



**CORPORATE GOVERNANCE, DYNAMIC CAPABILITIES, AND FINANCIAL
PERFORMANCE OF SACCOs IN ARUA CITY, UGANDA**

BY

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PLAN A

AUGUST, 2025

DECLARATION

Thus, I attest that this is my own unique creation, which I have never before published or submitted to a university for consideration for another degree. Every reference to published and unpublished materials has been made.

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APPROVAL

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DEDICATION

To my lovely spouse, Eyotaru Mildred,

My brother Odriga Victor Philliam, and my sister Obiru Alice,

My daughter, Asianzu Mackline, and my sons, Ayiko Marvin and Aita Marlon.

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LIST OF ACRONYMS AND ABBREVIATIONS

AIS	Accounting Information System
DC	Dynamic Capability
EC	Entrepreneurial Capability
IC	Innovative Capability
IT	Information Technology
KFSS	Kenya Financial Sector Stability
MTIC	Ministry of Tourism, Industry and Cooperatives
NDPIII	Third National Development Plan
NW	Net Working
SEM	Structural Equation Model
SME	Small and Medium Businesses
UCC	Uganda Chamber of Commerce
UWICO	The Credit Union Cooperative Society Ltd
SASRA	SACCO Societies Regulatory Authority
UMFA	Uganda Microfinance Authority

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ABSTRACT

Uganda's government wants to enhance the financial performance of SACCOs, yet the majority of Arua City's SACCOs suffer lower share returns, restricted liquidity, and mediocre loans, suggesting poor financial performance. The study investigates the predictive power of corporate governance and dynamic capability on the financial performance of SACCOs in Arua City, examining the relationship and correlation between these factors.

The study used a cross-sectional design, analyzing data from 41 out of 48 SACCOs, with a response rate of 85.4%, and ensuring fair representation through random sampling. Regression modeling was used to determine how independent variables affected the dependent variable. The results of the correlation analysis showed that there was a considerably moderate correlation ($r = .659$) among dynamic capability with financial performance and a moderately good association ($r = .577$) between corporate governance and financial performance. The study found that corporate governance and dynamic capability significantly affect SACCOs' financial results in Arua city by 51.4%, while other factors unaccounted for contributed to the remaining 48.6% of changes.

The researcher suggests that management should enhance dynamic capabilities to ensure the financial sustainability of SACCOs in Arua City and recommends future research on additional factors influencing their success. The study verifies theories of stakeholder and Dynamic Capability, adding to current information on corporate governance and dynamic capability's influence on the financial performance of SACCOs in Arua City, Uganda, and may be applied to other businesses.

CHAPTER ONE

1.1 Introduction

This chapter contains the background information, statement of the problem, purpose, objectives, questions for research, the scope, statistical significance, and theoretical framework of the study.

1.2 Background to the study

In low- and middle-income nations, Savings and Credit Cooperatives (SACCOs) are becoming a well-liked tactic for ending poverty and fostering financial inclusion (Nuwagaba, 2023). They play a significant role in granting financial access to impoverished individuals who are sometimes marginalized from the services of conventional financial institutions (Mmari *et al.*, 2019). SACCOs with robust financial performance offer the most cost-effective credit facilities through a vast range of goods and services that participants can use to further their own development (Lyani & Omondi, 2023). Such financially prosperous credit unions would also significantly contribute to the rapid advancement of small businesses by offering loans at rates below the prevailing market rates in both developed and developing economies (Turyasingura & Agaba, 2023).

However, notwithstanding their widespread acclaim in revitalizing rural economies, the financial performance of the industry, particularly in developing nations, is a cause for concern (Akbari, *et al.*, 2023). For example, the Credit Union Co-operative Society Limited in South America experienced a 26% decrease in profits, dropping from \$18.8 million in 2019 to \$13.3 million in 2020 (Credit Union Co-operative Society Limited Annual Report, 2021). In Botswana, Thala (2017) discovered that only 26% of SACCOs were financially sustainable, while the majority of SACCOs in Ethiopia were facing a decline in their profitability. (Henock, 2019). The SACCO Societies Regulatory Authority in Kenya revealed that in 2019 and 2020, the amount of unremitted deductions made by its members from different employers increased from Kshs. 3.87 billion to

Kshs. 5.04 billion (SACCO Societies Regulatory Authority, 2021), suggesting a liquidity drop of 30.2% that affects loan repayment, and hence declining financial performance. According to Msuya *et al.* (2023), the SACCOs in Tanzania are engulfed in a quagmire of scandals and corruption, rendering them irrelevant in effectively catering to the impoverished populace.

In Uganda, the audit report reveals that 140 SACCOs in the Apex constituency defaulted on repayment of loans amounting to Shs 2.49 billion out of a total of Shs 3.52 billion borrowed, resulting in a default rate of 74.7% which ultimately led to the collapse of these SACCOs. (Serugo, 2022). Although the cumulative effective loan repayment rate for SACCOs surged from 87% in 2017 to 90% in 2020, it still fell significantly short of the recommended threshold of 98%. Furthermore, the coverage risk ratio decreased from 39% in 2020 to 28% in 2021, a percentage that is significantly below than the recommended 50% (Uganda Microfinance Authority, 2023). Cases of misappropriation of government-disbursed funds have also been unearthed in many parts of the country (Dibaba, 2023). These circumstances portray a deteriorating trend in the financial performance of the SACCO that necessitates thorough investigation (Nkwasibwe & Katsigaire, 2023). In their studies, Ahmed and Rugami (2019); and Medeiros *et al.* (2020) suggested that relationships exist between company governance, financial performance, and dynamic capability but the current study is intended to confirm this idea.

The efficient operation of SACCOs depends on corporate governance, which is a method of leading and managing the operations of a corporate body (Zainabu *et al.*, 2018). It was derived from the principle of stakeholder, which maintains that the happiness of a company's stakeholders—rather than only those who stand to profit financially from its shares—determines the company's actual success (Freeman, 1984). It is an internal discipline required to keep the relationships between the members of a corporate firm steady and fruitful (Pandey *et al.*, 2023).

Corporate governance is more than a compliance exercise that is a vital ingredient of good management and a prerequisite to achieve a healthy financial performance of businesses (Velte, 2023). An efficient SACCO board advocates for depositors, provides strategic guidance, and fulfills legal obligation acting on the SACCO's best interests. It is on this basis that the researcher seeks to establish the relationship between corporate governance and financial performance of SACCOs in Arua city.

The field of dynamic capability is rapidly developing for organizations navigating unpredictable situations as earlier studies have shown that companies with low dynamic capacity face many obstacles to survival (Qihan *et al.*, 2023). It is rooted in dynamic capability theory, which posits that companies can only achieve enduring success by cultivating advanced capabilities to rejuvenate, construct, and supplant competencies in the midst of such transitions (Teece *et al.*, 1997 and Wang, 2007). The processes and frameworks that enable businesses to change and adjust to the conditions at hand are referred to as dynamic capabilities (Gheitarani *et al.*, 2022). By cultivating these capabilities that transcend conventional strategic competencies, credit unions will be well-positioned to attain a robust financial performance. the current researcher therefore seeks to assess the relationship between dynamic capability and financial performance of SACCOs.

In recent years, SACCOs have rapidly increased in Uganda, particularly in Arua City but the issue of their financial performance has been a growing concern for many policymakers (Edema & Cankal, 2020). To solve this problem, the government developed policy frameworks like the Uganda Microfinance Regulatory Authority, microfinance and Money Lenders Act (Third National Development Plan, 2020); created a directorate to train SACCO leaders, and mandated lower local governments among others to streamline SACCO operations (Ministry of Tourism, Industry and Cooperatives, 2022).

Despite these interventions, SACCOs in Arua City have continued to experience financial performance challenges (Kule *et al.*, 2020). For instance, Dibaba (2023) found that 37 out of 54 or 69% of SACCOs in the city have not qualified for the second batch of government release due to serious liquidity constraints and poor-quality loan portfolio management. Reports also indicate that a whopping 89% (or Shs.12.46 Bn) out of Shs.14 Bn Emyooga funds disbursed to Arua City SACCOS were irrecoverable due to unprofitable venturing (MFSC Report, 2023). This appalling state of SACCO performance in Arua City would worsen if not immediately addressed and the motivated the current research to investigate if corporate governance and dynamic capability affect SACCOs' financial performance.

