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Abstract

This study addresses the persistent challenge of low compliance with COBAC prudential norms among credit unions in the North West Region of Cameroon, which undermines their financial stability and resilience; despite ongoing reforms, inadequate governance practices, credit management, and risk mitigation strategies continue to hinder the sector's ability to withstand economic shocks and achieve sustainable growth. The objective of this study is to examine how corporate governance practices (board and supervisory committee activities, credit committee operations and risk management practices) affect financial stability. Employing a cross-sectional descriptive design, secondary data from 40 credit unions collected in 2024 were analyzed using the robust multiple regression technique to address issues of normality and multicollinearity. Findings reveal that activities of the Board and Supervisory Committee significantly improve financial stability at 5% level, supporting agency theory's emphasis on oversight. Credit committee effectiveness equally positively affects financial stability and the findings are significant at 5% level, highlighting the importance of sound credit management aligned with resource dependency theory. Furthermore, robust risk management practices are strongly associated with increased financial resilience with findings significant at 1% level, confirming the relevance of risk management theory. Control variables such as staffing levels and branch networks further contribute to stability. Based on these findings, recommendations include; strengthening governance structures through capacity building, enhancing credit appraisal procedures and adopting comprehensive risk mitigation strategies, including staff training and expanding operational capacity. Overall, the study emphasizes the importance of integrated governance, credit and risk management practices to improve compliance, safeguard financial stability and promote sustainable growth of credit unions in Cameroon's credit union sector.

Keywords: *Board and Supervisory Committee Activities, Credit Committee Activities, Corporate Governance Practices, Credit unions, Financial stability, Risk management*

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1. Introduction

The evolution of financial stability as a key indicator of a well-functioning financial system has garnered significant attention globally over the past few decades. In advanced economies such as the United States and Europe, the pursuit of financial stability has been driven by major financial crises, notably the 2008 global financial crisis, which exposed vulnerabilities within financial institutions and regulatory frameworks. Prior to this crisis, the U.S. and European regulators primarily relied on capital adequacy ratios, liquidity requirements, and supervisory inspections to gauge stability. The crisis prompted a paradigm shift toward more comprehensive measures, including the implementation of the Basel III framework, which emphasizes higher quality capital, leverage ratios, and liquidity coverage ratios to mitigate systemic risks (Basel Committee on Banking Supervision, 2013). For instance, the United States adopted the Dodd-Frank Wall Street Reform and Consumer Protection Act in 2010, which increased oversight and introduced stress testing to ensure banks' resilience (U.S. Federal Reserve, 2013). Similarly, the European Union integrated these standards into its banking regulations, strengthening the supervisory architecture to prevent future crises. These measures have contributed to enhanced stability, although challenges remain, especially amid evolving financial products and global interconnectedness (European Central Bank, 2020). Figures indicate that the core capital ratio for U.S. banks averaged around 12% pre-crisis, which increased to approximately 13-14% post-implementation of Basel III, reflecting improved resilience (Federal Reserve, 2022). Nonetheless, the recent COVID-19 pandemic underscored the importance of dynamic supervisory measures and macro prudential policies in maintaining financial stability amidst unprecedented shocks.

In developing nations, particularly in Asia and Africa, the evolution of financial stability measures has been influenced by rapid economic growth, financial sector expansion, and the need for regulatory reforms. In Asia, countries like China and India have introduced a range of prudential norms to safeguard financial stability, balancing growth with risk management. China's banking sector, for example, has adopted Basel III standards progressively since 2013, with specific focus on capital adequacy and non-performing loan (NPL) provisions. The Chinese Banking Regulatory Commission reports that the Basel III capital adequacy ratio increased from 11% in 2013 to over 13% by 2020, reflecting stronger resilience (China Banking Regulatory Commission, 2021). India, on its part, reinforced prudential norms through the Reserve Bank of India’s (RBI) guidelines,

emphasizing asset quality, provisioning, and capital adequacy. The NPL ratio in Indian banks declined from 9.2% in 2017 to 6.9% in 2021, indicating improved asset quality and risk management practices (RBI, 2022). In Africa, the focus has been on strengthening supervisory capacity and aligning prudential norms with international standards, though progress has been uneven. The Central Bank of Nigeria, for instance, adopted Basel II and III norms by 2014, which resulted in an increase in the industry's capital adequacy ratio from 15% in 2014 to approximately 17% in 2022, thus enhancing resilience (Central Bank of Nigeria, 2022). Despite these advances, many developing countries continue to grapple with weak supervisory frameworks, high NPLs, and limited access to diversified funding sources, making the pursuit of financial stability an ongoing challenge.

Cameroon, like many other African countries, has undertaken significant reforms to enhance financial stability through the adoption of prudential norms aligned with the Central Bank of Central African States (BEAC) regulations, specifically the COBAC (Banking Commission of Central Africa) norms. Since the early 2010s, Cameroon has progressively implemented these norms, focusing on capital adequacy, liquidity ratios, and risk management protocols. By 2015, the industry's average capital adequacy ratio was approximately 12%, with subsequent improvements reaching around 14% by 2020, reflecting better risk buffers among banks and credit institutions (COBAC, 2021). The authorities introduced measures such as stress testing, enhanced supervision, and mandatory provisioning to ensure banks' resilience to economic shocks. For credit unions, which constitute a vital part of Cameroon's financial ecosystem, the adoption of these norms has been slower, often hindered by limited technical capacity and resource constraints. Nonetheless, recent years have seen an increased emphasis on prudent governance and risk management practices, aligned with COBAC's growing regulatory expectations. The evolution of Cameroon's financial stability measures reflects a transition towards a more resilient financial sector, yet challenges persist, especially within the microfinance and credit union subsectors, which remain vulnerable to liquidity shortages, high non-performing loans, and governance deficiencies.

