

Effect of Board Governance on the Performance of Savings and Credit Co-operative Societies in Tanzania

By

Lilian Simon Mlay

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Board governance has been a subject of scholarly interest in the literature due to its recognized role in influencing an organization's performance. Nevertheless, there has been a noticeable lack of focus on the relationship between the board and performance in the context of SACCOs in emerging economies like Tanzania. In order to address this knowledge gap, this study was set to assess how board characteristics affect board roles and financial performance, investigate the impact of board processes on the effectiveness of board roles, and ascertain how board roles, in turn, influence financial performance. The research was carried out in Arusha and Dar es Salaam regions in Tanzania, using a cross-sectional design. Agency, resource dependency, and social exchange theories were used to guide the study. The study selected 198 SACCOs using a simple random sampling method. In addition, this study used a purposive sampling approach to select the study area, respondents, and key informants. Primary data on board roles and processes were collected using a questionnaire, while secondary data on board characteristics and financial performance were gathered from annual reports using a checklist. Additionally, the study collected qualitative data from nine key informants using semi-structured interview questions. Quantitative data were analysed using descriptive and inferential statistics, while qualitative data were analysed using thematic analysis techniques. The study findings indicate that board characteristics, specifically the financial skills of board members and board meetings, were found to influence board roles and financial performance positively and significantly. In contrast, board size was found to have a negative association with financial performance. Moreover, the board processes regarding efforts norms and the use of skills and knowledge were positively and significantly related to the effective execution of board roles. The study also revealed that board roles in terms of monitoring, resource provision, and strategic roles were positively and significantly associated with financial performance. The study's findings affirm the significant impact of boards on the performance of SACCOs. Particularly the crucial influence of the financial expertise of board members, the regularity of board meetings, adherence to effort norms, and application of skills and knowledge. The study findings affirm the applicability of agency, resource dependency, and social exchange theories in understanding the board governance aspects and performance of the SACCOs. SACCOs should elect board members with financial skills, promote regular board meetings, and cultivate a culture of effort norms and knowledge sharing among board members to enhance board roles and financial performance. Additionally, regulatory bodies like TCDC and BOT should intensify their supervision of SACCOs boards and establish strong governance systems to improve overall SACCOs performance.