

**THE IMPACT OF COMPOSITION OF BOARD OF DIRECTORS ON
ORGANIZATIONAL PERFORMANCE:**

A CASE OF FANKIWA MICROFINANCE COMPANY LIMITED

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 of Mzumbe
University.**

2014

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CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, dissertation entitled: **The Impact of Composition of Board of Directors on Organizational Performance: A Case of Fanikiwa Microfinance Company Limited** in partial/fulfillment of the requirements for the award of a degree of Master of Business Administration of Mzumbe University.

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I, **Charles Victoria**, declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other university for a similar or any other degree award.

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ACKNOWLEDGEMENT

Any research work is usually tough and demanding and no one ever writes one “all by oneself”. This was not different. This was so because the topic of the research examines the importance of governance in the performance of a financial institution. Thus I had to rely on the experience of several experts in the field as well as documentation. This is the product of research in a multitude of books written by professionals and also it draws materials from various surveys; some of them conducted personally. This was possible by the help of individuals whose assistance I am obliged to acknowledge here.

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This research paper could not have been written without the generous assistance of countless individuals who shared their knowledge and expertise. To all, I extend my sincere appreciation.

DEDICATION

To my mother,

My pillar and strength,

Nelly Guraidi Mnzava.

ABBREVIATIONS

CEO	-	Chief Executive Officer
CGAP	-	Consultative Group to Assist the Poor
FAIDA	-	Finance and Advice in Development Assistance
FINCA	-	Foundation for International Community Assistance
FMFC	-	Fanikiwa Microfinance Company Limited
GCF	-	Gatsby Charitable Foundation
ILO	-	International Labour Organisation
MD	-	Managing Director
MEDA	-	Mennonite Economic Development Association
MFI s	-	Micro Finance Institutions
NGOs	-	Non Governmental Organizations
NIGP	-	National Income Generating Project
PRIDE	-	Promotion of Rural Enterprises Initiative Development
PTF	-	Presidential Trust Fund
SACAs	-	Savings and Credit Association
SACCOS	-	Savings and Credit Cooperatives Societies
SIDO	-	Small Industries Development Organization
SMEs	-	Small and Medium Sized Entities
TAMFI	-	Tanzania Association of Microfinance Institutions
TGT	-	Tanzania Gatsby Trust
TYDF	-	Tanzania Youth Development Foundation

ABSTRACT

This study contributes to the literature by investigating the association between the overall performances of a microfinance institution in relation to the board structure and governance of the organization. How MFIs are governed is likely to affect their efficiency, outreach to the poor, sustainability, and impact on poverty alleviation. The research aimed at examining the extent to which board members' influence over firms' strategic issues mediates the effects of board composition on the performance of a microfinance institution. The study was conducted in Dar es Salaam, Tanzania. The sample of the population was 26 respondents 6 of which were directors. The study used questionnaires, interviews and documentary review. In data analysis Statistical Package for Social Sciences (SPSS) was used to analyze research findings.

The researcher established that there cannot be development without proper leadership in any organisation, thus achieving the same requires a well formed and performing board of directors to form policies and strategies that determine the future of the company as well as explaining the basis of which performance and implementation can be assessed. Members of the board ought to diligently perform the roles of which they were appointed and to the best of their ability in enhancing the performance of the organization.

The study recommended that the governing body of the company is a very important organ and plays a major part in enhancing the growth of the company. The same has to be empowered and encouraged in making proper decisions in the event the company and its employees are not in line with the intended company's policies and strategies. In implementing such, proper and clear plans for the board activities should be put in place well in advance to enable the members to also plan ahead in ensuring their participation in the organization. On the same note companies need to put in place a board that is satisfactory in terms of the qualifications of the members and experience in the related field.

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CHAPTER ONE

INTRODUCTION AND BACKGROUND INFORMATION

1.1 Introduction

This chapter provides a general overview of the study. The chapter also provides the understanding on the function to be performed by the researcher which includes among other things; the setting of objectives and questions to be answered throughout the study. The chapter goes far and explains the significance and limitations to the study. The chapter also provides the introduction to the case study chosen in conducting the research.