1.3 Statement of the problem

Although the Ugandan government has implemented policy frameworks, established a directorate for SACCO training, mandated local governments to streamline operations and improve the financial performance of SACCOs (Third National Development Plan, 2020; Ministry of Tourism, Industry and Cooperatives, 2022), most of them in Arua City achieve low returns on their shares, and have generally poor-quality loan portfolios, which all point to poor financial performances (Kule *et al.*, 2020). For instance, Dibaba (2023) found that SACCOs in the city did not qualify for the second batch of government release due to failure to make competitive return and inadequate loan portfolio management and Emyooga funds were irrecoverable due to unprofitable venturing (Musiita *et al.*, 2023). It was further noted that SACCOs in Oli division of Arua City get persistent low returns on their shares and face liquidity constraints due to a lack of technical guidance to monitor and follow up business operations (Osoru *et al.*, 2017). These situations portray the inadequate financial performance of SACCOs that need to be addressed. Prior studies (by Ahmed & Rugami, 2019; Medeiros *et al.*, 2020) suggest that a healthy financial performance can be

achieved through corporate governance and dynamic capability. However, the studies cited have not examined the influence of dynamic capacities and governance practices upon the financial performance of SACCOs in Arua city. It served as the investigator's driving force in determining how corporate governance and dynamic capability affect SACCOs' financial performance.

1.4 Purpose of the study

The study sought to determine the predictive of corporate governance and dynamic capability with respect to financial performance of SACCOs.

1.5 Study objectives

- i. To examine the relationship between corporate governance and the financial performance of SACCOs.
- ii. To determine the relationship between dynamic capability and financial performance of SACCOs.
- iii. To establish the predictive power of corporate governance and dynamic capability on the financial performance of SACCOs.

1.6 Research questions

- i. What is the relationship between corporate governance and the financial performance of SACCOs?
- ii. What is the relationship between dynamic capability and financial performance of SACCOs?
- iii. What is the predictive power of corporate governance and dynamic capability on the performance of SACCOs?

1.7 Scope of the study

1.7.1 Content Scope

The research included corporate governance and dynamic capability as predictor variables while financial performance of SACCOs was the outcome variable.

1.7.2 Geographical Scope

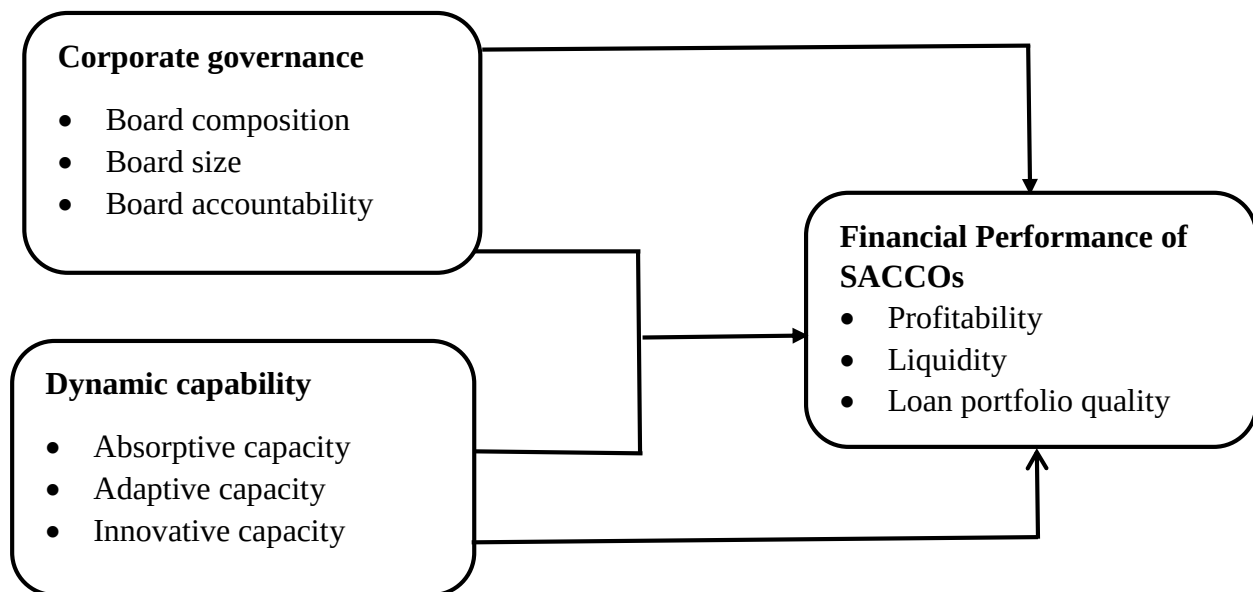
The investigation took place in the city of Arua in northern Uganda. This choice was made with the premise that, out of all the SACCOs in the West Nile region, the city had the greatest number of them struggling with their financial performance (Uganda Chamber of Commerce, 2023).

1.8 Significance of the study

- i.** The investigation's findings will aid national authorities in developing or refining a comprehensive strategy to enhance SACCO performance within their respective nations.
- ii.** The study findings will add on a pool of the existing literature for scholars interested in corporate governance, dynamic capability, and performance of SACCOs.
- iii.** The study's conclusions will be helpful for SACCO management in order re-align their financial performance approaches by particularly paying interest on corporate governance and dynamic capability.

1.9 A conceptual framework illustrating the connection between corporate governance, dynamic capability, and financial performance of SACCOs.

Figure 1: Conceptual framework



Adapted and modified from Nkundabanyanga (2016); Ahmed and Rugami (2019); Medeiros et al. (2020); and Kule et al. (2020).

Figure 1, illustrates a schematic representation of a theoretical framework that illustrates the interrelation among corporate governance, dynamic capability, and the performance of SACCOs. It elucidates the correlations between SACCO performance and dynamic capability and corporate governance, as well as the correlation between SACCO performance and corporate governance. It is a given that SACCO performance is impacted by good corporate governance. In a similar vein, SACCO performance may rise with the right amount of dynamic capability. It is also believed that combining corporate governance with the right amount of dynamic capability could greatly improve SACCO performance.

CHAPTER TWO

LITREATURE REVIEW

This section presents theories and reviews literature that previous researchers have produced on the on the topic under study.

2.1 Theoretical framework

2.1.1 Stakeholder theory

The stakeholder idea was initially proposed by Freeman within 1984. According to the principle, a business can only succeed in the long run by focusing on providing equal value to all of its stakeholders. The theory's foundation is the idea that business managers should consider each stakeholder's interests when conducting their governance process (Freeman, 1984).

According to Klepczarek (2017), the theory takes into account and recognizes the interests of all stakeholders in the present corporate climate, allowing for more equitable treatment of all parties. Because the theory purports to meet the interests of all stakeholders in its governance process, it is applicable to the corporate world. As a result, Kinyua (2016) urges managers to manage stakeholders proactively and to put strategies into place that enhance both the financial performance and relationships of their firms.

Additionally, it implies that organizations that meet the interests of their stakeholders will do better than those that do not (Harrison *et al.*, 2015). Stakeholder theory is thought to have influenced corporate governance. In order to have a healthy financial performance, SACCOs should explicitly develop a corporate governance framework that takes into account the needs of all stakeholders.

However, Jensen (2002) argues that as businesses operate in unique environments, effectiveness of board members should not only be measured using gains of the stakeholders. According to the thesis, SACCOs can now maximize value generation, be strategically oriented, and safeguard their long-term viability and success (Mahajan, *et al.*, 2023).

2.1.2 Dynamic Capability Theory

Teece, Pisano, and Shuen (1997) presented the hypothesis of dynamic capabilities as a notion for an organization that gathers and develops strong capabilities in a dynamic setting. According to the notion, businesses can only achieve long-term success—that is, success that last throughout several business and technological cycles—if they have higher order skills for creating, reclaiming, and substituting competencies against the backdrop of such change (Teece *et al.*, 1997). Wang (2007) added three crucial firm-wide principles to the dynamic capacity's theory: innovative, adaptive, and absorptive. The application of dynamic capabilities strengthens an organization's competitive edge, claim Ambrosini & Bowman (2009). In organizational activities, dynamic capabilities are critical because they impact decisions concerning knowledge acquisition, resource allocation, and organizational culture transmission (Easterby, Smith, & Prieto, 2008).

