

**THE INFLUENCE OF CORPORATE GOVERNANCE ON THE
PERFORMANCE OF SACCO**

A Case of Morogoro Municipal Teachers SACCOS (1998) LTD

By

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**A Dissertation Submitted in Partial/Fulfillment of the Requirements for the
Award of the Degree of Master of Business Administration (MBA- CM) of
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CERTIFICATION

The undersigned certifies that he has read and hereby recommends for acceptance by the Mzumbe University a dissertation titled: *The Influence of Corporate Governance on the Performance of SACCOS, A Case Study of Morogoro Manicipal Teachers SACCOS (1998) LTD* in partial fulfillment of the requirements for the degree of **Master of Business Administration (Corporate Management)**

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ABSTRACT

The study was carried out at Morogoro Municipal council. The main object which the study strove to achieve was to analyse the influence of corporate governance on the SACCOS performance in Tanzania.

The sample size of the study was 78 extracted from the population of 200 people. Both primary data and secondary data were used; the former used questionnaire, interview guide and focus group discussion (FGD). The latter used documentary review. The data was carried out by using both qualitative and quantitative data analysis methods. With regard to qualitative analysis, the researcher extracted the meaning from the text and from the interview, coded them and makes interpretations. The interpretations avoided the researcher bias by focusing on the content of the information that was available to the researcher.

With respect to quantitative analysis, data collected were edited for accuracy coded and entered into SPSS. The analysis was in the form of tables, and percentages analysis. The techniques were used depending on the data collected from respondents and documents.

Further a case study analysis was used. The case study analysis is one of the most desirable techniques that uses a pattern matching logic. Such logic compares an empirically based pattern that is, one based on the findings from a case study - With a predicted one made before data collection.

The governance of SACCOS is made up of the legal provision (such as Cooperative Society Act), the by-laws and informal business culture within these institutions. While the legal provision cut across all the SACCOS, the by-laws are more specific and can establish the differences.

As SACCOS grow, we anticipate changes in their governance structure that will likely reduce the informal components of governance to the more strict and formal structure. It was found that in some SACCOS there were high levels of flexibility when it comes to meetings. Combinations of these structures did not indicate to have adverse impact on performance since dividend were paid to almost all members on time. The impact of the structural changes from the informal to formal is beyond the scope of this current study.

Most of the SACCOs were able to pay dividends to their members and improved loan and other financial access. The level of satisfaction was relatively high since a significant number of members were willing to attract others to join. Willingness of members to attract others is an indicator that the members are committed for the growth of their SACCOs. Such high levels of commitment are mostly resulted by the positive prospects for the future. Such prospects emerge out of good governance and performance.

. Finally the study recommends to the management of SACCOs and other organizations to upgrade their corporate governance practices and structure so as to remain profitable in this competitive sector

LIST OF ABBREVIATIONS

Abbreviation	Description
CEO	Chief Executive Officer
CGAP	Consultative Group to Assist the Poor
CRDB	Cooperative and Rural Development Bank
HID	Human Integrated Development
URT	United Republic of Tanzania
SACCOS	Saving Credit Cooperative Societies
NMB	National Micro finance Bank

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CHAPTR ONE

INTRODUCTION

1.1 Back ground Information

The study intends to examine the influence of corporate governance on the performance of SACCOS. Savings and Credit Cooperatives are expected to play a fundamental role in financing various activities (Syed, 1991) especially in Africa, thus supplementing efforts of other financial institutions. Credit has been found as a tool for channeling fund into various activities, however limited access to financial services is among the constraints which inhibit people in Tanzania from engaging in various economic activities (Somji, 2007; USAID, 2003; Temu and Due, 2009; Ellis et; al. 2007). On the other hand borrowing in various activities is a big challenge because of the inability of the people to secure collateral required by the bank (Somji, 2007).

Saving and Credit Cooperatives (SACCOS) has been on the increase as microfinance in developing countries. This has potential of playing an important role in improving the welfare of the poor people, especially in in remote areas particularly with the most disadvantaged groups (Narajan and Meyer; Kayunze and Twamala, 2000)

Tanzania post independence has seen a huge campaign carried on by churches in alliance with other International Organizations encouraging people to take part in SACCOs movement. The government had also seen the importance of co-operative and had made use of it to meet its community development objectives. The use of co-operative movement in Tanzania as a vehicle for the distribution of government credit to the small farmer's population is a phenomenon of the 1960 (Collinson, C., 1975).

SACCOS are a part of the larger scheme of microfinance and are "user – owned financial intermediaries" in which members are identical in some aspects such as community, or location. SACCOS seem to be the most convenient option for the provision of funds in Tanzania.

According to the United Republic of Tanzania Cooperatives Societies Act, 2003, a SACCOS is a member driven, self-help cooperative which is democratic in nature in which members are supposed to be both the owners and the users of the services

available. Members agree to save money together and to grant loans to each other at an agreeable rate of interest. Most of the benefits to members are associated with the level of savings (URT, 2003).

The government of Tanzania has been working together with banks such as Exim Bank, CRDB and National Micro finance Bank (NMB) in Tanzania to encourage borrowing in SACCOS (Somji , 2007). Being socio-economic institutions, if well managed and organised, the SACCOs can contribute favourably to bringing about Human Integrated Development (HID), a fact stated by Syed (1991). He further noted that the SACCOs are a tested instrument for promoting integrated development through a self help scheme that makes man a total human being (Syed, 1991: 139).

Just as a heart is to a human being, so is governance to an organization. A faulty heart affects the functioning of the entire body and on the other hand, poor governance can lead to the demise of an organization. In 1991 the Government of Tanzania initiated financial sector reforms in order to create an effective and efficient financial system. The policy statement of these reforms was to allow banking institutions to operate on commercial basis, making business and management decisions free from outside interventions but within the norms of prudential supervision (URT, 2000).

Governance problems can become crucial when there is excessive and improper manipulation of the credit granting procedures by the board. SACCO members may actively seek election to the management board or credit committee by promising loans to friends and supporters after the election. These governance problems occur because of the combination of the traditional borrower-dominated service structure (with its low interest rates, lax screening and collection standards, and consequent loan rationing) together with circumstances in which rules for decision making and control are not well defined and enforced. The governance impact on performance of SACCO is one of the areas that have not been extensively researched. The reason for this could be partly contributed by the fact that this is an emerging research area. The study intends to thus address this limitation by focusing on examining the governance role on the SACCOS performance.

Branch & Baker (1998) comprehensively investigate governance problems in SACCOs and found that as SACCOs become larger and more complex, they require spe-

cific knowledge and skills to make a range of specialized decisions. Individual owners are not likely to possess the required managerial skills and technical knowledge. This may require that managers be hired to make the critical management decisions (Fama & Jensen, 1983). The specialization of decision management increases the organization's ability to operate in an entrepreneurial manner by hiring professional expertise. Yet this separation of ownership and decision making leads to principal-agent problems.

In order to protect owners from the opportunistic actions of decision makers, a mechanism for management or supervision is needed. Where ownership is dispersed among many, such as in a SACCO, it is costly for all members to frequently monitor the decision makers. Most of the individual owners lack the skills and information required to oversee managerial actions, and find it more efficient to delegate management to protect their interests. Accordingly, owners vote for representatives to serve on the management board (Branch & Baker, 1998).

The board delegates decision making functions to internal management. The board retains ultimate control to approve and monitor major policy initiatives and the general direction of the institution. The board also has the power to hire and fire and set the compensation of the manager. Board members are liable for penal sanctions if they fail to uphold their fiduciary responsibility in decision control. Decision rules are defined by the SACCO by laws, cooperative and banking laws, commercial contract code, accounting norms, prudential regulations, and organizational budgeting systems. All these factors constrain the decision behavior of agents, help shape the monitoring functions, and specify the performance criteria that determine rewards (Branch & Baker, 1998).

SACCOs add the supervisory committee as a further element of decision monitoring and member control. In theory, the principal-agent problem is controlled by checks and balances within the process of decision making and decision monitoring. However, in practice, governance problems often occur when the rules of decision making and decision control are not clearly or properly specified or are not adequately enforced of their own earnings, particularly when the directors are dominated by lower salary level professionals (teachers,). In these cases, the elected board members may interfere with professional management of the SACCO, constraining management

salaries and competitiveness. This results in weak administration of the institution, morale problems, and the inability of the SACCO to attract the quality of management that can produce strong results or resist the excessive interference of directors in operational decisions (Branch & Baker, 1998).

According to the CGAP report (2005) SACCOs are usually governed by a volunteer board of directors elected by and from the membership. Labie & Périlleux (2009) assert that one of the governance conflicts in credit unions is the “moral hazard” conflict between “net borrowers” and “net savers”. Some clients have more loans than savings, and vice versa creating a division within membership in terms of “net borrowers” or “net savers” and yet they are all members with same right to influence the management of the structure through the one person-one vote system. This creates conflicts; first, the net borrowers can dominate; in this case, the board may tend to prefer too favorable conditions in the providing of loans (conditions, interest and rates), which can affect the viability of the credit union and secondly the net savers can dominate; in which case, the board may create too restrictive conditions for allowing credits (in order to protect their savings).

The assertions of Labie & Périlleux (2009) were in line with the observations of the CGAP report (2005). According to the CGAP report (2005) it is difficult for board members to balance the contradictory interests of net borrowers and savers. Borrower domination is unhealthy because net borrowers have few incentives to ensure prudential discipline or profitability, unlike net savers who are most interested in protecting their deposits and earning an attractive rate of return. Although “one person, one vote” decision-making is meant to ensure equality of user rights and responsiveness of service, many members do not exercise their control because they wield little individual influence. As a result, in some cases, community elites or net borrowers are able to dominate the structure for their own benefit.

SACCOs as one of the financial institution in the emerging and rapidly growing microfinance sector in Tanzania is focused on covering the financial services delivery gap being created by the formal financial institutions. These are by far the most widely established MFIs in Tanzania numbering approximately 1,900 country wide spread covering all Tanzania’s region, with SACCOs count above 85% (BOT 2005). They are regarded as a way of bridging the disadvantaged poor rural households to partici-

pate in the sharing the national cake through involving them into a productive activities which can be properly devised using SACCOs services such as savings facilities and credit facilities and other financial services (Shafi, 2001).

In 1991 the government launched the cooperative development policy in order to allow maximum deployment of cooperative principles and practices for social and economic emancipation for majority in the country (URT, 1997a). The policy had the following objectives: to underscore the importance, contribution, and respect of cooperative ideology as the important instrument for social, economic, cultural and operative ideology as the important instrument for social, economic, cultural and human development. Other objectives entail creating conducive environment and providing assistance to cooperative development in order for people to fully exploit their resources for social, economic, institutional and human resource development (URT, 1997a).