1.2 Background of Study

Microfinance institutions serve more than 200 million customers worldwide (Maes & Reed 2012). Unlike formal banks, microfinance institutions choose to reach poor customers while covering their costs and being financially sustainable. Microfinance operations in East Africa officially started in the 1990s (Hospes, et al. 2002; Olomi, 2008; Randhawa & Gallardo, 2003). However, there were microfinance-related activities before then. The current major providers of microfinance services are banks, financial cooperatives, and non-bank financial institutions (Lafourcade, et al. 2005). Microfinance involves activities directed at provision of access to financial services for working poor or small and micro-enterprises. Micro financial services comprise of micro credit, savings, micro leasing, micro insurance and other forms of financial services. The micro finance market consists of the underprivileged who are essentially involved in some form of economic activities. The small and micro enterprises in Tanzania operate in the informal sector, which is estimated to support about 60% of the economically active population.

Microfinance in Tanzania began with NGOs (Non Governmental Organizations) and SACCOS (Savings and Credits Cooperative Societies) in 1995 and has continued to grow with the increased success of microfinance internationally. (answers .com/microfinance in Tanzania 17/10/2007) .

According to 2005 survey done by Bank of Tanzania (the overseer of microfinance under the Ministry of Finance) updated the directory of microfinance practitioners to identify basic information on microfinance institutions namely; commercial banks, financial Institutions, financial non-governmental Organizations (NGOs), Savings and Credit Cooperatives Societies (SACCOS) and Savings and Credit Association (SACAs). The directory has counted a total of 8 banks, 45 Community Based Organizations, 2 companies, 95 Government programs, 1,620 SACCOS, 48 SACAs and 62 NGOs.(answers .com/microfinance in Tanzania 17/10/2007).

There are two main sources of microfinance fund. The first source is fund equity and earning from investment and fund from international donors. Most of Microfinance use International donors for funding. Foreign funding is dominant by nonprofit investors like development institutions, charities foundations and NGOs .They Provide grants or subsidies; usually to smaller or newer Micro finance Institutions (MFIs often accompanied by technical and equipment assistance. Other source of funds is borrowing from credit institutions like commercial banks and other government institutions like Small Entrepreneurs Loan Facility (SELF). In 1997, the Microcredit Summit Campaign was launched with the goal of servicing 100 million of the world's poorest households. This is in line with the Millennium Development Goals, agreed to at the United Nations Millennium Summit, which set a challenging goal of halving the absolute poverty in the world by 2015. Micro-finance has a high potential to contribute to these Millennium Development Goals.

It is estimated that all the MFIs in Tanzania put together serve a combined client population of about 400,000 SMEs, which is only around 5% of the total estimated demand. Commercial banks including community banks account for around 50,000 while the NGO category accounts for the an estimated population of 220,000 clients.

It is further estimated that only 12.4% of Tanzanians have access to formal financial services and 56% of the population has no access to any form of financial services whatsoever. This means that there is a very big market potential for microfinance

institutions in Tanzania because mainstream banks tend not to serve the poor especially those in rural communities mainly because they are perceived to be of high risk. The banks high risk perception is anchored on their belief that since the poor do not have formal businesses, they tend to have a high default rate in returning the loans; borrow in small units which have high transaction costs; and are unable to provide tangible collaterals. Microfinance institutions remain to be the only institutions which can bridge this gap by providing more adapted financial services to this segment of population by using innovative mechanisms such as group lending and other techniques to overcome the obstacles involved in delivering services to the poor.

The distribution with respect to the concentration of microfinance activities in Tanzania is skewed in favour of the urban areas leaving rural areas grossly under served. Most MFIs with an exception of tiny rural based SACCOS are reluctant to extend their services to the rural areas due to poor infrastructure, high risk and high cost of operation. The latter is brought about by the fact that rural areas in Tanzania by nature are sparsely populated.