This idea supported how SACCOs' adoption of ICT systems has made it possible for them to innovate more in their product offering, operational procedures, and product development, and how these elements may be leveraged to improve their financial performance. As a result, capability was formed from this notion based on the explanation above.

2.2 Financial Performance of SACCOs

The capacity of a business to make money over time and turn a profit using resources from its primary business is measured subjectively by its financial performance (Baruhagare, 2023). According to Muiru *et al.*, 2018) it is the financial status of a business throughout a specific time period, including the collection and utilization of funds. It is understood to be the capacity to meet the financial goals of the company and utilize resources effectively through cooperative governance and management procedures carried out in accordance with established guidelines (Munyasia, 2018). Ibrahim and Abdullahi (2019) also recognized financial performance as a company's efficient and successful use of resources that raises share price, market share, profitability, and satisfies the expectations of many stakeholders. The research adopted from (Kule *et al.*, 2020), profitability, liquidity, and the quality of the loan portfolio to measure the financial performance of SACCOs in Arua City.

An entity's financial performance is crucial since it serves as a barometer to determine whether or not its projected financial goals are met (Fatihudin, 2018). The rate of dividends, customer satisfaction, and the rate of interest on deposits (ROA) are considered to be relevant objective performance indicators in SACCOs in addition to the ratios of liquidity, solvency, profitability, efficiency, and leverage because they take into account the cost of using members' funds to finance a cooperative's operations (Musau, 2020). Nonetheless, this study evaluated loan portfolio quality, profitability, and liquidity to assess the SACCOs' financial performance

(Kule *et al.*, 2020).

An organization's profitability is established through how much profit it makes in comparison to its costs; the more profitable an organization is, the more efficient it is (Ruhayu & Ilham, 2023).

Increasing a company's profitability contributes to cost reduction, increased productivity and turnover, enhanced investor value, and easier planning for expansion and transition (Obuba & Nyaga, 2022). Profitable SACCOs can attract new members, maintain growth, remain competitive in their respective markets, and be able to obtain capital from banks, investors, and shareholders hence enhancing their financial performance (Baluku, Agume & Nuwagaba, 2023). The ratio used in this study were return on equity (Net income/members equity) and return on assets (Blazek *et al.*, 2023).

Liquidity is defined as the degree of freedom with which an economic agent can exchange their present money for goods, services, or other assets with other agents inside the financial system (Bianchi & Bigio, 2022). It has an impact on a firm's worth since the more liquidity a company has, the more favorable it is seen by creditors (Elsharif, 2016). A proactive approach to guaranteeing cash availability to satisfy its financial obligations as they become due is essential to SACCO's financial performance (Kumar, 2022). To determine liquidity and evaluate a SACCO's ability to meet short-term cash flows, the quick ratios ($QR = \text{current assets} - \text{stock} / \text{current liabilities}$) and the current ratios ($CR = \text{current assets} / \text{current liabilities}$) were utilized (Hayes, 2023).

Loan portfolio quality is assessed based on the total amount of unpaid loan premiums that are past due by a given number of days (Bitok *et al.*, 2020). Loan quality pertains to the probability that the lender will receive repayment for the funds it disburses on a particular loan (Agasha *et al.*, 2020), and thus, a high loan quality enhances the SACCO's profitability as their interest earnings are not depleted by loan losses (Teferi, 2019). As the quality of the loan portfolio enhances, the disbursed amount also escalates, creating a favorable environment to fortify their credit analysis and collection procedures for enhancing financial performance (Sifrain, 2022). Loan portfolio quality in SACCO was measured using portfolio at risk ($PAR = \text{outstanding loan balance at due}$

date/gross outstanding portfolio as of a certain date), and write-off ratio (WOR=total loan written off/total loan) (Bitok *et al.*, 2020).

2.3 Corporate Governance

The combination of an organization's executive and non-executive board of directors, as well as the value they bring to the board table through their managerial experience and background, was referred to as board composition (Pathak & Chandani, 2023). Diverse and well-rounded boards typically have better discussions, make wiser choices, and handle problems in a more comprehensive manner (Ncurai *et al.*, 2022). Independent directors are more adept at making crucial strategic choices and more watchful in correcting unsuitable circumstances that enhance the business's financial results (Muchemwa *et al.*, 2016). Likewise, Pichler *et al.* (2018) accentuate that providing supportive corporate policies to LGBT creates a friendly working relationship among the BOD and gives positive signals to stakeholders, and in turn improves firm's outcomes. A SACCO with a well-balanced diversity of board membership would easily achieve a strong financial performance. The parameters used to measure gauge corporate governance in this study include board composition, size, and accountability (Ahmed & Rugami, 2019)

The whole count of individuals on a company's board of directors is known as the board size. (Jenter, Schmid & Urban, 2023). In terms of corporate governance, the board is made up of the chairman, vice chairman, and three to six other people who are chosen by the shareholders at large. According to Alsadeq (2023), their tenure is valid until the next Annual General Meeting. Professionals from a variety of areas are brought together by a larger board of directors to work together for the benefit of shareholders. Their ability to supervise and manage a wider range of people allows them to make well-informed judgments that significantly affect the financial performance (Muchemwa *et al.*, 2016). According to Mutai and Muthimi (2025), an optimal board

composition—characterized by financial expertise, diversity, continuous training, ethical leadership, and structural independence—is empirically validated as a primary driver of SACCO financial performance. SACCOs should endeavor to have an optimal size of board members to effectively discharge their oversight role of ensuring healthy financial performance.

The Cadbury Report (1992) indicates that its code of best practice was founded on the principles of transparency, honesty, and responsibility (Tarus, Tuwey & Yego, 2023). According to Pernelet and Brennan (2023), stakeholders must evaluate the obligation of an organization to ascertain the inherent worth of the company.

Accountability is a term used to describe a favorable attribute or virtue that organizations possess. It is frequently applied to enterprises that exhibit proper standards of governance (Fodio *et al.*, 2021). Accountability is the obligation or willingness to accept responsibility for one's actions, decisions, and outcomes, and to answer for them—especially to those who are affected by or have authority over those actions (Deber, 2014). According to Kariuki (2024) accountability creates a system where individuals within the corporation are responsible for their actions and the organization's overall performance, enhancing trust and operational efficiency. It has been posited that organizations that exhibit transparency, accountability, courtesy, and equity, or that provide services at a superior level, may be held responsible in this context and contribute positively to enhancing financial performance (Papangkorn *et al.*, 2021). Furthermore, holding the board accountable would bolster their autonomy, resulting in an elevated supervisory function that instills confidence in stakeholders regarding the organization's commitment to promoting diversity in its governance practices (Chen *et al.*, 2019).

Efficient corporate governance transforms a SACCO into a financially resilient, strategic, and member-centric organization, minimizing financial leaks, optimizing resource use, building trust,

enabling access to affordable capital, and ensuring sustainable financial health. This motivated the researcher to establish if relationship existed between corporate governance and financial performance of SACCOs in Arua City of Uganda.

2.4 Dynamic Capability

In recent decades, the dynamic capabilities viewpoint has become one of the most reliable methods for managing organizational and strategic performance (Akpobi, 2017). Tallman (2015) looked at dynamic capability as intricate system of actions and resources that were aimed at rejuvenating, upgrading, modifying, or substituting the existing revenue-generating assets and capacities of a company in reaction to a shifting environment. Conversely, Teece *et al.* (1997) defined it as the organization's ability to create, incorporate, as well as modify both internal and external capabilities in response to rapidly shifting external circumstances. These capacities require adjustments to environmental shifts, and the effectiveness of these adaptations closely relates to the firm's ability to instigate and uphold versatile and ambiguous processes (Bleady, Ali & Ibrahim, 2018). Dynamic capabilities have been shown to favorably impact financial performance in several ways, including by helping a business in developing, arranging, and replacing assets in the corporate environment in a profitable manner (Teece, 2014), giving the company more options for decision-making, and enabling it to take advantage of chances to increase income and modify operations to cut costs (Teece, 2023). This study used the dimensions of adaptive capacity, absorptive capacity, and innovative capacity that were popularized by Medeiros *et al.* (2020) to illustrate dynamic capability.