It is important to note that cooperative institutions in Tanzania has had a very bad history as most were associated with financial mismanagement to the extent that they lost peoples' trust and confidence. The experience shows that, many cooperative societies are badly managed because of some leaders who are allowed to stay in their positions for too long, the fact that there are no clear rules to force leaders to perform well and to act in the members' interest, too often interference in the affairs of cooperative societies by politicians, improper records and irregular presentation of performance reports and audited accounts to AGMs.

In addition, leaders make decisions without involving members at AGMs, due to these political influences in the running of cooperative; this has resulted in poorly run cooperatives. These practices have paralyzed most of SACCOs in Tanzania.

The cooperative based financial institutions therefore, have not made any meaningful impact in the lives of their members as they operated at very small scales and generally badly managed. Given the importance of governance in financial institutions and the noticeable scarcity of empirical work on this, the current study intends to assess the influence of governance on the performance of SACCOs.

1.2 Statement of the Problem

Governance is a key component in any development endeavour as it is believed to be the surest way of providing the structure through which the objectives of the organization are set, and the means of attaining those objectives and monitoring performance are determined.

This means putting structures in place to ensure transparency, accountability and sound management practices for the benefit of members. Poor governance can lead to the demise of an organization as witnessed by the collapse of giant organizations like Enron, Tyco, Worldcom and more recently Satyam (Sandal et;al 2003)

The contribution of corporate governance in effective running and attaining the desired performance standards of SACCOs is yet to be utilized in a wider extent. The underlying paradigm is the rate to which SACCOs in Tanzania grow and mature is comparatively marginal compared to failures of the same (Branch & Baker, 1998). Corporate governance is a crucial tools in the campaign against poverty among the ordinary people through mobilization of savings from members and make them available to those in need for borrowing. Indeed there are some of the SACCOs which have become so successful that they have gone on to become banks, although this may not always be such a beneficial conversion, given the orthodoxy of banks.

Unfortunately, not all SACCOs have been able to meet the interests of members. Many face intractable problems including: dishonest by leaders, members and officials; limited knowledge to both members and officials on SACCOs operations, poor financial discipline and weak supervision by regulators. Some remain vulnerable to weak governance structures as a result of internal and external operational and policy limitations. These problems call for study as the critics of the cooperative model argue that governance is the weakest link in financial cooperatives (Abor, 2007). The research trying to found out the influence of corporate governance on the performance of SACCOs.

1.3. Study Objectives

1.3.1 General Objectives.

The overall objective of the study was to analyze the influence of corporate governance on the SACCOs performance in Tanzania.

1.3.2 Specific Objectives

The specific objectives of the study were to;

- i. To establish the structure through which the SACCOS is governed
- ii. To analyze the relationships existing between the management, board of directors and shareholders.
- iii. To analyze the composition of the existing board of directors.
- iv. To analyze how the management responds in implementing boards' directives

1.4. Research Questions

The following were the research question of this study;

1.4.1 General Questions

What are the contributions of the corporate governance in effective performance of the SACCOs in Tanzania?

1.4.2 Specific Questions

- i. What is the structure through which the SACCOS are governed?
- ii. What are the relationships existing between the management, board members and shareholders?
- iii. How is the current board composed?
- iv. How does the management respond in implementing boards' directives?

1.5 Significance of the Study

This study is significant because understanding the way corporate boards affect performance will help shareholders or decision makers to pay more attention on the selection or appointment of board members.

1.6 Organization of the Research

This study is organized in chapters. The next chapter (chapter two) presents literature review; chapter three presents the methodology used in the study which include data

collection tools, and analysis techniques, area of the study (SACCOs), strategy used and criteria for interpretation of results, chapter four present data analysis and chapter five present discussions, conclusion and recommendation

CHAPTER TWO

LITERATURE REVIEW

2.1 Theoretical Literature Review

2.1.1 Corporate Governance

Corporate governance in the SACCOs has many facets. These include the board structure, board membership tenure, membership procedures and similar aspects. There are general guidelines that have been pointed out in the law (Cooperative Society Act, 2013), but there are specific internal aspects that can distinguish the performance of one SACCO to the other. Some of the operational issues that are of interest in this study are the relationship between the board management and stakeholders, and how the managers implement the directives from the board of directors. To provide the good overview of the corporate governance in SACCOs, one has to provide a general view of corporate governance and then link it with its application in SACCOs.

Corporate governance has come to underpin systematically the work of many business academics and practitioners alike, and their information and research needs present challenges not only for them, but also for the information professionals who assist them. Governance refers to the manner in which power is exercised in the management of economic and social resources for sustainable human development initiative (Brownbridge, 2007).

The definition of corporate governance may vary in different contexts or different countries (Solomon and Solomon, 2004). Becht (2002) laws, regulations or formal policy play a significant role in determining this, of course. For example, legally, a board of directors is vested with the authority to manage or supervise the management of the business and affairs of a corporation.

Each director and officer, in exercising their powers and discharging their duties, is required by law to: act honestly and in good faith with a view to the best interests of the company (otherwise known as the director's "fiduciary duty"); and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances (otherwise known as the director's "duty of care").

While these duties are deliberately broad in their scope, what has occurred in the last several years is that specific duties and responsibilities have been imposed on, and expected of, directors, by regulations, shareholder guidelines and otherwise, in a broad variety of areas (e.g., board structure and composition, director qualifications and financial, risk and compensation oversight by the board) in order to ensure that boards of directors adequately oversee the management of the organization and act in the best interests of the company and all of its shareholders at all times (Brownbridge, 2007).

When it comes to SACCOS, the governance challenges are more likely in the areas of manipulating the credit granting procedures that have been made by the board. Sometimes the election to membership may take the form of corruption (when one promise to give loans to those who support his/her to be elected). The outcome of these attempts may adversely affect the proper governance of the SACCO and lead to problems in terms of retaining good managers (Branch & Baker, 1998). We thus expect such operational differences can distinguish between good versus poor performing SACCOs.

2.1.2 Corporate Governance and Principal agency theory

Principal-agency theory can well explain the governance situation of a corporation. The principal agency problem arises where the two parties have different interests and asymmetric information (the agent having more information), such that the principal cannot directly ensure that the agent is always acting in its (the principal's) best interests (Jensen & Meckling, 1976), particularly when activities that are useful to the principal are costly to the agent, and where elements of what the agent does are costly for the principal to observe (Bebchuk and Fried, 2004). Moral hazard and conflict of interest may arise in this situation. Indeed, the principal may be sufficiently concerned at the possibility of being exploited by the agent that he chooses not to enter into a transaction at all, when that deal would have actually been in both parties' best interests: a suboptimal outcome that lowers welfare overall. The deviation from the principal's interest by the agent is called "agency costs"(Bebchuk and Fried, 2004). Principal agency theory can be also be used to explain the forms of relationships that exist between SACCOs board members, management and shareholders. The shareholders

has entrusted their funds to the management through SACCOs board. The principal in this case are the shareholders who are represented by the SACCOs board to oversee the operations of the funds. The board then entrust the daily management of the funds to the managers.

Various mechanisms may be used to align the interests of the agent with those of the principal. In employment, employers (principal) may use piece rates/commissions, profit sharing, efficiency wages, performance measurement (including financial statements), the agent posting a bond, or the threat of termination of employment.

Brownbridge (2007) the concept of corporate governance evokes the question of corporate performance and higher returns in the case of companies complying with certain rules. The research on these relations constitute a substantial proportion of papers in modern management, finance as well as law and economics. Researchers have investigated relationships between company performance and corporate governance practices such as ownership structure (concentration, shareholder identity), board structure (composition, turnover, proportion of independent, insider/outside or affiliated members), structure and functioning of board committees, structure and size of executive compensation (fixed salary vs incentives programs and stock options), structure and size of debt (long vs short term, private vs public).

Although the research findings remain relatively mixed, many results do reveal clear relations between governance characteristics and performance. An overview of the main findings on corporate performance and corporate governance characteristics include the following:

Ownership concentration improves corporate performance lowering the agency costs of dispersed ownership; however, the dominant shareholder may tend to abuse minority investors particularly under conditions of poor institutional order; the involvement of institutional investors in the ownership structure is positively correlated with corporate performance due to their skills and experience in monitoring; independent directors positively influence corporate performance providing objectivity and professionalism; separation of Chief Executive Officer and Chairman enhances the monitoring and supervision exerted by the board; performance-based executive compensation

aligns managerial interests with those of shareholders and mitigates agency problems (Abor,2007).

2.1.3 Key leadership competencies

In 2005, the Government announced a key leadership competencies profile that outlines the leadership skills, abilities and characteristics and behaviors that are needed by managers at all levels to meet the challenges of today and tomorrow. Leadership competence is one of the basic ingredients in corporate governance; such can contribute in managing SACCOS competitively.

In 2008, the employee level of the key leadership competencies profile was developed to identify effective leadership behaviors for employees without any supervisory or managerial responsibilities. The profile supports employee learning and development by listing competencies that help focus discussions on performance, learning needs and career plans. ([Http//www.tbs-stc.gs.ca](http://www.tbs-stc.gs.ca) 5th March 2015)

The profile for good corporate governance establishes values and ethics as the foundation of leadership and is linked to management accountability and responsibilities. For effective good governance effective behaviors for all managerial levels (supervisor, manager, director, director-general, assistant deputy minister, deputy minister) remains fundamental.

2.1.4 Corporate Governance Practices and SACCOs Performance

A Savings and Credit Co-operative (SACCO) is a democratic, unique member driven, self-help co-operative. It is owned, governed and managed by its members who have the same common bond: working for the same employer, belonging to the same church, labour union, social fraternity or living/working in the same community. A Savings and Credit Co-operative membership is open to all who belong to the group, regardless of race, religion, colour, creed, and gender or job status.

These members agree to save their money together in the SACCO and to make loans to each other at reasonable rates of interest. Interest is charged on loans, to cover the interest cost on savings and the cost of administration. There is no payment or profit to outside interest or internal owners. The members are the owners and the members decide how their money will be used for the benefit of each other.

Board Members employ staff to carry out the day-to-day activities of the SACCO. The numbers of board members are between nine and fifteen. Members also elect a supervisory committee to perform the function of an internal audit.

The composition of the board may be used to ameliorate the principal-agent problem. The participation of outside directors is designed to enhance the ability of the firm to protect itself against threats from the environment and align the firm's resources for greater advantage.

However, research on the impact of outside directors has grown significantly but with mixed results. In another related work, the proportion of outside directors was found to have a significant positive relationship to firm performance. Firms with higher number of outside directors are expected to pursue activities that would bring about low financial leverage with a high market value of equity (Sanda et al., 2003). Boards should be ready to increase meetings frequency if the situation requires a high supervision and control (Brownbridge, 2007). Other studies suggest that boards should balance the costs and benefits of frequency.