The survey done by the Bank of Tanzania in 2005 further establishes that the microfinance industry in Tanzania is still young. The fact that only about 5% of the market is being served by all institutions involved in microfinance combined is an indication that there is a huge demand for microfinance services in Tanzania particularly in the rural areas, which is prone to high risks and costs. There are only a handful of MFIs that operate in the market mostly concentrated in the urban areas an aspect that has left the rural areas grossly under-served. The government has played its part by creating an enabling environment. All in all, it can be concluded that the microfinance market in Tanzania promises a potential avenue for investment of capital.

Microfinance institutions operating in Tanzania provide financial services to the SMEs mainly in the form of micro credit with an exception of cooperative based microfinance institutions, which are predominantly savings based. The credit based institutions numbers between 80 and 100 out of which 42 are registered members of the Tanzania Association of Microfinance Institutions (TAMFI), the local microfinance network which is serving as advocacy platform for MFIs.

1.3 Fanikiwa Microfinance Company Limited

Fanikiwa Microfinance Company Limited (FMFC) is a newly created company incorporated in Tanzania under the Tanzania Companies Act, 2002, as a Limited Liability Company and issued with Certificate of incorporation No. 78659. The creation of FMFC was initiated and sponsored by two Founder Institutions namely Tanzania Gatsby Trust (TGT), a Non Governmental Organization (NGO) and Charitable Trust which was incorporated in 1992 under the Trustees Incorporation Ordinance (Cap.375) of United Republic of Tanzania and Gatsby Charitable Foundation (GCF) of the United Kingdom which was incorporated in 1967 in United Kingdom. In this connection:

According to TGT's Strategic Business Plan for FY 2009-2013 that incorporated the Organization Development Plan (ODP), TGT decided to change the transition of its financial services (mainly credit operations) from being one of its core functions to being that of a separate and newly created entity, namely Fanikiwa Microfinance Company Limited (FMFC), thus created for that purpose; While GCF on the other hand was seeking to promote economic growth in Africa, hence was desirous to support TGT in its strategic decision; and was willing to invest as a minority shareholder in FMFC until additional investors, Tanzanian or otherwise, can be attracted to invest in the company.

The company's 2010-2014 Business Plan provides that since its inception in September 2010, FMFC has embarked on a transformation agenda by setting up a fully-fledged microfinance company which is commercially and professionally run to ensure that it meets its mission and vision. The company has also managed to grow

and decentralize its credit operations into five Operational Branches namely Dar es Salaam, Zanzibar, Mwanza, Korogwe and Arusha.

As of 31st December, 2013 the number of active clients were 1538 Clients. And the total gross loan portfolio outstanding amounted to TZS. 800,400,221/= . The Portfolio at Risk (PAR) > 1 is 1.82%. And, the Portfolio at Risk (PAR) > 30 days is 0.56% as of 31st December, 2013.

1.3.1 FMFC Mission and Vision

In making sure the company attains the targeted results and like other companies, Fanikiwa Microfinance Company Limited's founders set mission and vision that every member of that organization would have the obligation to meet.

1.3.1.1 Vision Statement

Becoming a leading MFI in the provision of sustainable financial services aimed at empowering rural and urban communities and enabling them to realize their potential for improved livelihood.

1.3.1.2 Mission Statement

To provide quality and inclusive financial services to micro, small and medium enterprises to both individuals and communities focusing on underserved segments/groups in the quest to increase their household income.

1.3.1.2 Core Values:

In addition to the above mentioned Vision and Mission, Fanikiwa Microfinance Company Limited is guided by the following ten (10) Core Values:

1.3.1.3 Core Values:

In addition to the above mentioned Vision and Mission, Fanikiwa Microfinance Company Limited is guided by its Core Values which are;

Being client focused and responsive to the needs of the clients. The company has set this as one of its objectives to attain so as to understand the needs of the clients and

respond effectively and on time. This will ensure long term relationship with the customers and the ability to satisfy their needs.

Encouraging learning and innovation of the employees. One of the company policies is to encourage its members to learn through attending various seminars and conventions that aim at enhancing their work capacity and more understanding of the operations of microfinance institutions.