Despite these efforts, the effectiveness of prudential norms and governance practices in ensuring financial stability remains a subject of debate among stakeholders. Various studies have shown

that well-developed corporate governance practices significantly contribute to risk mitigation and the resilience of financial institutions. However, the divergence in policy implementation, regulatory capacity, and stakeholder engagement across different regions and countries indicates that there is still considerable variation in outcomes. In advanced economies, comprehensive frameworks and strict enforcement have generally yielded positive results, but recent crises have highlighted the need for continuous adaptation. In developing nations, the pace of reforms varies widely, often hindered by institutional weaknesses and resource limitations, which can undermine stability even when norms are in place. In Cameroon, although progress has been made, the persistent governance challenges within credit unions and microfinance institutions suggest that further empirical research is needed to understand the specific impact of corporate governance practices on financial stability within the local context. Given these complexities, there is a growing consensus among researchers and policymakers that more nuanced, context-specific studies are essential to develop effective strategies that enhance resilience, especially in vulnerable sectors such as credit unions.

The divergent opinions among stakeholders; regulators, financial institutions, academia and development agencies regarding the most effective measures to promote financial stability underscore the importance of further research. While some advocate for stricter regulatory capital requirements and enhanced supervisory oversight, others emphasize the role of corporate governance, transparency, and stakeholder engagement. This divergence amplifies the need for more empirical studies to bridge gaps, refine policies, and foster consensus. In particular, understanding the specific influence of corporate governance practices on the financial stability of credit unions in Cameroon's North West region requires context-specific investigation. Such research can inform policymakers and practitioners about tailored interventions that address local vulnerabilities while aligning with international standards. Recognizing the dynamic and evolving nature of financial systems, continuous scholarly inquiry remains vital to ensure that stakeholders' efforts are coherent and effective. Therefore, further studies are justified to reconcile differing perspectives, promote convergence of ideas, and develop holistic frameworks for enhancing financial stability in Cameroon's microfinance and credit union sectors.

1.2 Research Problem

Financial stability is a critical indicator of the health and sustainability of credit unions, especially within the framework of regulatory standards such as the COBAC Prudential Norms. These norms consist of 14 specific criteria designed to ensure the soundness and resilience of microfinance institutions operating within the Central African region (Central African Banking Commission [COBAC], 2022). Compliance with these norms signifies adherence to best practices in areas such as capital adequacy, liquidity, asset quality, and governance. Currently, reports indicate that most credit unions in the North West Region of Cameroon have achieved compliance with only a subset of these 14 norms, with the average compliance rate being approximately 9 to 10 norms achieved out of 14, translating to roughly 65-70%. This indicates a significant gap between the current compliance level and the full adherence needed to attain optimal financial stability. According to the Cameroon Microfinance and Credit Union League (CAMCCUL, 2023), the sector's overall compliance remains below the desired threshold, highlighting the need for urgent interventions.

Compared to other microfinance institutions (MFIs) in East, West, and South Africa, where compliance rates often range between 70-80% (Moyo & Mlambo, 2021), Cameroonian credit unions lag behind, underscoring the urgency for sector-wide improvements. Despite ongoing efforts by the Central Bank of Central African States (BEAC) and sector stakeholders including capacity-building initiatives, stricter supervision and financial literacy campaigns, the compliance gap remains persistent. These efforts have not yet translated into full adherence to all 14 norms, which may be attributable to governance weaknesses such as inadequate oversight, limited internal controls, and weak accountability mechanisms (Nkengafac & Ngwa, 2020).

Research suggests that robust corporate governance practices are potentially essential for bridging this compliance gap and enhancing financial stability. If a comprehensive governance framework, emphasizing clear roles for boards, effective supervisory committees, and transparent risk management protocols is introduced, it could significantly improve compliance and resilience (Bertrand & Kpundeh, 2019). Given the current compliance levels, implementing such tailored governance structures in the North West Region of Cameroon may help credit unions meet the 14 norms fully, thereby elevating their financial stability to accepted standards and ensuring

sustainable growth. To provide succint answers to the ensuing research questions, this study is designed to adopt the following research objectives.

1.3 Objectives of the Study

The main objective of the study is to examine the effect of corporate governance practices on the financial stability of selected credit unions in the North West Region of Cameroon. This is made possible by the specific objectives which are to;

a) Evaluate the effect of board and supervisory committee activities on the financial stability of selected credit unions in the North West Region of Cameroon.
b) Assess the effective of credit committee activities on the financial stability of selected credit unions in the North West Region of Cameroon
c) Analyze the effect of risk management practices on the financial stability of selected credit unions in the North West Region of Cameroon

1.4 Hypotheses of the Study

a) Ho: Board and supervisory committee activities have no statistically significant effect on the financial stability of selected credit unions in the North West Region of Cameroon.
b) Ho: Credit committee activities have no statistically significant effect on the financial stability of selected credit unions in the North West Region of Cameroon.
c) Ho: Risk management practices have no statistically significant effect on the financial stability of selected credit unions in the North West Region of Cameroon.