Board meetings serve as key forums where executives and directors share information on company performance, plans, and policies. Frequent meetings allow for better communication between management and directors. However, frequent meetings might also distract the firm's managers from their day-to-day operational responsibilities and may deter the board participation of some of the most desirable directors with other time consuming responsibilities.

Boards increase meeting frequency after poor performance. On average, meeting frequency does not lead to poor performance but is a reaction to deteriorating performance. The recovery from poor performance is faster if board meeting frequency is increased. The focus on board independence is grounded in agency theory (Fama and Jensen, 1983).

In fact, it has long been argued in the finance literature that boards with a majority of independent directors are more effective in monitoring management and are more likely to replace poorly performing CEOs. More independent boards are also more likely to opt for a clean slate when company performance deteriorates significantly, and to hire a replacement CEO from outside the firm rather than promote an internal candidate (Huson, 2001). Fama and Jensen (1983) suggest that concentration of deci-

sion management and decision control in one individual reduces board's effectiveness in monitoring top management.

The literature reveals a board structure typology, the system where the CEO also acts as chairman of the board and the system where the positions of CEO and chairman are occupied by two individuals. It has been noted that the system where the CEO also acts as board chairman leads to leadership facing conflict of interest and agency problems thus giving preference for the system where the CEO's role is separated from that of the board chairman.

Abor (2007) argues that firms are more valuable when the CEO and board chair positions are separate. Relating CEO duality more specifically to firm performance, researchers however found mixed evidence. Daily and Dalton (1992) found no relationship between CEO duality and performance in entrepreneurial firms. Abor (2007) showed that CEO duality is not associated with inferior performance. Sanda et al. (2003) found a positive relationship between firm performance and separating the functions of the CEO and Chairman. Brownbridge (2007) however, reported that companies with CEO duality have stronger financial performance relative to other companies.

2.1.5 Challenges Facing Corporate Governance Practices

According to Abor (2007) organizations are ill equipped to implement corporate governance practices in their day to day activities to the levels which might be acceptable in developed market economies. To access firm financing or access credit the external financiers often need transparency and accountability of corporate insiders which board members may be reluctant to disclose.

The boardroom composition is full of political appointee without management skills hence affecting the decision making and long term plans of an organization since most of them act like rubberstamps for decision taken outside the board. Majority of organizations are faced with corruption practices like engaging in bribery which leads to mismanagement of funds hence affecting the operations of the organization. Deciding on the board size and composition is another challenge that firms encounters.

The concept of board independence is one of the most challenging aspects of corporate governance in many organizations. Despite the trend towards convergence in the content of corporate governance codes across countries.

Brownbridge (2007) there exists a large degree of variation in descriptions of what constitutes an independent director (Becht, 2002). Independence is defined in the context of supervisory boards, as meaning that “members of the supervisory board should not have relations with the company and its shareholders or employees which could significantly affect the independent member’s ability to make impartial decisions.” (Becht, 2002).

2.1.6 Main governance challenges.

Branch and Baker (1998) looked at governance challenges in SACCOs from a different perspective that is; SACCO owners also doubling as customers. Borrowers want low loan rates, low transaction costs and lax discipline while savers demand high deposit rates and strong prudential disciplines. The savers would wish to see the SACCO’s viability strengthened by profitability and protected by financial discipline, while the borrowers’ would wish better terms contrary to the savers’ interest.

Management decisions may favor one group or the other, depending on the SACCO’s business/social mission, the nature of the membership, and the balance of borrowers and savers serving on the Board of Directors. Kyazze (2010) agrees with Branch and Baker (1998) saying that the tendency for SACCO leaders to manage the SACCOs in favour of borrowers rather than savers is a key challenge. This is why some SACCOs want to keep interest on loans low and pay little interest on savings.

However, Branch (2005) maintained that borrower domination is unhealthy because net borrowers have few incentives to ensure prudential discipline or profitability, unlike net savers who are most interested in protecting their deposits and earning an attractive rate of return. The Microfinance network report (2000) observed that credit union boards comprised client members, most of whom were net borrowers whose focus could be more on reducing lending rates than on the institution’s wellbeing.

According to Desrochers, Fisher & Gueyie (2003) the challenge is to ensure that choices made by the managers match the mission of the organization. They add that the “free-riding” behavior of all members is often propelled by the one person—one

vote principle (hence no one member has enough influence to really care to check the others) and the fact that members' shares are not trade able (and therefore, there is no market mechanism to value the quality of the management and bring pressure for better management). According to Staschan (2003) weak governance, transparency and management knowhow are widely known to plague many SACCOs as opposed to the relatively solid nature of regulated institutions.

Shaw (2006) noted that good corporate governance practices for co-operatives were still lacking and insufficient in terms of their development and implementation, affirming that the few co-operative codes adopted so far have been modeled on the codes designed for investor-owned companies, only adding in further provisions concerning membership but not substantively reworking them, making it appear as though corporate governance issues facing co-operatives remain in large measure the same as those for investor owned firms.

Cuevas & Fischer (2006) pointed out that governance issues may also be brought about by the growth of a co-operative which inevitably expands (or dilutes) ownership and managers become subject to weaker controls resulting in rent-seeking behaviour and wasteful expenses.

This tendency is reinforced by the fact that co-operatives have frequently faced weak external competition through subsidized financing from government which has also enabled inefficient managers to survive.

SACCOs in developing countries are typically constrained by the lack of autonomy from government interference, anachronistic legal frameworks, and lack of an appropriate regulatory framework as well as poor supervisory capacity of the entity responsible for supervising them.

Legal frameworks often prevent the adoption of better corporate governance practices. Regulatory frameworks often lack the prudential regulations that are critical for regulating financial institutions, and supervisory agencies often lack the skills and the financial resources to effectively supervise CFIs (Nair, 2007).

The CGAP report (2005) also cited lack of adequate participation in decision-making structures by members as another governance challenge facing credit unions in the

developing world resulting in dominance of the co-operative by community elites who then use the funds to secure their own positions.

The more diverse and diffuse the members base is, the more risk there is that members stop identifying themselves with the credit unions, thereby more easily adopting a free-riding attitude, which may result in lower scrutiny and weaker corporate governance.

2.2 Empirical Evidence

Empirical studies in social sciences are important in providing the evidence to support the findings that are presented from the research. This is done to comply with the scientific method that asserts the objective discovery of knowledge based on verifiable facts of evidence. This part surveys some studies or related studies which have been done related to corporate governance and performance of SACCOs. The aim of this empirical study is to find a study gap. Mwabulanga (2009) conducted a study on the SACCOs strengthen projects in Tanzania. The study examines the best practices of SACCOs in Tanzania.

By August 2004, the SACCOs had 312 members and 33% of them are Women and mobilized capital of Tshs. 12 Million. Chambasho received a first loan from CRDB of Tshs. 10 million (10months, 1% per month). In February 2004, the outstanding loan portfolio was Tshs. 20 million to 266 members (62% Women), the majority for agricultural investments (8months bullet loan, interest 2.5% per month). So far repayment has been 100%. Deposits earn 4% per year. The SACCOs is located in the 'maize belt' of Dodoma Region, and only 40km from the region maize market. It is making a substantial contribution in providing access to financial resources for Maize Farmers and hence underlines the link with AMCOS in the area.

The study with all its potentials, nevertheless it fails to show how the SACCOs have succeeded or may collapse. In addition, the study failed to show means used by these SACCOs to perform. The study also failed to link corporate governance and performance of the SACCOs. This study aimed to find out the contribution of the corporate governance and effective performance of the SACCOs in Tanzania.

Co-operatives, like other private sector enterprises, have not remained untouched by the recent corporate governance scandals nor by the development of codes of good

practice. In the UK for example, the recent development of a corporate governance code linked to relevant performance indicators was prompted by external governance scandals and a recognition that the co-operative sector needed to adopt “cutting edge practice in corporate governance” (Co-operatives UK, 2005).

An increasing and ethical problems are recognized as symptoms of failing Corporate Governance and systems of accountability and control in publicly quoted firms Igor, (2004). The governing boards /University councils monitor and control performance of Universities and other Tertiary Institutions as stipulated by Act 2000 and an amendment Act 2003. The creation of a board of Directors is to monitor the performance of the firm Kosnik (1987 and 1990) and American Law Institute, (1982). It is, therefore predicted that if the Board performs its duties effectively, the value of the firm is predicted to increase and the wealth of shareholders would be enhanced accordingly.

Corporate governance is about building credibility, ensuring transparency and accountability as well as maintaining an effective channel of information disclosure that would foster good corporate performance. It is also about how to build trust and sustain confidence among the various interest groups that make up an organisation. Indeed the outcome of a survey by Mckinsey in collaboration with the World Bank in June 2000 attested to the strong link between corporate governance and stakeholder confidence (Mark, 2000)

Gedajlovic et al, (2004) extend an agency perspective on governance to suggest that particular blend of incentives, authority relations and norms of legitimacy in founder firms interacts with the external environment to affect the nature and pace of learning and capability development. Zahra and Filatochev, (2004) argues that corporate governance systems and organizational learning are independent, and in some cases may substitute or complement each other.

Prior research has investigated the emergence of corporate governance in developing economies in the context of corporate governance reforms in Africa, Rwegasira, (2000). Krambia and Psaros (2006) investigated the implementation of Corporate Governance principles in an emerging economy of Cyprus and the findings indicated

only a minimal impact unless it is supported by other initiatives. Further noted that Cyprus was making serious endeavors to improve the corporate governance of its listed companies.

A number of mechanisms have been suggested, such as removing senior managers in poorly performing firms Palepu, (1986), Morch, Shleifer and Vishney, 1988, 1989); demanding cash flow payments in the form of debt service Jensen, 1986); and linking executive compensation to performance, including equity and options Jensen, (1986). Masibo, (2005) researched on Board Governance and firm performance of selected state owned corporations and in listed organizations on Uganda Securities Exchange, obtained a positive direct and indirect link between Board Governance and Firm Performance through Board Effectiveness. Piesses, (2005 & 1999), carried out empirical research on Corporate Governance and firm performance in an international perspective and obtained positive results on the link between Corporate Governance and Firm performance.

Co-operatives need a supportive policy framework to be sustainable. This support has been enjoyed by Legacoop, in Italy where an enabling legislative and financial framework has helped to create a large and vibrant co-operative sector. “Lega experience also refutes the idea that such firms suffer from deep organizational flaws that predispose them to failure” (Dow 2003:75). This should emphasize the importance of exploring the historical context and the ways in which legal institutions and codes have ensured the dominance of investor-owned firms and restricted the development of other models.

