by introducing SACCO size as a critical moderating variable in the governance–performance relationship. The findings empirically demonstrate that the effect of financial transparency on financial performance is not uniform across institutions but varies depending on organizational scale. This contribution extends existing cooperative governance literature by highlighting that institutional characteristics, particularly size, significantly shape the effectiveness of governance mechanisms.

Furthermore, the study reinforces the argument that governance effectiveness is context dependent rather than universally applicable across organizations. By showing that larger SACCOs experience a diminished marginal impact of transparency due to structural and operational complexities, the study provides new insights into how organizational dynamics influence the translation of governance practices into financial outcomes. This adds a nuanced dimension to Agency Theory and Resource Dependence Theory applications in cooperative financial institutions.

Overall, the study provides both theoretical refinement and practical insight by demonstrating that governance mechanisms such as financial transparency must be interpreted within the context of institutional scale to fully understand their impact on financial performance.

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