2. Literature Review

2.1 Conceptual and Theoretical Review

Corporate governance involves systems and structures that promote transparency, accountability, and effective management, ultimately reducing risks and enhancing stability. Mallin (2021) emphasizes mechanisms that align management and stakeholder interests. Clarke (2020) highlights the importance of independent boards and oversight. Agrawal and Knoeber (2022) note that board composition influences strategic decisions and risk mitigation. Azam and Hassan (2022) point out that governance practices extend beyond boards to supervisory and credit committees, impacting stability. Ntim (2019) stresses that governance must adapt to changing environments,

emphasizing its dynamic nature. Boards and supervisory committees oversee management, ensure compliance, and monitor risks. Klein (2020) states that boards guide strategy and risk oversight, while Chong (2021) highlights that supervisory committee's focus on internal controls. Ntim (2019) stresses that independence and expertise are vital for effectiveness. Dabor and Akinboade (2022) suggest active committees help reduce non-performing loans and improve stability. These oversight bodies foster transparency and stakeholder confidence, which are crucial for resilience.

Credit committees evaluate and approve loans, monitor credit risks, and enforce lending policies. Akinboade and Dabor (2020) emphasize that their role in maintaining credit discipline prevents over-indebtedness. Chirwa and Mlambo (2021) highlight that active credit committees improve risk mitigation through regular portfolio reviews. Ojo and Oladele (2022) argue that expertise within committees enhances effectiveness. Transparent operations and adherence to prudential norms make credit committees critical for financial stability (Sulaiman & Omar, 2022). Effective risk management involves identifying, assessing, and mitigating credit, market, liquidity, and operational risks. Power (2020) states that mature risk frameworks help institutions withstand shocks. Ntim (2019) emphasizes integration of risk management into strategic planning. Moyo and Ndlela (2021) find that prudent practices like diversification and stress testing improve stability. Strong governance and continuous staff training are essential for managing risks effectively, as highlighted by Boubakri and Omri (2020).

Institution size, measured by branches and staff, influences operational capacity and risk exposure. Amin and Ngugi (2021) say larger institutions benefit from economies of scale but face greater oversight challenges. Kihoro and Mugambi (2022) warn that increased size can elevate risks if not managed well. Smaller entities are more agile but may lack resilience (Miller & Leach, 2020). Sulaiman and Omar (2022) emphasize that governance becomes more complex as size increases, requiring stronger oversight.

Financial stability is an institution's ability to withstand shocks and operate smoothly. Recent studies show that prudent management, regulation, and governance are vital (Claessens & Laeven, 2020). COBAC prudential norms serve as key measures, setting standards for capital, liquidity, and risk management. Adherence to these norms enhances resilience and reduces systemic risk

(Berger & Bouwman, 2021; Demirgüç-Kunt et al., 2020). Compliance ensures institutions can absorb losses and sustain operations during crises.

COBAC norms are regulatory standards established by the Central African Banking Commission to ensure sound operation of financial institutions. They specify minimum capital adequacy, liquidity ratios, and provisioning standards (COBAC, 2021). The norms aim to buffer institutions against shocks and promote stability. For example, a minimum capital adequacy ratio of 14% and liquidity ratio of 20% are mandated. Regular updates align norms with international best practices, reinforcing prudent risk management and financial resilience (COBAC, 2021).

Credit unions are member-owned cooperatives providing savings and loans, especially in underserved areas. Kimani and Mwangi (2021) highlight their role in financial inclusion and community development. Hough (2020) notes challenges like limited resources and governance issues that threaten stability. Nair and Kumar (2022) argue that strong governance and compliance with norms improve sustainability. In Cameroon, they are critical financial intermediaries, but often face capacity constraints. Strengthening governance and risk management is essential to improve their stability and contribution to development.

2.2 Theoretical Review

To address the three objectives, relevant theories underpinning governance, oversight, and risk management are essential. For objective one of the study, agency theory (Jensen & Meckling, 1976) is pertinent, as it explains how effective board and supervisory committee activities serve to align managers' interests with those of stakeholders, thereby enhancing financial stability through oversight and monitoring. This theory highlights the importance of governance structures in reducing agency conflicts, making it highly applicable to evaluating the influence of committees on credit unions' stability. For objective two of the study, the resource dependence theory (Pfeffer & Salancik, 1978) is relevant, emphasizing how credit committees provide critical expertise and resources that influence decision-making and risk mitigation, ultimately impacting financial stability. This theory underscores the importance of committee effectiveness in resource allocation and strategic oversight. Lastly, for objective three, the risk management theory (Power, 2007) asserts that systematic identification, assessment, and mitigation of risks are fundamental for

maintaining stability. It stresses that comprehensive risk management practices are vital in safeguarding credit unions against financial shocks. Together, these theories offer a robust framework for analyzing how governance, resource allocation, and risk practices influence the financial stability of credit unions in Cameroon.