Demonstrating commitment to quality and professionalism. The company encourages its members to adhere to set the standards in offering services to its customers. In the event there arise dissatisfaction or complaints, the company chooses to adhere to the said standards and professional way of handling matters to enhance clients' satisfaction which in turn will lead to a better performance of the company as a whole.

Respect for the individual regardless of their ethnicity diversity, colour, gender or disability. It is the company's policy to serve all groups of persons professionally without regarding other factors if any. Professionalism and quality service is believed by the company to be the major influence in attaining better performance.

Transparency and openness in all transactions of the company. Every transaction made by the member of the company is required by the policies to be approved by proper authority, filed and duly recorded. Transparency motivates outstanding performance from the employees and members of the company thus the motivation. The focus is to see that company objectives are attained with the knowledge of all members as regards to legal and professional requirements.

Honesty and trustworthy to the esteemed customers and clients. Services offered to clients need to go in line with the company's integrity and objectivity. The company's representatives to clients are required to maintain fairness and avoiding

conflict of interests and/or undue influence in all matters pertaining to the provision of services.

Innovation and diversity is another core value where Innovation is encouraged so as to invent and establish new products and ways of servicing the clients. The company believes in realizing its objectives by enhancing its employees and members innovation which may lead to growth.

Being flexible and remaining agile. The company intends to maintain flexibility and being ready to adapt to any change whenever the need arises. This will ensure the company with ability to change and go together with changing professional environment.

Valuing relationships and team work. The company aims at maintaining team work and the valuing relationships. This is attained through considering all employees and stakeholders of the company as working as one family. They will therefore be ready to work with equality and through doing that there will be good environment for performing in the market.

1.4 Statement of Problem

Although Microfinance Institutions deal with the provision of loans and other financial services for low-income earners, the ability to have a positive impact in curbing poverty as well as the economic efficiency is subject to debate. These institutions serve more than 200 million customers worldwide (Maes & Reed, 2012). In contrast to formal banks, most MFIs choose dual objectives of outreach to poor customers (social performance), while covering their costs and being financially sustainable (financial performance) (Hermes & Lensink, 2011).

There has been no study conducted in Tanzania on the influence of the composition of board of directors in the performance of microfinance institution, even though such studies have been carried out in other fields and other countries. This study

aims at making an important contribution in showing how board of directors can benefit or harm the performance of a microfinance institution.

1.5 Objectives of the study

The researcher applied a set of different tactics on how she could perform the research and find the truth about the contribution of Board of Directors on the performance of Microfinance Institutions. The researcher set the main objective and specific objectives that support the former.

1.5.1 Main Objective

The general objective of this study was to examine the influence of the composition of board of directors on the performance of a microfinance institution; particularly in Fanikiwa Microfinance Company Limited (FMFC) Dar es Salaam.

1.5.2 Specific objectives of the study

Specifically the study aimed;

- i. To explore board members awareness on their roles in the board of Fanikiwa Microfinance Limited.
- ii. To examine the effect of board members characteristics on the performance of Fanikiwa Microfinance Limited.
- iii. To determine the effect of the board members professional qualifications in enhancing the performance of FMFC
- iv. To assess the challenges faced by board of directors in managing Fanikiwa Microfinance Company Limited.

1.6 Research questions

The following questions guided the researcher in searching for answers

- i. Are the board members aware of their roles in the board of Fanikiwa Microfinance Company Limited?

- ii. What are the effects of board members characteristics on their performance at the board of Fanikiwa Microfinance Company Limited?
- iii. What are the necessary qualifications needed in a board composition for a good performance?
- iv. What are the problems faced by board of directors in managing Fanikiwa Microfinance Company Limited?

1.7 The Rationale of the Study

This study was targeted to analyse the influence of the composition of board of directors on the performance of one of the microfinance institutions in Dar es Salaam. The findings identify the valuable insights of microfinance institution to improve performance. Policy makers may also rely on these findings in making policies related with microfinance institution and how to improve performance from the governance level. On top of that the main rationale of this work is part fulfilment of the requirements of a Master degree of Mzumbe University.