The term "adaptive capacity" describes a business's ability to identify and take advantage of new market opportunities. (Priyono & Hidayat, 2022). Firms must have a keen sense of the latest developments in their environment in order to recognize threats, risks, and opportunities in

uncertain and dynamic markets. This action includes client preferences, service protocols, current market knowledge, scanning, searching, and discovering emerging technologies. It also involves matching internal resources with external requirements (Dong *et al.*, 2016). These steps would assist a business in creating, configuring, and renewing assets for the lucrative maintenance of their businesses (Teece, 2014).

The ability of a company to identify the value of fresh, outside knowledge, absorb it, and use it for business purposes is known as absorptive capacity (Im & Falk, 2018). The degree of prior knowledge plays a major role in one's capacity to assess and apply this outside knowledge (Akpobi, 2017). It always entails turning opportunities and learning objectives into actions, taking into account the possibility of failure owing to inadequate information at the adaptive stage (Chirumalla, 2021). It is imperative for managers to align their organization's resources with new opportunities in order to achieve the intended change (Teece, 2019).

According to Priyono and Hidayat (2022), capacity for innovation is the ability of a company to enhance its competencies by identifying possibilities to enter new markets, goods, or services by coordinating innovative behaviors and processes with a strategic innovation orientation. It refers to the capacity of the company to recognize original concepts and develop them into better or more creative products, services, or practices that are beneficial to the business (Chirumalla, 2021). Businesses with innovative capabilities, such as networks, entrepreneurial cultures, special technologies, and internal design capabilities, catered to discerning clients and paid top dollar in order to optimize earnings (Neely & Hii, 2014).

2.5 Corporate Governance and Financial Performance

Boachie (2023) looked at how ownership affects the connections among financial success and corporate governance. The study's conclusions demonstrate how corporate governance improves

financial performance. In addition, foreign ownership introduces an interaction factor into the analysis of the association involving corporate governance and profitability. Despite the fact that existing international research shows a favorable association between enhanced profitability likewise good corporate governance, it incorporates a moderating aspect, diverging from the approach taken in the present study. A similar foreign literature by Ncurai *et al.* (2022) discovered a significant correlation between SACCO performance and corporate governance; however, this research was not the same as this one since it used the Kenyan environment and performance as the dependent variable rather than Arua City and financial performance, respectively. In a related local literature, using a cross-sectional survey, in the Rukiga district, Turyasingura and Agaba (2023) evaluated corporate governance's effect on SACCO performance. The outcomes of the research indicate that corporate governance significantly affects SACCOs' operational effectiveness. Dissimilarity resulted from the study locations being spread over different regions of Uganda, allowing it to only address two of the variables in the current study.

Likewise, Ndiwalana *et al.* (2014) Similarly, Kyabarongo Benon *et al.* (2024) examined how corporate governance affected SACCOs' financial performance in Uganda and came to the conclusion that as their board became more involved in the company's decision-making and shared it with stakeholders, SACCOs would probably become less financially successful.

In a parallel international study, Kipkemoi (2022) used a correlation research methodology to determine the impact of corporate governance on the financial performance of deposit-taking SACCOs in Kericho County, Kenya. According to the study, financial performance is positively and significantly impacted by the board's makeup, the leadership style, and the board's organizational structure. In terms of context, this study diverges from the current body of research. In a similar vein, Juster (2022) determined that significant effects were seen in the listed banks

under examination's financial performance by corporate governance parameters, including board diversity, gender, independence, experience, and size. As opposed to current research, which focuses on SACCOs, this research examined publicly traded banks.

In the meantime, a local study conducted in the Lango subregion of Uganda by Okwee (2011) to ascertain the connection the relationship among corporate governance as well as the financial performance of SACCO was demonstrated that the two are favorably correlated. This study addresses corporate governance and financial performance, which makes it is relevant to the current research even though it was conducted in the Lango sub-region as opposed to the Arua city context of the current study. Additionally, Turyahebwa *et al.* (2022) discovered a strong and favorable relationship between prosperity in terms of money and corporate governance. However, even if the present research is concerned with SACCOs in Arua city, their research concentrated on MFIs in Uganda. Consequently, there was no direct comparability between the two investigations. In conclusion, it was clear that, in the particular context of Arua city, none of the studied literature—foreign or local—could have anticipated the financial performance of SACCOs based on corporate governance.

2.6 Dynamic Capability and Financial Performance

Martins (2023) explored how dynamic capabilities affect SME performance in an emerging market, with digitization as a key moderator. The findings demonstrate how the dynamic capabilities—sensing, capturing, as well as transforming—improve small to medium- businesses' performance considerably. Furthermore, the connection between the execution of the three dynamic competences and SMEs is further strengthened by digitization. This related literature focused on SMEs and had a moderating variable meanwhile but the current study looked SACCOs, without a moderating variable. When Azzam *et al.* (2023) looked into how dynamic capabilities affected

competitive performance, they found a strong positive correlation between improving competitive performance and dynamic capabilities. Moreover, Hieu (2020) conducted a research study to ascertain the relationship with the financial performance of Vietnamese SMEs and their dynamic, entrepreneurial, and innovative characteristics. The findings of the research indicated that: dynamic capabilities encourages both financial and strategic performance; entrepreneurial skills also encourage the two strategic and financial performance, while innovative capabilities positively affect both of them. This writing is relevant but not like the current study as it dwells on three types of capabilities- dynamic, innovation and entrepreneurial capabilities to evaluate financial and strategic performance of SMEs, whereas the present research only considers dynamic capability and financial performance of SACCOs. More so, the goal of Piening and Salge (2015) was to clarify the causes, circumstances, and effects of dynamic capacities on performance. Results imply that companies can succeed in process innovation by utilizing a wide variety of dynamic capabilities, which in turn enhances the company's financial performance. This literature, which focuses primarily on the causes of dynamic capacities, is at odds with the current study. Yazdi *et al.* (2017) carried out a study using the dynamic capacities viewpoint to evaluate how the performance of the firm is influenced by the flexibility of its accounting information system. A flexible accounting information system significantly improves a company's financial performance, based on the results of interviews chief financial officers had with 50 listed businesses in Tehran and data analysis using the Structural Equation Modeling (SEM) method. Although this literature had same variables as the present research, it dealt with listed companies while the latter examined SACCOs.

Omeke *et al.* (2021) examined employing a cross-sectional survey and quantitative analysis, the mediating role of connectivity in the association of the firm growth with dynamic capacities of financial cooperatives. These findings demonstrate the importance of dynamic capacities in

fostering financial cooperative expansion. Furthermore, networking helps financial cooperatives flourish by augmenting involvement of dynamic capacities. Thus, the development of financial cooperatives is greatly aided by networking and dynamic characteristics. Consequently, networking and dynamic capacities are crucial to the expansion of financial cooperatives. The use of mediating variable, and growth of financial cooperatives as dependent variable make the study to differ with the present one. According to a similar international study, dynamic capacities significantly and favorably affect the financial performance of three five-star hotels in Thailand (Tanimkarn, 2014). This study differs from the present one in that it dwelt on five-star hotel, while the current research is on SACCOs.

In summary, there was a lack of relevant local research on the connection between SACCO financial success and dynamic capability, indicating that the current study was a pioneer in this area.

2.7 Corporate governance, dynamic capabilities, and financial performance

Heaton, Teece and Aronian (2023) used strategic management concepts to investigate how external governance arrangements affected US public colleges' financial performance. The findings indicate that decisions about resource allocation that align with dynamic capabilities significantly enhance the financial performance of universities. The context in this literature makes it irrelevant for the present research. Also, Ncurai and Ngòngà (2022) investigated the role that governance and innovation have in predicting better success. According to the study's findings, innovation significantly moderates the association between deposit-taking SACCO success in Kenya and corporate governance. The literature differs from the present research in that it employed mediating variable. Manyara's (2020) international study on the moderating function of moral leadership in the connection between Matatu SACCO performance and dynamic capabilities

in Meru County, Kenya, found that ethical leadership significantly reduced the relationship between the two variables.