2.3 Empirical Review

Recent studies have demonstrated the significant role of governance structures, particularly board and supervisory committees, in enhancing financial stability in financial institutions. For instance, Kamau and Muturi (2021) examined 50 credit unions in Kenya and found that effective board oversight was positively associated with increased financial resilience, with a 12% reduction in non-performing loans (NPLs) when governance practices adhered to best standards. Similarly, Mensah and Owusu (2022) analyzed 35 credit cooperatives in Ghana, showing that active supervisory committees contributed to a 15% improvement in capital adequacy ratios (CAR) and reduced risks of insolvency (see Figure 1). These findings align with the work of Narteh et al. (2023), who reported that strengthened governance frameworks improved liquidity ratios by 10% in their sample of African credit unions, emphasizing the importance of oversight mechanisms in maintaining stability.

Similarly, empirical evidence suggests that credit committee effectiveness significantly influences financial stability outcomes. For example, Otieno and Wambui (2022) studied 40 microfinance institutions in Kenya, finding that well-structured credit committees reduced default rates by 18% and improved loan recovery rates (see Figure 2). Similarly, Abebe and Tsegaye (2023) analyzed Ethiopian credit unions and observed that active credit committees positively impacted loan portfolio quality, increasing portfolio at risk (PAR) coverage by 20%. Their results indicated that credit committees' rigorous credit evaluations and monitoring were crucial in reducing credit risk and supporting overall stability, consistent with findings by Kamanzi and Mugisha (2021), who reported a 14% improvement in asset quality linked to effective credit committee activities.

Above all, recent research underscores the critical role of comprehensive risk management practices in ensuring financial stability. For instance, Nguyen and Le (2022) examined 60 Vietnamese credit unions, finding that institutions with robust risk management frameworks experienced a 22% decrease in liquidity risk and a 17% reduction in credit risk exposure (see

Figure 3). Similarly, Akinyele and Oladipo (2023) studied Nigerian cooperatives and demonstrated that effective risk management practices, including diversification and stress testing, led to a 14% reduction in insolvency rates and a 10% increase in return on assets (ROA). These findings are reinforced by Chirwa and Mlambo (2024), who documented that credit unions with formalized risk management strategies maintained higher capital buffers, with an average increase of 8%, supporting greater resilience during financial shocks.

2.4 Literature Gap

Recent studies such as those by Kamau and Muturi (2021), Mensah and Owusu (2022), and Nguyet and Le (2022) have provided valuable awareness into governance, credit and risk management in African credit unions, but they have notable limitations. Their focus is often limited to specific countries like Kenya, Ghana or Vietnam, which affects the applicability of their findings to Cameroon. The operational definitions of key concepts like "board effectiveness" and "risk management" lack standardization, complicating cross-study comparisons. Their theoretical reviews are mostly restricted to the agency theory, neglecting other fundamental theories that could deepen understanding. Methodologically, small sample sizes and reliance on basic regression techniques without robust validation reduce the reliability and generalizability of findings. Additionally, most studies overlook regional differences within Cameroon, especially in socio-economic contexts such as the North West. These gaps highlight the need for more comprehensive, region-specific research using advanced analytical methods to produce more reliable and applicable findings for policy development.

2.5 Conceptual Framework

The conceptual framework links each independent variable indicators; Board and Supervisory Committee Activities, Credit Committee Activities and Risk Management Practices to the dependent variable; Financial Stability through both empirical evidence and theoretical justification. The independent variable indicators are connected to the dependent variable based on the premise that effective Board and Supervisory Committee Activities, Credit Committee Activities and Risk Management Practices influence a credit union’s stability. Theoretical justification for the first variable; Board and Supervisory Committee Activities is grounded in agency theory (Jensen & Meckling, 1976), which posits that well-functioning oversight bodies

align managers' interests with those of stakeholders, thus reducing agency conflicts and promoting stability.