1.8 Delimitation

The study was performed in Fanikiwa Microfinance Company Limited in Dar es Salaam. The performance of a Microfinance Institution covers so many areas; however this study had its focus on gender, educational level, board size and composition of the board of directors.

1.9 The limitation of the study

The process of collecting data was limited in terms of time; although the researcher obtained all the requested information, the researcher would have preferred to get more one on one time with the respondents to get further insight on the provided information. Also, the outcomes from the questionnaire and interviews were based

on the information solicited from the respondents and therefore subjected to human errors, omissions and possible misstatements. However, in spite of the above, the researchers did ensure that the research meets all the relevant requirements for a scientific research and thereby reducing errors to the barest minimum if not to eradicate it completely.

1.10 Scope of the Study

The research was carried out at Fanikiwa Microfinance Company Limited in Dar es Salaam. The emphasis was on the influence of the composition of the board of directors on organizational performance; focusing on the gender, education level, board size and the awareness of their role.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this chapter, the researcher makes review of different sources that have provided information regarding the microfinance and management of these companies as well. The sector is reviewed through theoretical literature reviews, empirical literature reviews, from books and journals as well as other writings. The researcher utilizes the views of those researchers and makes more advancement on their work regarding the microfinance sector. In this part of the report the researcher thus sets hypothesis of the research that needs to be tested in the analysis stage.

2.2 Theoretical literature Review

The researcher managed to have information from previous books that gave insight about the idea under investigation. The main purpose of all this being the assessment of the microfinance sector and the management concerned with their activities.

2.2.1 The Concept of Microfinance Institution

The term microfinance is derived from the name finance. Microfinance is the provision of financial services, primarily savings and credit to poor households that do not have access to formal financial Institution. The term 'Micro' implies that the size of the financial transaction is small (Andrey Gidasov, 2002). Microfinance, according to Otero (1999, p.8) is “*the provision of financial services to low-income, poor and very poor self-employed people*”.

These financial services according to Ledgerwood (1999) generally include savings and credit but can also include other financial services such as insurance and payment services. Schreiner and Colombet (2001, p.339) define microfinance as “*the attempt to improve access to small deposits and small loans for poor households*”

neglected by banks.” Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector.

The Consultative Group to Assist the Poor (CGAP) defined a microfinance institution (MFIs) as an organization that provides financial services to the poor. This definition included a wide range of organizations that vary in their legal structure, methodology and mission. The mission often determines the borrowers who participate in the MFIs lending programmes (Pollinger et al., 2007). Sanyal (2009) defined microfinance institution as organization that runs programmes which include the provision of collateral-free loans and compulsory savings (not all MFIs include compulsory savings).

The definition reveals a tight link between the operational objective, which is the provision of access to finance and the social mission which is about the population targeted for the loans i.e the poor (Arena, 2008). Arena likened the operational objectives to that of ordinary financial institutions, putting the MFIs in a position where they need enough working capital to sustain their operations. Wood (1998) defined micro finance institutions as institutions that provide financial services to low income earners. These financial services may include savings, loans, insurance transfer and payment services to enhance growth of small scale enterprises.

According to Graham et al (1990) microfinance refers to the provision of financial services to the low- income earners who do not earn or obtain their services from the formal financial institutions because of their business saving levels and credit needs are very small. Microfinance, according to Otero (1999) is “the provision of financial services to low income poor and very poor self-employed people”. These financial services according to Ledgerwood (999) generally include savings and credit but can also include other financial services such as insurance and payment services. Schreiner and Colombo (2001, p.339) define microfinance as “the attempt to improve access to small deposits and small loans for poor households neglected by

banks.” Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector.

Microfinance is an economic development approach that involves providing financial services, through institutions, to low income clients, where the market fails to provide appropriate services. The services provided by the Microfinance Institutions (MFIs) include credit saving and insurance services. Many microfinance institutions also provide social intermediation services such as training and education, organizational support, health and skills in line with their development objectives.