Within the field of economics, recent studies on co-operative forms of business have remained relatively limited. A recent survey of economic textbooks, for example, reveals the invisibility of co-operatives within standard economic textbooks and relates this to dominance of neo-classical economic theories (Hill 2006). A substantive critique has developed of the embedded assumptions in these theories as to the fixed nature of institutions and markets together with the view that a firm’s inner structure does not affect its economic performance.

As in other business sectors, improving governance standards for co-operatives is now becoming a priority and is increasingly debated within the movement. However, the development and implementation of good corporate governance practice for co-operatives remains very much in its early stages. The few co-operative codes adopted so far have been modeled on the codes designed for investor-owned companies, typically adding in further provisos concerning membership but not substantively reworking them. This would appear to endorse the view that corporate governance issues facing co-operatives remain in large measure the same as those for investor owned firms.

Data on the credit union sector indicates that in the period between 1996 and 2003, membership has grown by 40% and the number of institutions has grown by 10% (Cuevas and Fischer 2006). However, common perception remains that Co-operative Financial Institutions (CFIs) are primarily associated with middle class clients.

A recent World Bank/CGAP donor brief challenges this assumption and highlights the ways in which savings and credit co-operatives provide financial services to millions. It emphasizes their capacity to reach rural people, local ownership, sustainability and their offer of savings as well as credit to members (CGAP 2005). The most recent review of the work of CFIs argues that the evidence base supports the contention that they serve larger numbers of poor people than special ‘targeted to the poor’ microfinance institutions (Cuevas and Fischer 2006:54).

Pollet, Develtere and colleagues have recently completed the first large scale review of the co-operative sector in Africa for over ten years. Their preliminary findings indicate a total of 30 million co-operative members in an 11 country sample with a penetration rate of 7%. They argue that these figures reveal that the co-operative sector still has a substantial presence in many countries and there is evidence of a new start taking place especially at the level of primary societies. Village level co-operatives are enjoying a rise in numbers involved while the different types of co-operatives are emerging reflect a willingness to venture into different sectors. For many poor people, co-operatives are the only group they belong to which helps them to make a better living.

Co-operatives are able to “build on existing institutions of self help and mutual help but also develop new systems of risk pooling and social security such as social benefit funds, micro insurance and mutual health organizations” (Pollet and Develtere 2006:34).

Within the literature of the New Institutional Economics, for example, the relationship between the nature of governance patterns and economic performance has been explored in some depth (Cuevas and Fischer 2006). There have been a number of seminal studies on the governance modes of firms, including labour managed firms and co-operative business models. Several studies have addressed the question of why co-operative and other worker owned business models are relatively rare (Hansmann 1996, Dow 2003). Typically, the failure of the co-operative model is explained by its democratic governance structures which prevent effective control over managers.

Hansmann, for example, contends that the costs of sustaining forms of economic democracy become too high where there is a lack of homogeneity and conflicting interests among the owner members. This is reflected in the relative rarity of member-owned businesses within the private sector. Where member-owned enterprises are smaller and have more homogenous membership, they can and do survive as evidenced by the presence of co-operatives in agricultural marketing, rural utilities and housing (Hansmann, 1996).

Cuevas and Fischer identify the principal source of failure for Cooperative Financial Institutions as deriving from member/owner conflict with management. The growth of a co-operative inevitably expands (or dilutes) ownership and managers become subject to weaker controls. This results in rent-seeking behavior and wasteful expenses. This tendency is reinforced by the fact that co-operatives have frequently faced weak external competition through subsidized financing from government which has also enabled inefficient managers to survive (Cuevas and Fischer 2006).

The development of managerial dominance within co-operatives has been a strong theme within the literature on non-financial co-operatives as well. An influential model has linked co-operatives to a process of democratic degeneration. Meister, for example, identified four stages in the internal transformation of democratic organiza-

tions into manager-led enterprises. This relates to the growth in size and complexity of the enterprise which enables management to take advantage of growing member apathy and distance from the original core co-operative values (Meister 1984).

Chaves and Sajardo-Moreno emphasize the importance of the selection and training of managers in tune with core social enterprise values. This process could be aided by the development of appropriate training courses and educational institutions together with a code of conduct. These processes are critical to the survival of the democratic enterprise (Chaves and Sajardo-Moreno 2004). Spear also suggests a series of measures to limit managerial power by enhancing the commitment to and involvement in the running of the co-operative by the wider membership (Spear 2004).

All these studies point out the problems related to democratic governance structure in cooperative business. None of the studies focused on the issue in the particular case of Tanzanian economy. Other studies cited in my literature review for example, were done outside Tanzania. These mention some of the factors affecting cooperatives due to its democratic management structure as being; the tension between board members acting as representatives for particular membership group, the tension between the board roles of driving organizational performance forward and ensuring compliance, the tension between the contrasting board roles of controlling and supporting management, and conflict of interest among elected leaders and hired managers. Does this apply to Tanzanian context or not? This study is to find out.

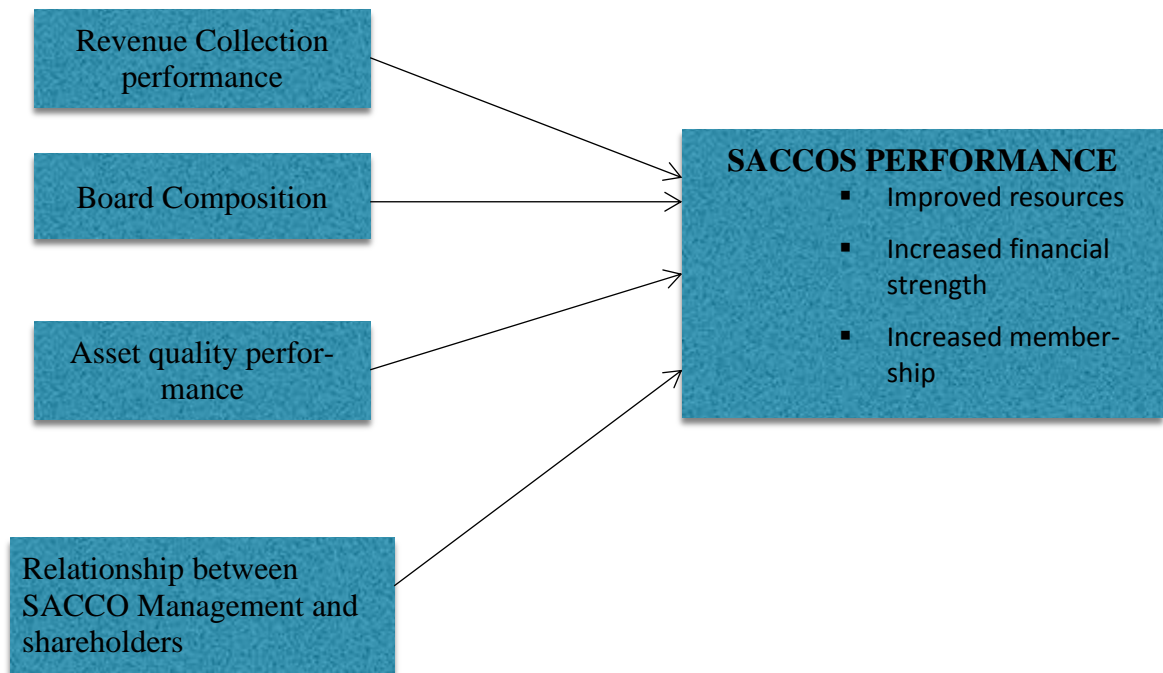
2.3 Conceptual Framework

The conceptual framework explains the relationship existing between variables used in the study. The framework focuses on the contribution of corporate governance on SACCOs performance. To understand corporate governance and performance variables in relation to SACCOs, the major corporate governance pillars i.e. financial transparency, disclosure and trust are dissected.

SACCOS performance is reviewed based on the following dimensions: revenue collection performance, asset quality performance, expenditure performance and efficiency. The significance of board roles and board effectiveness is also highlighted. These are compressed in a conceptual framework as indicated hereunder.

The conceptual framework indicates that corporate governance that is reflected by capacity of members, competent leadership has an influence on SACCOS performance. This SACCOS performance can be reflected in terms of improved resources, increased financial strength and increased membership.

Figure 2.1: Conceptual framework



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Overview

This chapter presents the research methodology and procedure adopted in this study. Section two of this chapter describes the study area. Thereafter, the research design and research phases are presented. The units of data collection and sampling procedures are also addressed. In this chapter data collection methods by objectives have also been adequately presented. At the end of this chapter data analysis is addressed.

3.2 Description of the Study Area

This study was conducted at the Morogoro municipality. This area of study was selected because it has many SACCOs that are well established in terms of structure and experience. These qualities were relevant for the researcher because the governance was a core part of the study. Further the research area can be easily accessed by the researcher.

3.3 Research Design

The research design used in this study was a case study design. This form of research design is useful in providing an in depth understanding of the problem. Further a case study is a convenient way of collecting relevant that could not be accessed in other methods (such as survey).

3.4 Target population, and Sample Size

The target population of the study includes board members, SACCOS Staff and ordinary members (those save and borrow money); in this case the target population was 200.

3.4.2 Sample Size

The sample size of the study was 78 respondents out of the population of 200 people where board members, ordinary members, members of the SACCOs and SACCO's staff were included. A list of respondents was obtained from SACCOs. There after a random sampling technique was offered thus the 78 respondents was effected.

3.5 Sampling procedure

The sampling procedure which was applied in selecting the sample size was non probability sampling in the context of convenience sampling. The technique ensured that the sample selected was not biased and therefore it represented the population of the study.

3.6 Units of Inquiry and Information obtained

The units of inquiry involved board members, members of the SACCOs as well as SACCO's staff. The information obtained was valuable enough to facilitate or contributed in the achievements of the specific objectives of the study. For example the information from the board members was about the position of corporate governance in relation to the performance of SACCOs, information from member was related to influence of SACCOs to their welfare. Information from the staff was more less related to the performance of SACCOs as well the influence or impact of SACCOs to their staff welfare.

3.7 Data collection Methods

Data collection methods involved primary and secondary data. Primary data involved questionnaire, interview guide and schedule. Secondary data used documentary review. The detailed of the two techniques are here under detailed

3.7.1 Primary data.

Primary data involved the following instruments;

A. Questionnaire

Both open and closed ended questionnaires were administered to the respondents. The choice of using questionnaire as an instrument of primary data collection is due to its advantages over other methods, as it is efficient, cost effective and ability to capture more information from source. Questioners specifically focused on the SACCOs members and internal auditors the, because they had time to fill them compared to managers who have busy schedules. Further questionnaire removes a bias of a researcher in the process of data collection.

B. Interview guide and schedule

Interview guide focused on board members and management team. The interview schedule was prepared to enable both the researcher and the respondents to follow so as to bring about efficiency. The interview focused on board members and management team of Morogoro Municipal Teachers SACCOS (1998) LTD. The selected respondents were asked questions in order to find out what they feel or think about the effect of democratic governance in the performance of the SACCOs.