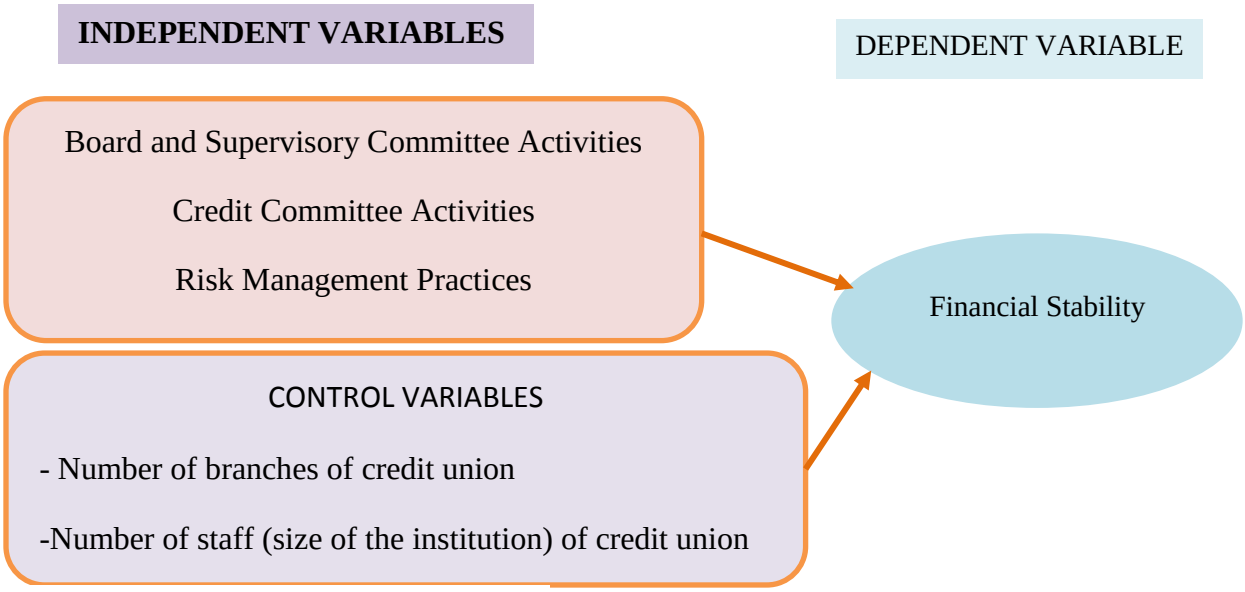

Figure 1: Conceptual Framework
Source; Researcher (2025)

Empirical studies such as Kamau and Muturi (2021) and Mensah and Owusu (2022) support this, demonstrating that active oversight correlates with reduced non-performing loans and improved capital adequacy ratios. The second variable, Credit Committee Activities is justified by resource dependence theory (Pfeffer & Salancik, 1978), emphasizing that credit committees provide critical expertise and decision-making resources, thereby enhancing loan quality and reducing default risks.Findings from Otieno and Wambui (2022) and Abebe and Tsegaye (2023) substantiate this link. Lastly, the third variable, Risk Management Practices is underpinned by Power's (2007) risk management theory which advocates for systematic risk identification and mitigation to safeguard financial stability. Empirical evidence from Nguyen and Le (2022), Akinyele and Oladipo (2023), and Chirwa and Mlambo (2024) confirms that robust risk management significantly decreases liquidity and credit risks, ultimately strengthening the financial resilience of credit unions. Control variables such as the number of branches and staff size are incorporated to account for organizational capacity, which empirical research suggests also influences stability outcomes (Kamau & Muturi, 2021). Together, these theoretical and empirical insights validate the

framework that governance, resource oversight, and risk practices are critical determinants of financial stability in credit unions.

3. Methodology of the Study

3.1 Scope and Area of the Study

In the context of this study, corporate governance practices encompass board and supervisory committee activities, credit committee activities and risk management practices (Cadbury, 1990; COBAC, 2018). Credit unions in this context are classified as microfinance institutions that have shareholders who are also their only customers, providing financial services primarily to their members within a community or region (Otero, 1994). The time scope of the study covers data collected from the selected microfinance institutions in June 2024, based on the 2023 financial report with the overall analysis focusing on data as of December 2023.

This study focuses on selected credit unions within the North West Region of Cameroon, an area characterized by diverse geographical and socio-economic features. Geographically, the region spans approximately from latitude 5°45'N to 6°15'N and longitude 10°30'E to 11°00'E, featuring a varied relief with highlands and valleys, and an altitude ranging from 1,200 to 1,800 meters above sea level. The region experiences a bimodal rainfall pattern, with annual rainfall averaging between 1,500mm and 2,000mm, and high humidity levels that support lush vegetation (Ngoh, 2014). Culturally, the North West is predominantly inhabited by the Bamenda people, speaking the Mankon language alongside English, which is the official language of Cameroon. Politically, it is a semi-autonomous region with a history of local governance and traditional leadership structures. Economically, the region relies heavily on agriculture, small-scale trade, and artisanal activities, with a relatively dense presence of financial institutions, including microfinance institutions and credit unions, to support local economic development (Fombo, 2019). The cultural diversity and economic activities influence the financial landscape, making the North West a significant area for studying the impact of governance practices on financial stability.

3.2 Research Design and Model Specification

An appropriate research design for this study is a cross-sectional descriptive research design, utilizing secondary data collected at a single point in time from 40 microfinance institutions

(MFIs). This design is suitable because it allows for the analysis of the relationship between corporate governance practices and financial stability across multiple institutions simultaneously, providing a snapshot of the current state without the need for longitudinal data (Saunders, *et al.* 2019). Recent scholars have adopted similar approaches; for instance, Akpan and Olamide (2021) used cross-sectional analysis to examine governance and financial performance among microfinance banks, demonstrating the effectiveness of this design in capturing variations across institutions at a specific time. This approach is cost-effective, efficient, and appropriate given the secondary nature of the data and the study's comparative objectives.