2.8 Conclusion

The current research contributed to the debate about how SACCOs would leverage their corporate governance and capabilities to develop self-help strategies in order to improve their financial performance, an area yet under-explored in the literature. This researcher aimed to address the scantiness of studies that had been done on the subject in the local setting. Therefore, this study would be among the first to assess the relationship between the financial success of Ugandan SACCOs, their dynamic skills, with their corporate governance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The investigation's current phase covered the methodology of the research, which included the study population, sampling strategy, data sources, data collection tool, and measures taken to ensure validity and reliability, variable measurement, and data analysis. It also shed light on the study's limitations and ethical information.

The investigator employed a quantitative cross-sectional study design, that looks at information collected from groups from a specific point in time through observational research (Wang & Cheng, 2020). Since cross-sectional research allowed for data gathering at a particular point in time, it was the chosen method.

3.3 Study population

The 54 registered SACCOs that are active in Arua City comprised the study's population (UCC Arua office, 2023).

3.4 Sample Size

48 SACCOs were selected as a sample from the intended audience by Krejcie & Morgan's (1970) Table. This table was preferred for this study because it is an effective method of determining sample size (Bukhari, 2020).

3.5 Sampling Technique

In accordance to the investigator's methodology, every member of the population has an equal chance of being randomly chosen to have their data incorporated into the sample using random sampling technique. This was accomplished by writing each of the 54 SACCOs' names on a sheet

of paper, folding it, and putting it in a big bowl. It was then being thoroughly shaken, and the forty-eight samples were randomly picked without replacement from the bowl to constitute the sample size. This technique is preferred over non-probability because it reduces selection bias and is, therefore, more accurate and rigorous (Wang & Cheng, 2020). The SACCO groups served as the unit of analysis for the study. In this study, the SACCO chairman, treasurer, and Manager were purposely considered based on their familiarity with SACCO operations; Thus, a total of 144(48x3) SACCO members formed the unit of inquiry.

3.6 Data Sources

The study used primary data that was obtained using self-administered questionnaires. The questionnaire was administered by the researcher with an introduction letter from Makerere University Business School

3.7 Data Collection Instrument

The researcher used a survey with closed-ended inquiries using a five-point Likert scale (Uma, 2003). An odd Likert scale was preferred to cater to the interest of neutral respondents for gathering more accurate data without bias.

3.8 Measurement of Research Variables

Profitability, liquidity, and the quality of the loan portfolio were used to gauge SACCO's financial performance (Kule *et al.*, 2020), whereas board composition, size, and accountability were used to gauge corporate governance (Ahmed & Rugami, 2019). Then Absorptive capacity, Adaptive capacity, and Innovative capacity were used to measure dynamic capability (Medeiros *et al.*, 2020). Each of the three items in a Likert scale with five possible answers—the poll utilized the following range: strongly disagree to strongly agree.

3.9 Validity and Reliability

3.9.1 Validity

Validity basically explains how well the collected data covers the actual investigation it was intended to measure (Taherdoost, 2016). It was decided to seek a supervisor's expert judgment to ensure that the research procedures were adequate and questions to guarantee the instrument's legitimacy. In light of this, using the formulas $N = \text{Total number of questionnaire items}$ and $K = \text{Number of questionnaire items}$, the content validity test was determined and have been deemed legitimate. Each and every construct had its content validity index calculated. As recommended (Amin, 2005) the instrument was deemed genuine when the result was equal to or greater than 0.70. Table 1 presents the findings.

Table 1: Validity of Questionnaire

Variable	Items rated relevant	Items rated not relevant	Total number of items	Content Validity Index (CVI)
Corporate Governance	17	1	18	0.944
Dynamic Capability	16	2	18	0.889
Performance	14	4	18	0.778
Total	47	7	54	

Source: Primary data 2024

Consequently, using the formula, $CVI = \frac{47}{54} \approx .870$

The CVI exceeded the suggested value.70 (Amin, 2005). As a result, the questionnaire was appropriate for gathering data.

3.9.2 Reliability

Reliability concerns with the extent to which a measurement of a phenomenon provides stable and consistent result (Oluwatayo, 2012). The researcher performed an internal consistency reliability test on all items in the instrument and only items with Cronbach alpha values of at least 0.7 was

retained. Data collected from thirty respondents for the pilot test was analyzed using the Statistical Software for Social Sciences, or SPSS. Table 2 presents the findings.

Table 2: Reliability of the questionnaire

Variable	Cronbach's Alpha	Number of Items
Corporate Governance	.829	18
Dynamic Capability	.852	18
Performance	.728	18

Source: Primary data 2024

The variables the questionnaire's Cronbach alpha coefficients scored more than 0.7. as recommended by Nunnally (Kent, 2001). Consequently, the questionnaire was considered reliable for collecting data.

3.10 Data Processing and presentation

All the variables in the quantitative data were analyzed using the Statistical Package for Social Scientists (SPSS) version 25 software after being coded and input using a computer system. Tables displaying percentages and frequencies were used to assess the demographic data. Results for goals one and two were analyzed using correlation analysis, multivariate regression modeling was employed to evaluate the influence of dynamic capabilities and corporate governance on SACCOs' financial performance.

3.11 Ethical Considerations

The investigator authenticated the study by requesting a letter of introduction from Makerere University Business School, ensuring voluntary participation, no legal consequences, and high confidentiality of information. Acknowledging the use of other people's works through referencing was also emphasized.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.1 Introduction

Statistical Package for Social Scientists (SPSS) version 25 software was used to generate codes for the quantitative information and enter all of the variables into a computer system for analysis. Tables with frequencies and percentages were utilized to evaluate the demographic information. Regression modeling was employed to determine how corporate governance and dynamic capability affected SACCOs' financial performance while correlation analysis was employed to examine the results for goals one and two.

4.2 Response Rate

Johnson and Owens (2003) state that the computation of a response rate is done by dividing the entire number of survey respondents by the overall number of those participating in the sample at hand. Usually, a percentage is used to communicate it. If participants' non-responses to exposure and/or outcome are different, a low reaction rate may indicate sampling bias. In this study, the sample was 48 (144 questionnaires) SACCOs but the study managed to get responses from 41 (123 questionnaires) SACCOs, that represented 85.4% of the rate of response. The resultant rate of response was greater compared to the suggested 67% (Amin, 2005; Mugenda & Mugenda, 1999). As a result, it was decided that the outcomes were indicative of the desires of the intended audience produced.

4.3 Demographic background Results

The researcher gathered pertinent demographic background data, such as the respondents' gender, age, marital status, level of education, position held, and length of employment, in order to inform

and explain specific phenomena. Additionally, the researcher collected information about SACCO characteristics, such as type, division, and length of operation in Arua City.

Table 3: Demographic Characteristics of respondents

	Gender	Frequency	Percent
Valid	Male	61	49.6
	Female	62	50.4
	Total	123	100.0
	Marital Status		
Valid	Single	5	5.7
	Married	104	84.6
	Widowed	12	9.8
	Total	123	100.0
	Age		
Valid	Less than 25 years	4	3.3
	25 - 38 years	31	25.2
	39- 45 years	45	36.6
	46 - 52 years	29	23.6
	53 years and above	14	11.4
	Total	123	100.0
	Education level		
Valid	Below O'level	36	36.0
	Diploma	48	48.0
	1st Degree	31	31.0
	Master's Degree	2	2.0
	Postgraduate		
	Diploma	2	2.0
	PhD	4	4.0
	Total	123	100.0
	Position		
Valid	Chairperson	34	27.6
	Treasurer	47	38.2
	Manager	42	34.1
	Total	123	100.0
	Time Frame		
Valid	Less than one year	7	5.7
	1 - 3 years	63	51.2
	4 - 6 years	43	35.0
	7 - 9 years	3	2.4
	Over 10 years	7	5.7
	Total	123	100.0

Source: Primary Data 2024

Table 3 demonstrates that women made up more of the respondents (50.4%). Nonetheless, a sizable portion of men (49.6%) took part in the research as well. This indicates that the opinions of both sexes made a substantial contribution to the study's conclusions. Table 3 showed that married respondents made up the majority of the sample (84.6%), followed by widowed at 9.8% and singles at 5.7%. The finding suggests that the study was dominated by married employees. This is because some of the causes of corporate governance and dynamic capabilities are family related and trickle down to the organization one works for. The majority of respondents are older than 25, which could help to explain this.