Robinson (2001) microfinance refers to small scale financial services for both credits and deposits that are provided to people who farm or fish or herd; operate small or micro enterprise where goods are produced, recycled, repaired, or traded; provide services; work for wages or commissions; gain income from renting out small amounts of land, vehicles, draft animals, or machinery and tools; and to other individuals and local groups in developing countries in both rural and urban areas. Microfinance has also been defined as the means by which poor people convert small sums of money into large lump sums (Rutherford 1997) one of the main components of microfinance is microcredit. It is the extension of small loans to entrepreneurs, who are too poor to qualify for traditional bank loans. Especially in developing countries, microcredit enables very poor people to engage in self-employment projects that generate income, thus allowing them to improve the standard of living for themselves and their families.

Micro saving is also a microfinance service that allows impoverished individuals to safeguard money and other valuables items and even earn interest. It allows a lump sum to be enjoyed in future in exchange for a series of savings made now. Insurance is an important service in every aspect of life. It therefore not surprising that micro insurance is also a component of microfinance. It is the provision of insurance to low income households. Poor households are especially vulnerable to risk, both in the

form of natural calamities as well as more regular occurrences of illness and accidents.

Microfinance Institutions (MFIs) have played an active role in reducing or protecting against this vulnerability through providing credit for increasing income earning opportunities and through providing savings services to build up resources that can be drawn down in cases of emergencies.

Finally a MFI is an organization, engaged in extending micro credit loans and other financial services to poor borrowers for income generating and self-employment activities. An MFI is usually not a part of the formal banking industry or government. It is usually referred to as a Nongovernment Organization (NGO). In literature, the terms microcredit and microfinance are often used interchangeably, but it is important to highlight the difference between them because both terms are often confused.

Microcredit refers to small loans, whereas microfinance is appropriate where NGOs and MFIs supplement the loans with other financial services (savings, insurance, etc). Therefore microcredit is a component of microfinance in that it involves providing credit to the poor, but microfinance also involves additional noncredit financial services such as savings, insurance, pensions and payment services. The microfinance as a product has several characteristics. Some of the characteristics put forward by Mohammed and Mohammed (2007) have been explained in ensuing paragraphs.

The key characteristic of microfinance entails little amounts of loans which are given to individuals and groups to help them start some income generating activities. Little savings over time is also an integral aspect of microfinance as it serves as security for the poor households and also helps them accumulate substantial capital to overcome their capital constraints. The loans which are given out are also short terms loan which is usually up to the term of one year. Payment schedules are usually on week

basis. Installments made up from both principal and interest, which amortized in course of time.

Easy entrance to the microfinance intermediary saves the time and money of the client and permits the intermediary to have a better idea about the clients' financial and social status. In terms of application the clients need not go through the cumbersome procedures which are required in the traditional commercial banks. There is also short processing periods between the completion of the application and the disbursement of the loan. No collateral is required contrary to formal banking practices. Instead of collateral, microfinance intermediaries use alternative methods, like, the assessments of clients' repayment potential by running cash flow analyses, which is based on the stream of cash flows, generated by the activities for which loans are taken.

The use of tapered interest rates decreasing interest rates over several loan cycles as an incentive to repay on time. Large size loans are less costly to the MFI, so some lenders provide large size loans on relatively lower rates. The clients who pay on time become eligible for repeat loans with higher amounts.

In addition, Deaton (1991) argues that by reducing the financial risks faced by households in this way, access to financial services may decrease the proportion of lowrisk, low return assets held by households for precautionary purposes (such as jewelry), and enable them to invest in potentially higher risk but higher return assets, (such as education or a rickshaw), with overall long term income enhancing impacts. Ghosh, Mookherjee and Ray (1999) argue that credit is essential in allowing capital investments among producers (such as farmers) who are not able to save as well as giving households the ability to obtain money in an emergency. The availability of credit also increases risk taking with the adoption of new technologies or productivity enhancing investments for poorer households or producers hence contributing to increases in production and income.