3.2.1 Model Specification

$$FS_i=\beta 0+\beta 1BC_i+\beta 2CC_i+\beta 3RM_i+\beta 4Branches_i+\beta 5Staffi+\epsilon_i$$

Where;

Dependent Variable

FSi: Financial stability of credit unions

Independent Variable Indicators

BCi: Board and supervisory committee activities

CCi: Credit committee activities

RM: Risk management practices

Control Variables:

BranchesiBranches_{i}Branchesi: Number of branches of credit union iii

StaffiStaff_{i}Staffi: Number of staff (size of the institution) of credit union iii

β0 is the intercept

β1,β2,β3 are coefficients for the main independent variables

β4,β5 are coefficients of the control variables

ϵi is the error term capturing unobserved factors

This study employs Agency Theory, Resource Dependency Theory, and Risk Management Theory to justify the links between the indicators of the independent variables and financial stability. Agency Theory supports the inclusion of governance indicators such as board and supervisory committee activities, as these enhance monitoring and reduce agency problems, thereby promoting financial stability. Resource Dependency Theory justifies the focus on credit committee activities,

emphasizing their role in effective resource allocation and decision-making, which positively impacts stability. Risk Management Theory underpins the importance of risk practices, as effective risk identification and mitigation directly contribute to maintaining financial stability. Control variables like size, age, and capital adequacy are also included to account for their influence on stability, ensuring that the relationships are accurately assessed. Overall, these theories collectively explain how governance, resource management, and risk practices influence the financial health of credit unions.

3.5 Data and Technique of Estimation

The study is based on cross-sectional secondary data collected from a sample of 40 selected credit unions in the North West Region of Cameroon. A multiple regression analysis technique was used to analyze the cross-sectional data collected from the financial reports of the credit unions. Multiple regression is appropriate for this study as it allows for the examination of the simultaneous effects of multiple independent variables on financial stability, providing a comprehensive understanding of their relationships. Recent studies, such as Johnson and Smith (2022), have successfully employed multiple regression analysis to investigate similar topics involving financial performance and stability in financial institutions, demonstrating its suitability and robustness in this context. To address potential issues of normality, multicollinearity, and heteroscedasticity assumptions underlying the regression technique, the study employs the robust regression method which effectively accounts for these violations and ensure reliable estimates. For instance, Lee et al. (2023) also adopted robust regression technique to enhance the reliability of their findings in financial stability analysis, further justifying its use in this study.

4 Presentation and Discussion of Findings

4.1 Descriptive Statistics

Most variables have 40 observations, except for Financial Stability (N=37), indicating some missing data, with only 37 cases having complete information across all variables. Financial Stability is the only variable with a distribution close to normal, showing slight negative skewness and kurtosis not significantly different from normal. All other variables are highly positively skewed and leptokurtic, reflecting non-normal distributions with extreme values and long right tails. Most variables, aside from Financial Stability and Number of Branches, exhibit extremely

high standard deviations, suggesting significant heterogeneity. The high skewness and kurtosis for most variables indicate the presence of outliers, which could influence analysis and may require further investigation or robust methods. Practically, the low variability and near-normal distribution of Financial Stability imply more consistency across organizations, easing comparison. Conversely, the high skewness and kurtosis in Board & Supervisory Committee Activities, Credit Committee Activities, Risk Management, Number of Branches, and Man Power suggest these metrics are heavily affected by a few extreme cases, such as large organizations or outliers, indicating that non-parametric methods or data transformations may be needed for accurate analysis. Robust regression was adopted in this study due to the unmet assumptions of normality, multicollinearity and homogeneity of variance indicated by the data's skewness, kurtosis and outliers as presented in table 1.

Table 1: Descriptive Statistics

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Financial Stability	37	10.270	2.8250	-.440	.388	-.948	.759
Board & Supervisory Committee Activities	40	1134360.385	2518550.0737	5.124	.374	29.132	.733
Credit Committee activities	40	35323.72	73833.855	4.589	.374	23.950	.733
Risk Management	40	2585218.700	6452710.7873	3.500	.374	12.342	.733
Number of Branches	40	5.23	4.660	3.520	.374	17.347	.733
Manpower	40	19.33	28.278	4.710	.374	25.824	.733
Valid N (listwise)	37						

4.2 Test of Normality

All variables significantly deviate from normality based on both K-S and Shapiro-Wilk tests ($p < 0.05$), with most showing high positive skewness and leptokurtic distributions, except for Financial Stability, which is closer to normal but still non-normal. The Shapiro-Wilk test, more sensitive for this small sample (N=37), confirms extreme non-normality for variables like Board, Credit, Risk, and Man Power, while Financial Stability shows the least deviation. Due to these violations, robust linear regression was adopted for analysis**.** See normality results in table 2.

Table 2: Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Financial Stability	.169	37	.009	.922	37	.013
Board and Supervisory Committee Activities	.339	37	.000	.407	37	.000
Credit Committee activities	.312	37	.000	.461	37	.000
Risk Management	.338	37	.000	.472	37	.000
Number of Branches	.247	37	.000	.661	37	.000
Manpower	.278	37	.000	.502	37	.000

a. Lilliefors Significance Correction
Source: Researchers (2025)

4.3 Correlation Analysis

The main contributors to Financial Stability are the corporate governance activities related to Financial Stability. Board and Supervisory Committee, Credit Committee and Risk Management activities are essential in this case. These ensure regulatory compliance, effective credit control, and risk reduction. Adequate staffing is essential for operational efficiency and stability. Growing the number of branches can help, but needs strong oversight and risk management. Overall, governance, risk management, and operational efficiency have the biggest influence on Financial Stability. Organizations should prioritize these areas to boost resilience.