Table 3 reveals that the majority of respondents (36.6%) were within the ages of 39 and 45, with those in the 25–38 age range coming in second (25.2%), then those between 46-52 years (23.6%), and lastly only 3.3% of the respondents were less than 25 years and above. This suggests that the majority of respondents were older than 25, indicating that they were capable of understanding the questionnaire and providing a thoughtful response. Table 3's statistics showed that 6.5% of respondents held at least masters, whereas 39% of respondents held a diploma. Thus, it can be inferred from the previously provided statistics that the respondents were intelligent, capable of reading and writing, literate, and qualified to manage SACCO's funds.

The results in Table 3 revealed that 38.2% were treasurer, 34.1% were managers and 27.6% were chairperson. This shows that the data collected was from the key stakeholders of SACCO who according to the SACCO's methodology are to approve and manage loan funds.

The results in Table 3 above revealed that 51.2% served in the position for between 1 -3 years. The majority of the respondents, according to our data, have held the post for three years or longer, indicating that they are knowledgeable, experienced, and familiar with SACCO operations.

Table 4: Demographic Characteristics of SACCOs

	Type of SACCOs	Frequency	Percent
	Teacher's SACCO	10	24.4
	Civil servants SACCO	1	2.4
	Business Community SACCO	18	44.0
	Women Groups	2	4.8
	Disabled group	10	24.4.
	Total	41	100.0
	Division in which SACCO Office		
Valid	Ayivu division	11	26.8
	Central Division	30	73.2
	Total	41	100.0
	How long has the SACCO operated		
Valid	Less than one year	3	7.3
	1 - 3 years	17	41.5
	4 - 6 years	11	26.8
	7 - 9 years	2	4.8
	Over 10 years	8	19.6
	Total	41	100.0

Source: Primary data 2024

The findings show that the dominated type of SACCO was Business Community SACCO 44% and least with Civil Servant SACCO at 2.4%. This implies that Business community SACCOs do not require much capital to operate.

Table 4 showed the percentages of the SACCOs that are from the two division of Arua City of which 73.2% of the SACCO were from Central division and 26.8% were from Ayivu. This means that there was a fair representation of the two Divisions of the Arua City.

Table 4's data showed that 4.8% of SACCOs had been in operation for seven or nine years, while 41.5% had been in operation for one to three years. This suggests that most SACCOs have been around for a considerable amount of time and have expertise and experience with SACCO operations.

4.4 Correlation Analysis

Pearson's coefficient was used to verify the existence or non-existence of linear correlation between and among the variables. This analysis examined the connection between modifications to corporate governance and adaptable capacities as well as variations in financial results. The Pearson correlation coefficient was utilized in the study to assess the level of correlation between these variables. The degree and direction of a linear association involving two variables are measured by Pearson's product-moment correlation coefficient, or r . The range of values for the Pearson correlation coefficient, or r , is +1 to -1.

There is no association between the two variables when the value is 0. Positive correlation is denoted by a number larger than 0, which implies that as one variable's value rises, the other variable's value also rises. A negative correlation is indicated by a value smaller than 0, which implies that when one variable's value rises, the other variable's value falls. The presence or absence of a linear relationship between the variables was determined using the Pearson's coefficient. Table 5 presents the findings.

Table 5: Pearson Correlation Coefficient

Variable and Construct	1	2	3	4	5	6	7	8	9
Board Composition (1)	1.000								
Board Size (2)	.321*	1.000							
Board Accountability (3)	.280	.196	1.000						
Corporate Governance (4)	.692**	.724**	.720**	1.000					
Adaptive Capability (5)	.277	.007	.764**	.504**	1.000				
Absorptive Capability (6)	.007	-.107	.690**	.304	.791**	1.000			
Innovative Capability (7)	-.032	.066	.748**	.405**	.785**	.811**	1.000		
Dynamic Capability (8)	.092	-.016	.788**	.433**	.924**	.937**	.926**	1.000	*
Performance (9)	.367*	.103	.745**	.577**	.770**	.530**	.537**	.659**	1.000
Sig. (2-tailed)	.018	.520	.000	.000	.000	.000	.000	.000	

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Primary data 2024

4.4.1 Inferential statistical results on corporate governance and financial performance

The degree to which corporate governance and the financial success of SACCOs in Arua City, Uganda, are correlated was assessed using the Pearson correlation coefficient (r). To calculate how much of the variance in financial performance that corporate governance accounts for, the coefficient of determination was utilized. Corporate governance and financial performance had a moderate relationship ($r = .577$), according to Table 5's findings.

The moderate effect of the results showed a linear association between improvements in corporate governance and changes in how SACCOs have performed financially. The positive change indicated found there existed a favorable correlation involving the corporate governance of the SACCOs and their financial performance in Arua City: higher financial performance is associated with improved corporate governance, while worse corporate governance is linked to worse financial performance.

4.4.2 Inferential statistical results on dynamic capability and financial performance

Table 5's findings show that Arua City's SACCOs' financial performance and their dynamic capability had a somewhat good association ($r = .659$). The results revealed that financial performance and dynamic capability have a strong positive relationship. Additionally, research indicates that modifications in dynamic capabilities and financial performance were positively correlated, with improved dynamic capability being linked to higher financial performance and poor dynamic capability to lower financial performance of SACCOs in Arua City.

4.5 Regression analysis

Regression analysis aims to create a model that explains the relationship between multiple independent variables and one dependent variable. A statistical method used to analyze the relationship between two or more quantitative variables is known as regression analysis: an

explanatory or independent variable (or variables) that can be known, and a dependent variable whose value must be predicted. Through the use of multiple regression analysis, the link between the variables can be found in an equation that predicts one variable based on two or more independent variables. To comprehend how one variable statistically depends on other factors, regression analysis is used.

The percentage of variance between variables that may be ascribed to the independent and dependent variables, respectively, can be shown using this method. The effects of dynamic competency and corporate governance on the financial performance of SACCO employees in Arua City were investigated using regression analysis. Table 6 provides a summary of the findings.

Table 6: Regression analysis results

	Unstandardized Coefficients		Standardized Coefficients Beta	T	Sig.	Collinearity Statistics Tolerance	VIF
	B	Std. Error					
(Constant)	-.838	.570		-1.470	.150		
Corporate Governance	.532	.181	.359	2.939	.006	.813	1.230
Dynamic Capability	.744	.181	.503	4.118	.000	.813	1.230
R = .734							
R ² = .539							
Adjusted R² = .514							
F = 22.188							
Std. Error = .42194							

Source: Primary Data (2024)

Table 6 provides the data, which show that the dimensions for corporate governance and dynamic capability represented by Adjusted R Square (0.514) accounted for 51.4% variance in financial performance. From Table 6, it is shown that all the two dimension, had a noteworthy impact on the SACCOs' financial performance in Arua City, as evidenced by its p-value for .000, which fell below the .01 threshold of relevance. Also, between the two dimensions dynamic capability (Beta

= .503) affect financial performance more than corporate governance since (Beta = .359). The implication of the result is that a rise in standard deviation of one unit of corporate governance and dynamic capability can cause a change in financial performance by 0.503 unit and 0.359 unit in that order.

CHAPTER FIVE

DISCUSSION, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction

The outcomes, conclusions, and recommendations stemming from the study's findings are deliberated in this chapter. The results of the empirical inquiry were scrutinized in the context of the reviewed literature, leading to the formulation of suggestions and conclusions.

5.2 Discussion of the findings

The results of the investigation are examined in the context of the predefined research objectives.