C. Focus Group Discussion

The main purpose of focus group discussion is to draw upon respondents' attitudes, feelings, beliefs, experiences and reactions in a way in which would not be feasible using other methods. This helped the researcher to gather data relating to feelings and opinion of the group of the respondents sampled from the SACCOs. The focus group discussions were conducted with SACCOs managers.

This technique was relevant for this group because+ it provides a platform for obtaining broader opinions at once. Further, managers have limited time to fill in the questionnaires, but were cooperative in the discussions. The technique also enhanced the validity of the data that was collected via survey. It is important to note that data triangulation is one of the important component that improves the validity of data, thus the method achieved multiple objectives.

The main theme of the discussion with managers was on the general management perspectives of the SACCOs such as the relationship with stakeholders, their knowledge on governance procedures, the challenges, prospects and similar aspects.

3.6.2 Documentary Analysis

A documentary analysis was conducted to achieve a contextual understanding of the policy and practice environment within which SACCOs operate. Relevant documents were obtained and reviewed such documents included policy statements, technical reports, manuals, ledgers, regulations, internet and standards. The documentary analysis was used to capture the information that could not be easily be remembered by the respondents. The information concerning the SACCOs and the management was supplemented with documentary review.

3.8 Data Analysis

The data was carried out by using both qualitative and quantitative data analysis methods. With regard to qualitative analysis, the researcher extracted the meaning from the text and from the interview, coded them and makes interpretations. The interpretations avoided the researcher bias by focusing on the content of the information that was available to the researcher.

With respect to quantitative analysis, data collected were edited for accuracy coded and entered into SPSS. The analysis was in the form of tables, and percentages analysis. The techniques were used depending on the data collected from respondents and documents.

Further a case study analysis was used. The case study analysis is one of the most desirable techniques that use a pattern matching logic. Such logic compares an empirically based pattern that is, one based on the findings from a case study - With a predicted one made before data collection.

CHAPTER FOUR

DATA ANALYSIS

4.1 Introduction

This chapter presents the analysis of data that was gathered from the field. The focus of the analysis is to answer the key research questions, which have been identified chapter one. The analysis starts with the presentation of general profile followed by specific information. The presentation of the information will be in two clusters, i.e. SACCOs members and SACCOs management.

4.2 General Profile Information:

Members Profile

Gender status of SACCO members

Table 4.1 below shows the gender status of members who participated in the survey. Findings indicate that 30 (46%) of members were male, while 35 (53%) of members were female. This is almost an even distribution, thus the researcher expect that the opinions provided are not biased.

Table 4.1: Gender for Sacco Members

Gender	Frequency	Percent
Male	30	46.2
Female	35	53.8
Total	65	100

4.3 Marital status of SACCO members

Marital status is important information that can be used in the assessment of loan acquisition. The table 4.2 below provides a brief overview of the marital status for the members that participated in the survey. Findings indicate that 25 (38.5%) of the

members were not married, while 40 (61.5%) of the members were married. This implies that the majority of members were married.

Table 4. 2: Marital Status

Marital status	Frequency	Percent
Not Married	25	38.5
Married	40	61.5
Total	65	100

4.4 Education level of SACCO members

The level of education is relevant in the process of making decisions concerning loan acquisition and on establishing relationships. The table 4.3 below provides a brief overview of education level of the responded members. Findings indicates that 30 (46.1%) of the respondents had certificate, 20 (30.8%) were had diploma, while 15 (23.1%) had a degree. This implies that majority of members are certificate holders, followed by diploma, while degree holders was a minority group.

Table 4.3: Education Level

Education level	Frequency	Percent
Certificate	30	46.1
Diploma	20	30.8
First degree	15	23.1
Total	65	100

4.5 Manager Profile

4.5.1 Gender status of managers

The table 4.4 below provides an overview of the gender composition of the SACCO managers who participated in the survey. Findings indicate that 5 (38.6%) of the respondents were male, while 8 (61.4%) of members were female. This implies that the majority of the SACCO managers who were female.

Table 4.4: Gender of the Managers

Gender	Frequency	Percent
Male	5	38.6
Female	8	61.4
Total	13	100.0

4.5.2 Age profile of managers

The age is an important dimension on the management since it can indicate the level of experience and risk perspective. Table 4.5 below presents an overview of the age of the respondents. Findings indicate that 3 (23.1%) of the respondents had age between 18 to 28 years, 4 (30.7%) had age between 28 to 38 years, 5 (38.5%) had age between 38 to 48 years, while 1 respondent (7.7%) had age between 48 to 58. This implies that majority of SACCO managers who participated in this survey were between 38 to 48 years old, followed by the group of those who were between 28 to 38 years. The groups of managers with age between 18 to 28 year and 48 to 58 years had few respondents i.e. 3 and 1 respectively.

Table 4.5: Age Profile of Managers

Age	Frequency	Percent
Above 18 to 28 years	3	23.1
Above 28 to 38 years	4	30.7
Above 38 to 48 years	5	38.5
Above 48 to 58 years	1	7.7
Total	13	100.0

4.5.3 Education Level of managers

Education as previously pointed out, has a significant implication when it comes to loan acquisition decisions and decision making. Table 4.6 below provides a summary of the education qualifications for the SACCO managers who participated in the study survey. The findings suggest that 1 (7.7%) of respondents had a certificate, 9 (69.2%) were diploma holders, 2 (15.4%) were first degree holders, while 1 (7.7%) was a holder of master's degree. This implies that the majority of the managers were diploma holders, followed by certificate and first degree holders who had equivalent numbers.

Table 4.6: Education Level

Education Level	Frequency	Percent
Certificate	1	7.7
Diploma	9	69.2
First degree	2	15.4
Master degree	1	7.7
Total	13	100.0

4.5.4 Working Experience

Working experience is important dimensions that can indicate the level of knowledge and expertise that someone have on a given field. The table 4.7 below provides a summary of the working experience for the SACCO managers. The findings indicate that 2 (14.3) of managers who participated in the survey had one year experience. The same percentage was for those who had two years and four experiences. 3 (21.4%) of the respondents had an experience of three years, while 4 (28.6%) of the respondents had an experience of more than five years.

Table 4.7: Working Experience with SACCOs

Year	Frequency	Percent
One Year	2	14.3
Two years	2	14.3
Three years	3	21.4
Four years	2	14.3
Above five years	4	28.6
Total	13	100

4.6 The structure through which the SACCOS are governed

Structure is an essential component that ensures smooth operation of any organization. It includes organization flow chart or the chain of command through which accountability and responsibilities are laid upon.

The structure can be composed of formal and informal components; however the focus of this study is on the formal structure. The informal structure structures are very dynamic and complex systems that make organizations to be unique or distinct from one another.

Further the researcher investigated on the knowledge of managers on SACCOS governance procedures, duration of board election, members tenure (duration) in the board, members participation in general meetings, and the structure of meetings.

The diagram 4.1 below indicates that the members of the SACCOS elect the board members and the administrative committee. The board members are responsible for establishing the management. The Managers among other things participates in the recruitment of employees who cover various functions of SACCO, such as loan officers, accountants and auditors.

Although the structure that is presented below represents the Morogoro Teachers SACCOS, the structure does not differ from other SACCOS, especially at the top. Functional differences will likely to occur due to growth stages of the SACCOS.

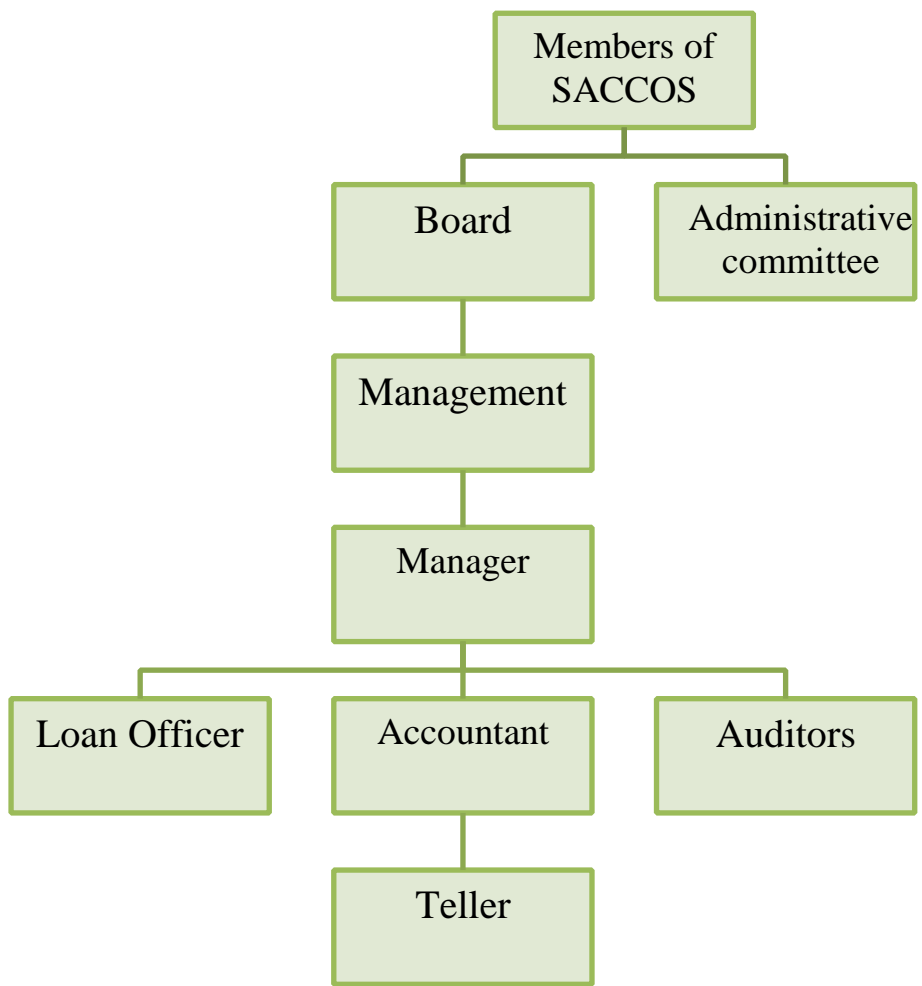


Figure 4.1: Morogoro Municipal Teachers SACCOs Organization Chart

4.7 Overview of the structural composition of SACCOs

A major corporate governance differences between countries is the board structure, which may be unitary or dual depending on the country. “A unitary board of directors is the form of board structures characterized by a single board composing both executive and non-executive.

Generally the SACCOs governance is composed of members, board, and the staffs. According to Corporative Associations Act, 2013, the power of the governance is vested on board members, who are elected by the members. The board members can also be part of various committees. The managers/management is employed by the board. The following is an example from one of the SACCO which was interviewed by the researcher. The name of the SACCO is Morogoro Municipal Teachers SACCOs.