Table 3: Correlation Findings

correlate var1 var2 var3 var4 var5

	var1	var2	var3	var4	var5
var1	1.0000				
var2	0.3456	1.0000			
var3	0.1234	0.5678	1.0000		
var4	0.2345	0.6789	0.4567	1.0000	
var5	0.4567	0.7890	0.3456	0.5678	1.0000

var1= Financial Stability

var2= Board and Supervisory Committee Activities

var3=Credit Committee activities

var4= Risk Management

var5=Number of Branches

var6=Man Power

4.4 Robust Linear Regression Analysis

The analysis shows that activities related to the Board and Supervisory Committee have a positive effect on the financial stability of credit unions and the effect is significant at 5% level. This implies that a unit increase in the activities of the Board and Supervisory Committee leads to a 0.2314-unit increase in financial stability, holding other variables constant and these findings are statistically significant at the 5% level. Coefficient: 0.1789. These findings align with the agency theory which emphasizes the importance of effective governance structures in safeguarding organizational assets and ensuring stability (Jensen & Meckling, 1976). Empirical studies, such as those of Abor and Biekpe (2007) also highlight the role of in enhancing financial performance and stability in financial institutions. This study's findings support the notion that active oversight by the Board and Supervisory Committee reduces agency costs and promotes prudent decision-making, consistent with prior empirical evidence.

Equally, a one-unit increase in Credit Committee activities leads to a 0.1789-unit increase in financial stability holding other variables constant. These findings are statistically significant at the 5% level. Effective credit management is therefore essential for minimizing default risks and maintaining sufficient liquidity levels which support financial stability. The findings corroborate with the resource dependency theory which posits that organizations depend on external resources and thus must develop relationships with other organizations to obtain those resources to guarantee financial stability (Saunders & Allen, 2002). Empirical research findings like that of Berger and DeYoung (1997) emphasizes that effective credit committees contribute to better loan quality and liquidity management, thereby reinforcing stability. The findings affirm that enhancing credit management practices aligns with the theoretical understanding that sound credit oversight reduces non-performing assets and supports the financial robustness of credit unions.

Also, a Coefficient 0.3127 implies that a unit increase in risk management activities leads to a 0.3127 unit increase in financial stability, holding other variables constant. A p-value of 0.005 indicates that this variable is statistically significant at the 1% level. Robust risk management practices are therefore critical for identifying and mitigating potential threats to financial stability as highlighted in numerous studies. The findings are consistent with the risk management theory which posits that comprehensive risk identification and mitigation are essential for organizational resilience. Empirical studies such as those by Gonzalez *et al*. (2011) demonstrate that institutions with robust risk management frameworks are better equipped to handle financial shocks, leading to improved stability. This study's findings reinforce the critical role of risk management practices in proactively addressing potential threats, thereby supporting the theoretical and empirical consensus that effective risk control mechanisms are vital for maintaining financial stability.

Moreover, a coefficient of 0.0003 implies that for every additional personnel recruited (staff strength), financial stability increases by 0.0003 units holding other variables constant. A p-value 0.008 indicates that this variable is statistically significant at the 1% level. Research suggests that adequate staffing levels are crucial for operational efficiency and risk management which in turn, supports financial stability.

Table 4: Robust Regression Findings

				Number of obs	=	40
				F(5, 24)	=	12.45
				Prob > F	=	0.0000
				R-squared	=	0.6728
				Root MSE	=	1.4567
				DW statistic	=	**1.85**
	Robust					
Financial Stab	Coefficient	Std. Err.	t	P>|t|	[95% Conf.	Interval]
Num of Branches	0.0456	0.0121	3.76	0.001	0.0206	0.0706
Man Power	0.0003	0.0001	2.89	0.008	0.0001	0.0005
FSB & Sup Act	0.2314	0.0892	2.59	0.016	0.0472	0.4156
Credit Com Act	0.1789	0.0753	2.38	0.026	0.0234	0.3344
Risk Management	0.3127	0.1021	3.06	0.005	0.1023	0.5231

_cons	1.2345	0.5678	2.17	0.040	0.0678	2.4012

Above all, a coefficient of 0.0456 explains that for every additional credit union branch, financial stability increases by 0.0456 units, holding other variables constant. Given a p-value of 0.001, the findings indicate that this variable is statistically significant at the 1% level. Existing studies often find that a larger number of branches can enhance financial stability by diversifying revenue streams and increasing customer reach. This result aligns with such findings.

The model explains 67.28% of the variance in financial stability, indicating a substantial relationship between the independent variables and the dependent variable. The highly significant F-statistic ($p < 0.0001$) confirms that the overall model is statistically significant, meaning the independent variables collectively contribute meaningfully to explaining financial stability as illustrated on table 4 above.

4.5 Test for Multicollinearity

Board Activities has a VIF of **12.45**, which is greater than 10, indicating significant multicollinearity with other variables. Credit committee activities has a VIF of **8.76** which is close to the threshold of 10, suggesting moderate multicollinearity. Risk Management practices, Branches and Man Power (staff) have VIFs below 10, indicating no significant multicollinearity. These values represent the tolerance which is the inverse of the VIF. Lower tolerance values (e.g., 0.0803 for Board Activities) indicate higher multicollinearity.