5.2.1 Corporate governance and financial performance

The first objective was to look into how company governance and financial performance of Arua City SACCOs are related. The results' moderate effect indicated a linear relationship between enhancements to corporate governance and modifications to SACCOs' financial performance. Because of the effect's positive nature, it was implied that the SACCOs in Arua City's corporate governance and financial performance changed in a similar way—that is, that poor corporate governance is linked to poor financial performance and miserable corporate governance is linked to excellent financial performance.

As the investigation also showed that financial performance was significantly predicted by corporate governance factors including a well-balanced, sizable, and accountable board. This result is consistent with research conducted in the Rukiga district by Turyasingura and Agaba (2023), who used a cross-sectional survey to assess how corporate governance affects SACCO performance. The investigation finding indicates that corporate governance significantly affects SACCO's performance. Similarly, Kyabarongo Benon *et al.* (2024) discovered that SACCOS will perform worse financially the more its board takes on responsibility for the company's decisions

and clearly and openly shares them with stakeholders. Corporate governance's effect on SACCOs' financial performance in Uganda was investigated in this study. The investigator discovered that the board had an effective audit committee to ensure proper internal controls in our SACCO, SACCO board has high consideration for members' shareholder value in its decision-making process, the board effectively monitors management responses to weaknesses identified by the audit committee, small size of our board greatly increases the speed of decision-making, SACCO board has lean size to promote critical genuine and intellectual deliberation and female is to be included on the board.

5.2.2 Dynamic capability and financial performance

The study's second goal was to ascertain whether Arua City SACCOs' dynamic capability and financial success were correlated. The investigation's findings indicated that dynamic capability and financial performance were highly positively correlated. The findings showed a significant correlation, with a modest influence, between changes in dynamic capability and changes in SACCO financial performance. Since bad dynamic capability is linked to poor financial performance and high dynamic capability is associated with better financial performance, the positive nature of the effect suggested that the change in the dynamic capability and financial performance of the SACCOs in Arua City occurred in the same trend. Moreover, the regression study's findings showed that dynamic capability greatly enhanced financial performance.

The study's findings mostly agree with those of Martins (2023), who looked at how dynamic capabilities affected SME performance in expanding markets and found that digitization was a significant moderator. The study found that dynamic capabilities—specifically, perceiving, seizing, and transforming—significantly improve performance. Additionally, it was discovered that

digitization significantly strengthens the relationship between these dynamic abilities and SME performance.

When Azzam *et al.* (2023) looked into how dynamic capabilities affected competitive performance, they found a strong positive correlation between improving competitive performance and dynamic capabilities. Moreover, Hieu (2020) carried out an empirical investigation to determine the connection between Vietnam's SMEs' strategic and financial performance and their dynamic, entrepreneurial, and innovative characteristics.

According to the research's conclusions, financial and strategic performance are positively impacted by dynamic capabilities, financial and strategic performance are encouraged by innovation capabilities, and financial and strategic performance are positively influenced by innovation capabilities. While this literature is pertinent, it differs from the current study in that it focuses on three different capabilities—dynamic, innovative, and entrepreneurial—to evaluate SMEs' strategic and financial success, in contrast to the present study only takes SACCOs' financial performance and dynamic capabilities into account.

Omeke *et al.* (2021) employed a quantitative study in a relevant local literature and a cross-sectional survey to look at the mediating function of networking on the connection of the dynamic capacities and firm growth of financial cooperatives. The findings show that encouraging the expansion of financial cooperatives requires dynamic capacities. Furthermore, networking helps dynamic capacities contribute to the expansion of financial cooperatives to a partially greater extent. According to a related international study, dynamic skills significantly and favorably affect the financial performance of three five-star hotels in Thailand. Tanimkarn (2014) found this relationship. This study was conducted on five-star hotels, whereas the current research focuses on SACCOs. This is how it differs from the current study.

The study's researcher has confirmed that SACCO has an ideal method for learning and skill acquisition, that members can reliably learn from one another, that SACCO closely monitors competitors' activities for learning opportunities, that members are always looking for new opportunities in emerging markets, that SACCO's new routines are created through efficient knowledge dissemination, and that SACCO has an efficient network of collaboration.

5.2.3 The combined effect of corporate governance and dynamic capability on financial performance

The study's findings show that dynamic capability and corporate governance together accounted for 51.4% of the variation in work performance. Other factors not included in this analysis account for 48.6% of the SACCOS' financial standing in Arua City. The results demonstrate that SACCOS' financial performance in Arua City, Uganda is significantly predicted by both corporate governance and dynamic capabilities. When corporate governance and dynamic capability improve, financial performance rises as well. The outcomes correspond with the study carried out by Ncurai and Ngàngà (2022), who investigated the role of innovation and governance as indicators of enhanced performance. The study's conclusions demonstrate that, in Kenya, innovation considerably reduces the relationship between corporate governance and deposit-taking SACCO success. This related literature used a mediating variable, which sets it apart from the current study. A foreign study conducted in 2020 by Manyara on the ethical leadership's balancing impact on the association between performance of Matatu SACCOS operating in Meru County, Kenya, and their dynamic capabilities found that ethical leadership significantly affected the relationship.

5.3 Conclusion

This study set out to investigate the following: the connection of corporate governance and SACCO financial performance. The second goal was to determine how SACCO financial performance and dynamic capabilities relate to one another. The final step involved analyzing how well corporate governance and dynamic capabilities could forecast Arua City's SACCOs' financial results. A total of 144 SACCO members responded to the study, which used a cross-sectional research methodology. For the purpose of analyzing the participant responses to the quantitative data, regression models and Pearson correlation results were presented using frequencies and percentages. A robust positive link was found between the financial success of SACCOs and corporate governance, and between the financial performance of Arua City SACCOs and a high positive correlation and their dynamic capacities.

However, the regression study's findings showed that dynamic capability was a better predictor of financial performance than corporate governance. Corporate governance and dynamic capabilities accounted for 51.4% of the variances in SACCOs' financial performance in Arua City, as per the regression model's findings.

5.4 Recommendations

In light of the study's conclusions, the research led to the following recommendations:

SACCO management in Arua City should embark more on improving the dynamic capability as it contributed more in improving financial performance compared with corporate governance. SACCOs can enhance profitability, liquidity, and quality of loan portfolios by streamlining their absorptive, adaptive, and innovative capacities, focusing on developing economies, perfecting learning methods, and integrating external knowledge.

Improving governance structures can significantly enhance SACCO (Savings and Credit Cooperative Organization) liquidity in Uganda by promoting transparency, accountability, and efficient management practices. This leads to better financial performance, increased member confidence, and improved access to funds.

Since corporate governance and dynamic capability positively enhance financial performance up to 51.4%, there should be deliberate policies in place to deepen their impact. This could be done by having on SACCO board experienced members with diverse expertise, implementing innovative ideas promptly and monitoring financial indicators to gauge performance.

Responsible ministries and agencies should also design deliberate policies geared towards improving financial literacy, financial inclusion and financial technology (Fintech) that could drive the SACCOs' absorptive, adaptive and innovative capacities that ultimately improves their financial performance. Financial literacy empowers individuals to make informed choices, navigate complex financial landscapes, and secure their financial well-being.

5.5 Limitations of the study

First off, crucial data from instruments that take a while to provide a satisfactory response may have been lost as a result of using a cross-sectional study design that looked at demographic data at one particular period. This could have had an impact on the study's abstraction. Second, only SACCOs in Arua City were taken into consideration for the study because of time constraints related to finishing the Master's academic program. Therefore, it's possible that the study population isn't representative of SACCOs throughout Uganda, which could have made it harder to extrapolate the study's findings.

5.6 Areas for further research

The researcher recommends additional research in the following areas based on the study's findings:

- i. There is a need to look into aspects other than corporate governance and dynamic capability performance that affect SACCOs' financial performance.
- ii. It is required to conduct similar research on the financial performance of SACCOs in Arua City, however it must be done using a longitudinal research design, which takes time for some instruments to produce the intended results.