The structural composition that we focus in this section includes the age, gender and education of both members and managers of the SACCOs. We will start with the overview of members, followed by those of managers.

From the findings that were presented in table 4.1, it was found that 30 (46%) of members were male, while 35 (53%) of members were female. This is almost an even composition of the board members with respect to gender and thus gender bias was not a major issue.

The level of education is relevant in the process of making decisions concerning loan acquisition and on establishing relationships. The previous table 4.3 provided a brief overview of education level of the responded members. Findings indicates that 30 (46.1%) of the respondents had certificate, 20 (30.8%) had diploma, while 15 (23.1%) had a degree. This implication of composition of members with regard to education level, indicates that majority were certificate holders, followed by diploma holders. This is likely to be the case because the majority of teachers in the SACCOs were those who are teaching primary schools.

Apart from the members' composition, the managerial composition is also an important dimension that can be used to assess the structural elements of a SACCOs. We assessed the age, gender and education of the managers.

With respect to gender, the earlier results that were presented in table 4.4 provided an overview of the gender composition of the SACCO managers who participated in the survey. The results indicate that 5 (38.6%) of the managers were male, while 8 (61.4%) of were female. This implies that the majority of the SACCO managers were female. It is not surprising finding because majority of teachers especially in primary schools are female and thus they are likely to have a significant voice with regard to management selection.

The earlier findings presented in table 4.5 indicated that 3 (23.1%) of the respondents had age between 18 to 28 years, 4 (30.7%) had age between 28 to 38 years, 5 (38.5%) had age between 38 to 48 years, while 1 respondent (7.7%) had age between 48 to 58. The implication with regard to composition of SACCOs managers is that the large group were between 38 to 48 years. This is a group with high level of working experience. This group was followed by those who were between 28 to 38 years of age.

Education as previously pointed out, has a significant implication when it comes to loan acquisition decisions and decision making. The results that were earlier presented in Table 4.6 provided a summary of the education qualifications for the SACCO managers who participated in the study survey. The findings suggested that 1 (7.7%) of respondents had a certificate, 9 (69.2%) were diploma holders, 2 (15.4%) were first degree holders, while 1 (7.7%) was a holder of masters degree. This implies that the majority of the managers were diploma holders, followed by certificate and first degree holders who had equivalent numbers.

4. 8 Managers's Knowledge on SACCOs governance procedures

Knowledge of governance procedures is one of the important dimensions of efficient corporate governance. In understanding the structure through which SACCOs are governed, the researcher first attempted to gain an insight of whether the managers

had broader knowledge on the SACCOs' operations. A cluster of 13 managers was used to answer the question on whether managers had knowledge on SACCOs operation procedures.

Tables 4.8 below provide a summarized overview of the knowledge the manager has concerning SACCOs operations. The results indicate that 12 (92.3%) of the managers that participated in the survey had knowledge on SACCOs operation, while 1 (7.7%) had no clue. This small number might be due to less experience (see the profile information which also indicates that 1 (7.7%) of the respondents had one year of experience)

Table 4.8: Knowledge on SACCOs Operation Procedures

Response	Frequency	Percent
Yes	12	92.3
No	1	7.7
Total	13	100.0

4.9 SACCO meetings

At this part the researcher present the detailed components of governance structure. The results presented in table 4.9 below indicates that 5 (38.5%) of SACCOs participated have general meetings, 3 (23.1%) have general board meeting, 4 (30.8%) have supervisory committee and credit committee of employee, 1 (7.7%) have general board meeting of employees.

Table 4.9: Structure through which SACCOs is governed

Structure of meetings	Frequency	Percent	Valid Percent	Cumulative Percent
General meeting	5	38.5	38.5	38.5
General meeting –board	3	23.1	23.1	61.6
General meeting Board Supervisory committee-Credit committee-Employee	4	30.8	30.8	92.4
General meeting Board Employee	1	7.7	7.7	100.0
Total	13	100.0	100.0	

4.10 Duration of board Election

The duration by which members are elected in the board is also one of the structural dimensions of SACCOS. It is also an indicator of the good governance. Table 4.10 below summarizes the results on duration of board election. The results indicate that 11 (84.6%) of the SACCOS elects the board members three times, while 2 (15.4%) of the respondents did not replied on this question. This implies that majority of SACCOS provides an opportunity of members to be appointed on finite bases.

Table 4.10: The duration of the board election

Duration of election	Frequency	Percent
Three time	11	84.6
No reply	2	15.4
Total	13	100.0

4.11 Length (duration) which board members stay in the board

In addition to the frequency by which a board member is elected, the length of time by which the board members can stay is also an important dimension of structural governance. Table 4.11 indicates that 3 (21.4%) of the SACCOS elect their board members for two years, while 11 (78.6%) of the board members elect them for a period of three years. This implies that majority of SACCOs elect their member for a period of three years.

Table 4.11: Duration of the board members elected

	Frequency	Percent	Valid Percent	Cumulative Percent
Two years	2	15.4	15.4	15.4
Three years	11	84.6	84.6	100.0
Total	13	100.0	100.0	

Similar question on board member's duration was asked to members. The reason to ask members and managers the same question is to obtain a more precise and reliable information (data triangulation). Further duration of election is also an important element when it comes to structural governance of SACCOs.

Table 4.12 below suggests that 15 (23.1%) of SACCOs elect their members for duration of 2 years, while 50 (76.9) elect them for three years. The three years duration can help those new members who join the SACCOs to acquire experience and use it for the benefit of the cooperative.

Two years is very short period of time for someone to join the board and provide a serious contribution. Though it was beyond the scope of this study to test for the impact of duration on performance, we argue that the board which its members have longer duration (of three years compare to two years) will have relatively better contribution in terms of performance, if other things remain equal. This point should also

be absorbed with caution because very long period is also not very good since the members could get used to each other too much to the point that it can lead to detrimental effect on performance. In some worse scenarios it could lead to members colluding to maximize their personal interest rather than those of members.

Table 4.12: Duration of election period

	Frequency	Percent	Valid Percent	Cumulative Percent
Two years	15	23.1	23.1	23.1
Three years	55	76.9	76.9	100.0
Total	65	100.0	100.0	

4.12 General assembly meetings

The frequency, by which general assembly meets, is also an element of structural composition. Table 4.13 below provides a general overview of the frequency to which SACCOS hold general assembly meetings. Table 4.13 findings indicate that 5 (23.1%) of respondents (managers) hold meetings twice a year, while 8 (61.5) did not know the frequency of general assembly.

This implies that the majority of SACCOS managers do not have understanding on how many time the general assembly is held. On how often the board should meet, the researcher found that boards should be ready to increase meetings frequency if the situation requires a high supervision and control and balance the costs and benefits of frequency. The researcher found that boards with a majority of independent directors are more effective in monitoring management and are more likely to replace poorly performing CEOs.

Table 4.13: Frequency of the general assembly meeting

	Frequency	Percent
2 times	5	23.1
I don't know	8	61.5
Total	13	100

It could be well stated in constitution but due to some reasons such as lack following up on the proper procedures, the assembly is not held. This perspective is supported by results from table 4.14 below indicates that 12 (92.3%) of Managers attend the general assembly meetings, but 1 (7.7%) did not replied to this question. The implication is that majority of managers attend these general annual meetings, but they could not do this in consistent way.

Table 4.14: Attendance in General annual Meeting

Attendance	Frequency	Percent
Yes	12	92.3
No reply	1	7.7
Total	13	100.0

4.13 Members attendance in the meeting and voting

Governance structure can also be assessed by how members follow the key meetings of SACCOS.

Table 4.15 below provides a summarized view on members' attendance to general meeting. The results indicate that 55 (86.4%) of members attend general meetings, while 10 (15.4%) did not attend general meeting. This implies that majority of SAC-

COs members attend general meetings. The few ones could be absent in these meetings for reasons that are not linked to the procedural limitations.

Table 4.15: Members attendance to general meeting

	Frequency	Percent
Yes	55	84.6
No	10	15.4
Total	65	100

The voting is also linked to the attendance of general meetings. The table 4.16 below provides an overview on members' participation in decision making process when it comes to the election of board members. The results indicate that 55 (84.6%) of members participated in voting, while 10 (15.4%) did not participated in the voting. This is the same results from the members attendance table, meaning that they did not vote because they did not attend.

Table 4.16: Vote for board members

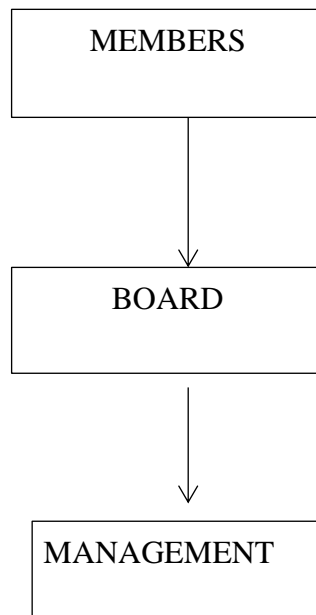
Do you Vote for board members?	Frequency	Percentage
Yes	55	84.6
No	10	15.4
Total	65	100

4.14 The relationships existing between the management, board members and shareholders

This section intends to capture the relationship between the management, board members and shareholders the researcher investigated several variables. These include members served by SACCOs, benefit enjoyed by the members since the establishment of the SACCOs, loan access, services offered. Detail explanations are pro-

vided in sections 4.14.1 to 4.14.3 below. Figure 4.2 below provide a summarized view of key players in the SACCOs

Figure 4.2: Relationships



Source: Author Construction From Survey

Figure 4.2 suggests that the relationship parties in the SACCOs are members, the board that is elected by the members and the management. Each part of the triangle has a specific role in ensuring that the SACCOs are running smoothly in the process of fulfilling its objectives. Members attend meeting and elects the board, the board is responsible for implementing the structure through employing the management team. The management team has to ensure that the objectives of the SACCOs are fulfilled and meet the expectations of the members.

4.14.1 Members served by SACCOs

Table 4.17 below provides a summarized overview of the number of members served by SACCOs. The results indicate that 2 (15.4%) of SACCOs had 900 members. The

same frequency and percentage applies to those SACCOs which had 1000 members. 9 (71.4%) of SACCOs had 1200 members.

This suggest that majority of SACCOs had 1200 members. To maintain such a large base of members, relationship building is of plays a significant role.

Table 4.17: SACCOs members served by the SACCOs

Members	Frequency	Percent
900 members	2	15.4
1000 members	2	15.4
1200 members	9	69.2
Total	13	100.0

For SACCOs to maintain better relationship with their customers they should provide some benefits that attract and retain them. The findings presented in table 4.18 below indicate that 55 (84.6) of SACCOs members enjoyed loan benefits, while 10 (15.4%) enjoyed finance access opportunities. This implies that the majority of SACCOs members enjoy the loan benefits.