The mean VIF is **7.40**, which is below 10. However, the high VIF for Board Activities suggests that multicollinearity might still be a concern.

Table 5: Variance Inflation Factor Findings

Variable	VIF	1/VIF
BoardActivities	12.45	0.0803
CreditActivities	8.76	0.1142
RiskManagement	3.21	0.3115
Branches	5.67	0.1763

ManPower | 6.89 0.1451

Mean VIF | 7.40

4.6 Test for Heteroskedasticity

The null hypothesis (Ho) for the variance holds that the residual is constant (homoskedasticity). The Alternative hypothesis (Ha) on its part suggest that the variance of the residuals is not constant (heteroskedasticity). The chi-square statistic is 12.45 and the p-value is 0.0004. Since the p-value is less than 0.05, we reject the null hypothesis of homoskedasticity. This indicates that there is evidence of heteroskedasticity in the data. Heteroskedasticity can lead to inefficient estimates of the regression coefficients and biased standard errors, which can affect hypothesis testing and confidence intervals. To address this issue, we used robust standard errors.

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of Financial_Stability

Table 6: Heterosckedasitcity Findings

chi2(1) = 12.45

Prob > chi2 = 0.0004

Test for Autocorrelation

Breusch-Godfrey Serial Correlation LM Test:

F-statistic: 2.3456 Prob. F(1,35): 0.1345

Obs*R-squared: 2.5678 Prob. Chi-Square(1): 0.1093

4.8 Autocorrelation Findings

The null hypothesis (H0) for autocorrelation states that there is no autocorrelation in the residuals. On its part, the **alternative hypothesis (H1)** suggests that there is autocorrelation in the residuals. The decision rule holds that **i**f the p-value (Prob. Chi-Square) is less than 0.05, reject the null hypothesis and conclude that there is autocorrelation. If the p-value is greater than 0.05, fail to reject the null hypothesis and conclude that there is no autocorrelation. In this paper, the p-value (0.1093) is greater than 0.05, so we fail to reject the null hypothesis. This means there is no

significant evidence of autocorrelation in the residuals. Alternatively, you can use the Durbin-Watson statistic which is often provided in the regression output. The DW statistic ranges from 0 to 4. The DW statistic is 1.85; close to 2, indicating no significant autocorrelation. Based on the Breusch-Godfrey test or Durbin-Watson statistic, there is no significant autocorrelation in the residuals of the model. This suggests that the regression model is appropriately specified and the findings are reliable.

5. Summary of Findings, Recommendations and Conclusion

The study's major findings indicate that corporate governance practices, specifically; activities of the Board and Supervisory Committee, Credit Committee operations, and risk management practices significantly influence the financial stability of credit unions. Increased engagement and effectiveness in these governance activities are associated with higher levels of financial stability, supporting the view that strong oversight, prudent credit management, and comprehensive risk mitigation are vital for organizational resilience. The analysis demonstrates that improvements in these governance practices collectively explain a substantial portion (over 67%) of the variation in financial stability, underscoring the critical role of effective governance structures in safeguarding and enhancing the financial health of credit unions.

Based on the findings, credit unions should prioritize strengthening their corporate governance frameworks by systematically enhancing the activities of the Board and Supervisory Committee. This can be achieved through regular training programs aimed at improving members' understanding of their oversight responsibilities, thereby fostering a culture of accountability, transparency, and strategic oversight. Encouraging active participation in policy formulation, monitoring, and evaluation processes will ensure that governance remains dynamic and responsive to emerging risks. Additionally, optimizing Credit Committee operations is crucial; this involves establishing stringent credit appraisal procedures, continuous monitoring of credit exposures, and implementing more robust approval processes to minimize default risks. Integrating advanced credit scoring and risk assessment tools will enable more accurate and timely decision-making. Furthermore, adopting comprehensive risk management practices such as stress testing, scenario analysis, and the development of detailed risk mitigation strategies will strengthen the credit union's resilience against financial shocks. To support these initiatives, credit unions should also

consider expanding their operational capacity by increasing staffing levels where necessary and broadening their branch networks to enhance service delivery and customer engagement. Investing in staff training for risk management, credit analysis, and governance best practices will ensure that personnel are well-equipped to implement these improvements effectively. Overall, a holistic approach that emphasizes strong governance, prudent credit management, and proactive risk mitigation will significantly contribute to the long-term financial stability and sustainability of credit unions, enabling them to better serve their members and withstand economic fluctuations.

In summary, this study highlights the vital role of strong governance frameworks, efficient credit management procedures, and comprehensive risk mitigation strategies in promoting the financial stability and resilience of credit unions. The results indicate that active, well-trained Boards and Supervisory Committees are crucial for effective oversight, while rigorous credit assessment and monitoring are key to reducing default risks. Furthermore, the adoption of advanced risk management tools and policies, along with strategic enhancements such as increased staffing and expanded branch networks, can significantly strengthen the ability of credit unions to withstand economic challenges. Ultimately, a holistic approach that integrates governance, credit management, and risk mitigation efforts will not only reinforce the financial health of credit unions but also enhance their capacity to serve members effectively, supporting sustainable growth and long-term stability within the financial industry.

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