5.7 Contribution of the Study

This study has, in the first place, confirmed the stakeholder theory and Dynamic Capability Theory that the researcher used to underpin the study. Secondly, it has contributed to the body of existing knowledge through the findings on the study variables, that is, the position of how corporate governance and dynamic capability can improve financial performance of SACCOs Arua City of Uganda. Although the findings of this study are specific to the SACCOs, they can be extrapolated to businesses elsewhere, provided they are under similar conditions.

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APPENDICES

Appendix 1: Questionnaire

MAKERERE UNIVERSITY BUSINESS SCHOOL

QUESTIONNAIRE FOR RESPONDENTS

Respected respondent,

I'm Adomati Mophat, a studying at the Makerere University Business School, and I'm working toward an MBA at the university. In order to receive this degree, I must complete research on the following topic: corporate governance, dynamic capacities and performance of SACCOS in Arua City. By supplying information about the study, you have been chosen to participate in it. The data you supply will be handled with the highest confidentiality and used exclusively for this study. You have my gratitude for your constructive input.

I appreciate your time and cooperation.

PART A: DEMOGRAPHIC CHARACTERISTICS

SECTION 1: BACKGROUND INFORMATION (PLEASE TICK WHERE APPROPRIATE)

Name of the national SACCO: (Optional)

Gender

Male	Female

Marital Status

Single	Married	Widowed

Age of respondents

Less than 25 years	25 - 38 years	39 - 45 years	46-52 Years	53 Years and above

Level of Education

Below O level	Diploma	1 st degree	Masters	Post graduate diploma	PhD

Indicate your position in the SACCO.

Chairman	Treasurer	Manager

Time frame in this position

Less than one year	1-3 years	4-6 years	7-9 years	Over 10 years

SECTION 2: SACCO CHARACTERISTICS (Tick the appropriate one)

What is the type of your SACCO?

Teachers` SACCO	Civil Servants SACCO	Business community SACCO	Women`s groups	Youth groups	Disabled group	Others

In which division is the SACCO office located?

Ayivu division	Central division

How long has the SACCO operated in Arua City?

Less than one year	1-3 years	4-6 years	7-9 years	Over 10 years

PART B: VARIABLES

Indicate Likert statements on scales by ticking appropriate box based on scale.

Scale	1	2	3	4	5
Description	Strongly disagree	Disagree	Not sure	Agree	Strongly agree

SECTION ONE: CORPORATE GOVERNANCE

	Board composition					
CGC1	Together with independent non-executive directors, we have executive directors on our board.	1	2	3	4	5
CGC2	Our SACCO has more non-executive directors to ensure board independence	1	2	3	4	5
CGC3	On the board, there are female members.	1	2	3	4	5
CGC4	A variety of experiences and areas of expertise are represented among the board members.	1	2	3	4	5
CGC5	The board has members who have many years of experience in board membership activities	1	2	3	4	5
CGC6	When choosing board members, diversity in terms of age, nationality, and ethnicity is taken into account.	1	2	3	4	5
	Board size	1	2	3	4	5
CGS1	Our SACCO board has lean size to promote critical genuine and intellectual deliberation	1	2	3	4	5
CGS2	The small size of our board speeds up the decision-making process considerably.	1	2	3	4	5
CGS3	It was decided by our SACCO to have seven or nine board members.	1	2	3	4	5
CGS4	The board's diminutive size aligns with our SACCO's resource envelope.	1	2	3	4	5
CGS5	The few skilled and experienced members of the SACCO board discuss and implement innovative ideas on timely basis	1	2	3	4	5
CGS6	The small size of the board effectively articulates the stakeholder needs and requirements	1	2	3	4	5

	Board accountability	1	2	3	4	5
CGE1	The board members clearly understand the values and business plans of our SACCO					
CGE2	The board adequately monitors financial indicators of our SACCO to gauge its performance as projected	1	2	3	4	5
CGE3	The board encourages an open communication with all stakeholders	1	2	3	4	5
CGE4	The board has an effective audit committee to ensure proper internal controls in our SACCO	1	2	3	4	5
CGE5	When making decisions, the SACCO board gives members' shareholder value a lot of weight.	1	2	3	4	5
CGE6	The board effectively monitors management responses to weaknesses identified by audit committee	1	2	3	4	5

SECTION TWO: DYNAMIC CAPABILITIES

	Adaptive capability	1	2	3	4	5
DCB1	Our SACCO members constantly search for prospects in developing economies	1	2	3	4	5
DCB2	Our SACCO has a reliable system to collect and filter variety of market information	1	2	3	4	5
DCB3	Our SACCO vigorously monitors the activities of competitors to learn from	1	2	3	4	5
DCB4	Our SACCO actively accumulates tacit knowledge through experience and creativity	1	2	3	4	5
DCB5	There is a dependable way to acquire and transfer knowledge among our SACCO members	1	2	3	4	5
DCB6	Our SACCO clearly aligns its internal resources with external requirements	1	2	3	4	5
	Absorptive capability	1	2	3	4	5
DCD1	Our SACCO usually assimilates external information into its processes	1	2	3	4	5
DCD2	Our SACCO is knowledgeable in converting external opportunities into actions	1	2	3	4	5
DCD3	Our SACCO is enthusiastic about creating new goods, procedures, and offerings.	1	2	3	4	5
DCD4	We have credible plans to invest in technology and design to achieve market targets for our SACCO	1	2	3	4	5
DCD5	Our SACCO has decent strategies to create, improve and substitute business model	1	2	3	4	5
DCD6	Our SACCO has perfect learning and skill accumulation methods	1	2	3	4	5

	Innovative capability	1	2	3	4	5
DCI1	There is effective decentralization of activities and decisions in our SACCO	1	2	3	4	5
DCI2	Our SACCO usually realigns resources to incorporate external opportunities	1	2	3	4	5
DCI3	Our SACCO usually integrates external knowledge to create new processes	1	2	3	4	5
DCI4	Our SACCO's new routines are generated through effective knowledge dissemination	1	2	3	4	5
DCI5	Our SACCO has effective network of collaboration	1	2	3	4	5
DCI6	Our SACCO usually abandons non-profitable resource combinations	1	2	3	4	5

SECTION THREE: FINANCIAL PERFORMANCE OF SACCOS

	Profitability	1	2	3	4	5
FPP1	The overall cost of running our SACCO has decreased substantially	1	2	3	4	5
FPP2	The interest on savings from our SACCO has increased in the eyes of the savers	1	2	3	4	5
FPP3	There is increase in our SACCO membership	1	2	3	4	5
FPP4	Our SACCO easily secures funding from financial institutions due its sound financial performance	1	2	3	4	5
FPP5	Our SACCO has a high return on members' contributions	1	2	3	4	5
FPP6	The net income to total assets ratio is above the industry threshold	1	2	3	4	5
	Liquidity	1	2	3	4	5
FPL1	Our SACCO always has sufficient cash availability to meet its obligations	1	2	3	4	5
FPL2	Our SACCO usually has lower liabilities than current assets	1	2	3	4	5
FPL3	Our SACCO pays her creditors in time	1	2	3	4	5
FPL4	Our SACCO enjoys unhindered flows of exchange of assets among the agents of financial system	1	2	3	4	5
FPL5	Our SACCO has been enjoying high quick ratio over the last six months	1	2	3	4	5
FPL6	Our SACCO collects receivables in time	1	2	3	4	5
	Loan Portfolio Quality	1	2	3	4	5
FPQ1	Our SACCO has relatively low portfolio at risk	1	2	3	4	5
FPQ2	Our SACCO's interest earnings are not affected by loan losses	1	2	3	4	5
FPQ3	The loan credit analysis in our SACCO is very efficient	1	2	3	4	5
FPQ4	Our SACCO has effective loan collection procedures	1	2	3	4	5

FPQ5	In our SACCO, the percentage of total loans written off to total loans is usually negligible.	1	2	3	4	5
FPQ6	The loan disbursement in our SACCO has increased due to improvements in portfolio attribute	1	2	3	4	5

Am grateful for your cooperation and time.

Krejcie and Morgan's Table

The necessary sample size (S) for the specified population size (N)

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	256	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	100000	384

Note: Based on R.V. Krejcie & D.W. Morgan (1970), calculating sample size for educational and psychological measurement in studies.