Table 4.18: Major SACCOs benefits enjoyed by members since its establishment

Benefits	Frequency	Percent	Valid Per-cent	Cumulative Percent
Loan	55	84.6	84.6	84.6
Finance access opportunities	10	15.4	15.4	100.0
Total	65	100.0	100.0	

4.14.2 Payment of dividend

Payment of dividend to the members is one of the indicators of a relationship between shareholders/members and the management. The results from table 4.19 below indicate that 55 (84.6%), while 10 (15.4%) said that they did not receive dividend. This implies that the majority of members receives dividend from SACCOs.

This indicates a good performance since dividends cannot be issued if the SACCOs were making loss.

Even though it is not feasible to make a quick prediction on the sustainability of these payments, it is still practical to foresee the growth since non-members will be attracted by such a performance. This will then have a multiplier effect in terms of new members and performance.

Table 4.19: Dividend payment to SACCOs members

Dividend payment	Frequency	Percent
Yes	55	84.6
No	10	15.4
Total	65	100

4.14.3 Willingness to invite other members

The willingness of SACCOs to invite other members can also reflect the relationship and trust between the SACCOs and their shareholders. The results from table 4.20 below indicates that 60 (92.3%) of SACCOs members are willing to invite others to join, while 5 (7.7) who was not willing to invite others to join the SACCOs they belong.

This implies that majority of SACCOs members are willing to invite others to join. This has an impact on performance since the SACCOs growth depend on the number of members. If existing members do not have something positive to share with none

members, it will not only impact the growth in terms of absence of new members, but it could even discourage the existing ones.

Table 4.20: Members willingness to invite others

Parameter	Frequency	Percent
Yes	60	92.3
No	5	7.7
Total	65	100

4.15 The composition of the existing boards.

In section 4.7 the researcher will present detailed information on board composition with regard to age, gender and education, but at this section the focus will be on board size

4.15.1 Board Size

The size of board is one of the core dimensions for the board composition. There are several criteria that can be used to assess a board composition, but in this study we used number of members that are elected. In this study Table 4.21 below provides an overview of the structural composition of SACCOS' board in terms of members. The findings indicate that 12 (92.3%) of the SACCOS had a board that was composed of 9 members. One (7.7%) SACCOS did not provide this information.

The researcher found that the size of the board had an impact on the quality of corporate governance. The researcher found that a large board could be dysfunctional and that smaller board sizes are better than larger ones because large boards may be plagued with free rider and monitoring problems. Further researcher found that larger boards are found to be slow in decision making.

The monitoring expenses and poor communication in a larger board give a reason for the support of small board size however some employees said that firms with larger board size have the ability to push the managers to pursue lower costs of debt and in-

crease performance. These findings are similar to the ones on previous research by Abor, (2007).

Further, the researcher interviewed some board members and revealed some duties of the board. The board is responsible for determining the SACCO aims and strategies, plans and policies to achieve those aims, monitoring progress in the achievement of those aims. The board composition and structure is important in determining whether, and to what extent the board is successful in achieving their objectives.

Table 4.21: The size of the board in terms of the numbers of members

Members	Frequency	Percent
9 members	12	92.3
No reply	1	7.7
Total	13	100.0

4.16 The management responds in implementing boards' directives

The researcher wanted to also to analyze on how the managers implement board directives. Table 4.22 below provides a general overview of this aspect. The results indicate that all 13 respondents (100%) implement the board directives through contract employment. This implies that there is a contractual form of relationship which ties them to carry out the board directives, otherwise they will lose their employment one they do not implement what was agreed by the board. The board directives are normally in writing (circulars). The feedback on the implementation of these directives is normally sent to the board via relevant committees.

Table 4.22: The response of the management in implementing board's directives

	Frequency	Percent	Valid Percent	Cumulative Percent
Is through implementing	14	100.0	100.0	100.0

contract employment				
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CHAPTER 5

DISCUSSION, CONCLUSION AND RECOMMENDATION

5.1 Discussion

The study intended to answer four main research questions that are focus on the structure through which the SACCOS are governed; the relationships existing between the management, board members and shareholders; board composition; and management response on implementing board directives.

The governance structural component is made up of meetings, the procedural knowledge/understanding (of SACCOs managers), board member tenure (duration), and elections periods. The results have indicated that few SACCOs have general board meeting of employees.

The Cooperative Society Act (2013: Section 52(1)) among other things states that “every registered society shall have power to make by-laws for any such things as are necessary or desirable for the purpose for which such society is established”. The decision of SACCOs to have general board meeting of employees, or supervisory committee and credit committee to a large extent depends on the growth stage of a SACCOs. This means that as the SACCOs grow, they will have detailed by-laws that lead to more complex governance structures.

The differences in the governance structures among SACCOs are reflected by meeting preferences where some SACCOs lean towards board meetings, others on general meetings or specialized committee meetings. The variation of the governance structures is also reflected by frequency of general meetings. Some SACCOs have general meetings twice a year, but more than half of those that were surveyed did not know the frequency of their general meetings.

The implication from these findings is that even in cases where the by-laws exist, there are some rooms for flexibility. Those managers who do choose not to follow the procedures, made such decisions intentionally (because the findings indicated that more that 85 percent of the managers understood the procedures).

It was a very small number of SACCOs manager who did not clearly understood the procedures, and this was due to lack of experience.

The growth perspectives suggest that many firms tend to use both formal and informal structures. The informal component tends to dominate in early stages of their growth. The discussion on how flexible structural components (informal structure) operate along the formal structures and their impact on performance is however beyond the scope of this current study.

Majority of SACCOs members participate in meetings and in the voting. This indicates that most of members exercised their rights which is specified in the Cooperative society Act (2013: Section 42) that states “every registered member of a society shall have one vote in the affairs of the society and shall be entitled to attend the general meeting of the society and to record his vote in regard to any matter for decision in such meeting”.

Majority of the SACCOs elects their board members for duration of three years. Few of them elect them for two years. Three years period is likely to be better since it gives the board members time to learn and to contribute to their institution. Board membership tenure is one of the dimensions that is used in most empirical studies in microfinance, and has been often associated with performance. The current study however, does not explore the nature of link between the board members duration and performance.

Relationship between SACCOs and members can be reflected by the number of members, dividend payment and the willingness of members to invite others to join their institution. The Cooperative Society Act (2013: Section 42) states that a cooperative society may be formed by twenty or more persons for savings and credit cooperative societies. The findings indicated that all SACCOs that participated in the study had more than 900 members. This is forty times more than the required minimum threshold by the law. The implication of this size is that there is a mutual relationship that exists between the SACCOs management and the members.

When it comes to dividend payment, it is almost all except two members that received dividend. Those who did not receive their dividend it could be due to some reasons that are beyond the scope of this study. Some of those reasons could be the outstanding debts. Given a significant number of those who receive dividend, it is an indicator that the SACCOs are performing better.

Apart from the dividend, SACCOs members enjoyed other loan and financial access opportunities (such as savings and credit) that attract and retain them. The findings indicated that majority of members enjoyed the loan benefits while the minority of them enjoyed financial access benefits. Dividend payment can also be used as a proxy for performance, thus the fact that the SACCOs are paying dividend on time to their members suggests that there is sustained growth. Further, dividend is one of the interest that shareholders expect to obtain as a return for their contribution and participation in SACCO, thus when this expectation is fulfilled there will be a positive impact on relationship continuity in the SACCOs.

When it comes to willingness of members to attract others, it was almost all (except one individual) who were willing to be part of expanding their SACCOs by inviting others. This reflects the level of satisfaction that the members have on their SACCOs. The one individual who was not willing to invite others could be due to reasons that are beyond the study's scope.

The board of directors leads and controls a company and hence an effective board is fundamental to the success of the company. "The board is the link between managers and investors, and it's essential to good corporate governance and investor relations. Composition of board members is very important element that can be linked directly Epstein and Roy (2006) state that high performance boards must achieve three core objectives. That's are provide superior strategic guidance to ensure the company's growth and prosperity, to ensure accountability of the company to its stakeholders, including shareholders, employees, customers, suppliers, regulators and community and to ensure that a highly qualified executive team is managing the company.

The findings indicated that almost all, except one SACCOs have a board that is composed of nine members.

The board size is recommended to be such that it allows for constructive debate and effective decision making and ensures that the supervisory board members experience and capabilities match the SACCOs requirements.

Even though the background of these members was not specified in the findings, there is a likely high chance that there is a significant diversity in the board members. This will likely influence the decision process and lead to improved performance.

A management implementation of the board's directive is also an important aspect when it comes to governance and performance. The board is responsible for determining the company's aims and strategies, plans, and policies. To achieve those aims; the board appoints a chief executive officer with appropriate qualities (Mallin, 2010: 164).

The findings indicated that all the managers implemented the board directives. Such a high response rate was facilitated by the existing contract that forced managers to behave in that fashion. Contractual form of relationship ties them to carry out the board directives; otherwise they will lose their employment if they did not implement what was agreed by the board.

According to the Cooperative Society Act (2013: Section 68 (1)) the "management of registered society is vested in the Board", thus its decision is final.

On the effect of corporate governance structure on performance, the researcher found that a strong corporate governance structure, could lead to a high performance through promoting performance and protecting stakeholder's interests. Corporate governance lead to better performance since managers are better supervised and agency costs are decreased. General remark from the findings is that the governance structure plays an essential role on performance.

The structural composition can come from formal and informal arrangements. Most of SACCOs that participated in the study indicated that they were doing better. Even though this study did not directly test the effect of governance structure and performance, previous studies have found a relationship between the two (Cooperative UK, 2005; Huson, 2001).

5.2 Conclusion

The governance of SACCOs is made up of the legal provision (such as Cooperative Society Act), the by-laws and informal business culture within these institutions. While the legal provision cut across all the SACCOs, the by-laws are more specific and can establish the differences.

As SACCOs grow, we anticipate changes in their governance structure that will likely reduce the informal components of governance to the more strict and formal structure. It was found that in some SACCOs there were high levels of flexibility when it comes to meetings. Combinations of these structures did not indicate to have adverse impact on performance since dividend were paid to almost all members on time. The impact of the structural changes from the informal to formal is beyond the scope of this current study.

Most of the SACCOs were able to pay dividends to their members and improved loan and other financial access. The level of satisfaction was relatively high since a significant number of members were willing to attract others to join. Willingness of members to attract others is an indicator that the members are committed for the growth of their SACCOs. Such high levels of commitment are mostly resulted by the positive prospects for the future. Such prospects emerge out of good governance and performance.

Further, the managers implemented the directives from the board. The argument can be that the managers are forced by their employment contract to implement the board directives, but contract does have the limitations in ensuring these implementations. When the contractual specifications is backed up by the willingness then there will be efficient in the implementation of the board directives.

This is consistent with the legal requirement that specifies that the management of the SACCOs is vested, thus the managers need to work on their order. In general view, the governance has influence on performance. The reflectors of performance are in terms of services provided by the SACCOs, the ability to increase, retain, and the ability to satisfy members.

On the board of Directors appointments the researcher found that if it was managed effectively, the process involved should ensure a balanced mix of proficient individuals and that each of those appointed is able to add value and bring independent judgment to bear to the decision making process.

On what the board needed to do to enhance the performance of the SACCO, the researcher concludes that the board should ensure that a proper management structure is in place and the structure functions to maintain corporate integrity, reputation and responsibility, the board should monitor and evaluate the implementation of strategies policies and management performance criteria and the plans of the SACCO, the board should constantly review the viability and financial sustainability of the SACCO and must do so at least once a year, the board should identify the internal and external stakeholders; agree on a policy or policies determining how the SACCO should relate to, and with them , increasing wealth, jobs and 30 sustainability of a financially sound corporation while ensuring that the rights of stakeholders established by law or custom are expected, recognized and protected.

5.3 Recommendations

From the study, following are the recommendations that are made by the researcher: The study was conducted in Morogoro Municipal using Teachers SACCOS only as a case study. It is recommended that the same study be done to other SACCOS in the Municipal and other areas in Tanzania in search of the applicability of these research findings in an effort to improve the SACCOS performance which in turn it will help to enhance their participation in poverty reduction among Tanzania and economic growth.

The study further recommends that the board should balance the costs and benefits of meetings frequency given that the study established that if the board increases the frequency of its meetings, the recovery from poor performance is faster. Since it was clear from the study that the SACCOS with a small board size had greater performance, the study recommends that board size should be maintained as small as possible as an increase in board size leads to decrease in financial performance of the SACCO.

However, the management should ensure that the board size is optimal as a very small board can also be redundant and may not be efficient in governing the SACCO. In addition, the study recommends that Morogoro Municipal Teachers SACCOs (1998) LTD should adopt good governance systems as they enhance their performance. This include an optimal mix of inside and outside direction with a small proportion of outside directors and splitting of the roles of chairman and chief executive roles.

The study also recommends that Morogoro Municipal Teachers SACCOs (1998) LTD should be well equipped to implement corporate governance practices in its daily activities to the levels which might be acceptable in developed market economies and improve accessibility to firm financing by enhancing transparency and accountability in the information disclosed. In addition, the study recommends that the boardroom 9 compositions should comprise of appointees with management skills who can affect the decision making and long term plans of the SACCO.

Moreover the study recommends that policy makers should take serious notice of these findings to implement policies that sustain the already existing strong corporate governance structures. Finally the study recommends to the management of SACCOs and other organizations to upgrade their corporate governance practices and structure so as to remain profitable in this competitive sector.

Learning: The researcher recommend that SACCOs should learn from each other. There are some differences that exist between SACCOs. Such differences, when clearly studied, could lead to a significant gain of knowledge. Further, a systematic learning impact on both knowledge and performance of SACCOs.

Governance style: The researcher recommends that the informal component of governance is valuable especially when the institutions are growing, but such should not substitute for the formal ones. The formal governance systems should be clearly observed and followed, and the flexibility style can be used as a complement and not a substitute.

Growth management: There is high levels (in term of capital and number of members) experience across the SACCOs. Such high levels of growth should be managed strategically. One way will be to ensure that more experienced and professional managers are hired. The results indicated that there were few individuals with university degrees in the management, while these institutions are growing very fast

By-laws: The macro and micro environmental changes has significant impact on governance and performance of SACCOs over time. The researcher recommends that the SACCOs should continually update their by-laws so as to accommodate new challenges and opportunities that are generated by environmental dynamics.

Leverage the members commitment: The researcher recommend that the managers of SACCOs can leverage on the members commitment. It was found that many members are willing even to attract new members to join the SACCOs. Such levels of commitment can be utilized for sustainability of the SACCOs and should not be taken for granted.

Even though most of these SACCOs are able to pay dividends, such payment of dividends cannot likely fully explain the membership commitment in the organization.

Growth Management: The researchers recommend that SACCOs management should make sure that the strategies for growth are in line with their stage of growth. To sustain capacity to pay attractive returns or dividends to members does not only take a good protection of funds but it also involves better investment decisions.

Networking: Network is one of the strategies used by firms. Some industries such as airlines have formed alliances that help them to better survive in the market. SACCOs should also optimize on the chances for building network with other related and similar organizations for the objective of learning and growth.

5.4 Further studies

SACCOs is an emerging area of research for several disciplines such as finance, development and general business. The formation process of SACCOs differs from one SACCO to the other. These differences have implication when it comes to perfor-

mance. Future studies can look at the role of motives and formation process on the SACCOs performance.

Another dimension on SACCOs is the status behind the members. SACCOs are formed by members with different carrier profiles. For example some are formed by teachers, others by engineers etc, thus there are differences in terms of members' profiles. There have not been systematic studies that have investigated on the status of the members and their role on performance.

Government policies and interventions can act as a support or hindrance towards the growth and performance of SACCOs. Future studies can specifically investigate on the role of government on the SACCOs performance.

Membership tenure is one of the variables that are used in microfinance institutions, but this has not been well explored in SACCOs. Future studies can explore on the role of membership tenure on performance.

Sustainability of SACCOs is one of the important dimensions that can be explored. Most of these institutions have newly been formed and there are many issues related to sustainability that needs to explore. Sustainability can be in terms of growth or in terms of managing to be attractive to members. There are few or no studies that have investigated on how SACCOs can be sustainable. The researcher thus, recommends further studies to examine this component and link it with performance.

In relation to the above, there are several challenges that face SACCOs and can have serious negative impact when it comes to sustainability. The researcher recommend that future studies can explore on key challenging issues facing SACCOs and how to resolve them.

Further studies can also focus on more other factors which effect the performance of the SACCOS hence affects their growth. This follows the beliefs of the researcher that the factors so far studied in this study are few among many which hinder the growth of the SACCOS hence decrease their participation in economic growth and poverty reduction.

5.5 Limitations

Even though the researcher intended to cover the structure of SACCOs, relationship between management, board of directors and shareholders, composition of the existing board of directors, there are several key aspects that acted as limitations.

First, the sample was only taken from Morogoro Region; this limits the generalizability of the findings,

Second, the study was done at one point of time (cross-sectional), this makes it difficult to make a temporal argument when it comes to performance. Tempo (time) is one of the key criteria used in establishing causality.

Third, the study took a small number of SACCOs in Morogoro Region; this is also a challenge when it comes to generalizing the findings even at the regional level. Major attribution for the small sample is financial and time constraints

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APPENDIX 1-QUESTIONNAIRES

APPENDIX 1.1 INTERVIEW GUIDE FOR SACCOs BOARD MEMBERS AND MANAGERS

1. Age and working experience with SACCOs

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.....
.....

2. . Level of education

- a) Certificate
- b) Diploma
- c) First Degree
- d) Master Degree
- e) Other Qualification { }

3. What the structure through which the SACCOs is governed?

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4. What is the size of the board and for how long board members exist (duration for election for board members)?

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5. What are relationships existing between the management, board members and shareholders (members of SACCOs)

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6. How the current board composed?

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7. How does the management respond in implementing boards' directives?

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8. What are duties for board members?

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9. How many times do you meet for the general assembly?

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10. Who are the members of the general assembly?

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Introduction

The purpose of this questionnaire is to collect data on the contribution of corporative Governance in effective performance of SACCOs. On the basis of your answers, I hope to get better understanding of the contribution of corporative Governance in effective performance of SACCOs. The information that will be gathered will be used for academic purpose only. Your response will be totally anonymous and the highest degree of confidentiality will be maintained. I therefore request your answer for the following questions as honestly and as openly as you can.

Thank you

APPENDIX 1.2 QUESTIONNAIRE FOR OFFICERS OF SACCOS.

1. (a) Gender: Male/Female

(b) Age { }

2. Level of education

a) Certificate

b) Diploma

c) First Degree

d) Master Degree

e) Other Qualification { }

3. Working experience with SACCOS?

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4. Do you have knowledge on operation procedures on SACCOS?

Yes { } No { }

5. If yes, provide explanations on what you know about SACCOS?

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5. What the structure through which the SACCOS is governed?

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6. What are relationships existing between the management, board members and shareholders (members of SACCOs)?

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7. How the current board composed?

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8. Board members are elected after how many years and by whom?

- a) 1 year
- b) Two years
- c) 3 years
- d) 4 years

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9. How does the management respond in implementing boards' directives?

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10. What major benefits have you enjoyed since establishment SACCOs?

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11. To what extent do you agree that good corporate governance affects the performance of the SACCOs?

- a) Strongly agree
- b) Slightly disagree
- c) Disagree
- d) Agree
- e) Slightly agree
- e) Neutral

12. What is the size of the board and for how long board members exist (duration for election for board members)?

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13. How many times do you meet for the general assembly?

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14. Are you attending general meetings?

Yes { } No { }

15. How many members does your SACCO serve?

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Introduction

The purpose of this questionnaire is to collect data on the contribution of corporative Governance in effective performance of SACCOs. On the basis of your answers, I hope to get better understanding of the contribution of corporative Governance in effective performance of SACCOs. The information that will be gathered will be used for academic purpose only. Your response will be totally anonymous and the highest degree of confidentiality will be maintained. I therefore request your answer for the following questions as honestly and as openly as you can.

Thank you

APPENDIX 1.3 QUESTIONNAIRES FOR MEMBERS OF SACCOs

1. Gender: Male/Female (tick (√) the appropriate)

Male { } Female { }

2. Marital Status (tick (√) the appropriate)

Not married { } Married { } Widowed { } Divorced { }

3. Level of education

- a) Certificate
- b) Diploma
- c) First Degree
- d) Master Degree
- e) Other Qualification

4. Have you ever being given a Loan? Yes { } No { }

5. What services mentioned below do your SACCOs offer? {Tick the appropriate answer (√)}

- a) Urgent loan { }
- b) House loan { }
- c) Insurance services { }
- d) Technical advises Services { }
- e) Other services { }

6. Has SACCOs made dividend payment to its members?

{ } Yes { } No

7. Would you like to increase the number of members of the SACCOs?

{ } yes { } No

8. What are the financial benefits from SACCOs?

- a) High interest on saving { }
- b) Fast services delivery { }
- c) High degree of security on the members' funds { }
- d) Low interest rate on Loan { }
- e) Good and reliable communications to members { }
- f) Others (mention)

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9. Are you attending general meetings?

Yes { } No { }

10. What major benefits have you enjoyed since establishment SACCOs?

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