Galor and Zeira (1993) find that access to household credit can have a positive impact on growth through its impact on human capital accumulation, and that this is affected by the initial distribution of wealth; richer families are better able to invest in human capital accumulation leading to increased growth. De Gregorio (1996) also argues that access to credit promotes human capital accumulation, as credit constraints will force students to work, which will reduce the time available for study. Dehejia and Gatti (2002), Beegle, Dehejia and Gatti (2003), and Jacoby (1994) also find that access to risk reducing financial services increase investment in schooling. A second channel through which access to financial services or more specifically, access to credit may affect economic growth is by facilitating the entry of new firms.

(Klapper, Laeven and, Rajan, 2004) and the Schumpeterian process of “creative destruction”. They argue that access to credit permits greater market entry by talented new entrants, who would otherwise be constrained by their lack of inherited wealth and absence of connections to the network of well off incumbents. To the extent that access to credit is limited to only privileged groups, or preferred sectors, this will reduce the value of the investments undertaken, reducing growth. So wider access to credit for individuals as well as firms given that small and micro. Enterprises are often financed by individual borrowers), will increase the productivity.

Microfinance institutions are “financial intermediaries formed to serve the needs of special group of people” (Wilson & Clark 1993). Microfinance and Micro-credit are mostly used to finance small and medium scale enterprises. Microfinance in general includes Micro credit, Micro-savings, Micro-insurance and payment services. In developing countries Micro-credit enables very poor people to engage in self-employment projects that generate income.

Micro-credit is crucial to the microfinance field by providing access to financial capital. (Micro-finance Alliance.htm 17/10/2007) Micro-finance Institutions also,

refer to “transactions in small amounts of both credit and savings, involving mainly small–scale and medium-scale businesses and producers. The poor, who cannot run a small business because they lack capital, may also benefit from micro-finance organizations. The poor, especially poor women are the prime targets for micro-finance intervention in many countries” (Khandker, 2000).

2.2.2 Importance of Microfinance Institution

According to the progress report of the Poverty Reduction Strategy (URT, 2003) the Government is committed to strengthening ties between the rural and urban economy, improve rural infrastructure, encourage development of Small and Medium Enterprises (SMEs), facilitate provision of micro-credits, strengthen local capacity and strive to achieve a more broad based economic growth. By enabling the poor to save in a secured place, the provision of accounts (or other savings facilities) and insurance allows the poor to establish a buffer against shocks, thus reducing vulnerability and minimizing the need for other coping strategies such as assets. According to the FinScope data, about 6% of Tanzanians borrow from microfinance institutions.

Microfinance helps the poor, the majority of whom are women, to borrow for business expansion, and to save and buy other relevant products like micro insurance. Research on micro-credit initiatives targeted at women shows that improving access to credit for women in developing countries enables them to improve their standard of living. They also have superior credit repayment records compared to men, and lending to women has a greater effect on household welfare than credit directed toward male borrowers (Stotsky, 2006).

Micro Finance Institutions have important roles to play in creating entrepreneurial morale to small businesses in Tanzania. The roles of these financial institutions fall under the category of most quasi formal institutions that were established through donor/government support to fill the lacuna/vacuum left by formal financial

institution in meeting the financial needs of small business. Quasi Formal Financial Services are those offered by institutions which fall outside the regulatory power of Bank of Tanzania but are regulated by the government. These include the NGOs offering financial services, some of which are SACCOS and other government and donor backed institutions known as microfinance institutions.

Small Industries Development Organization (SIDO, started in 1970 with the aim of promoting small scale industry as a government initiative. The Presidential Trust Fund (PTF) was established in 1988 as an avenue for providing credit throughout the country to informal sector operators with low credit needs currently donor funded and supported by the FORD foundation and National Income Generating Project (NIGP). The Finance and Advice in Development Assistance (FAIDA) to small enterprise promotion is a Dutch funded credit programme which aims at promoting small scale entrepreneurs in Arusha, Dodoma and Ruvuma Regions.

The Tanzania Youth Development Foundation (TYDF) (the ILO- promotion programme), was established in 1994 and confined in Dar es Salaam. Initially funded by UNDP but now registered as an NGO with support from Government, SODA and IPP. Promotion of Rural Enterprises Initiative Development (PRIDE) TANZANIA opened in 1966 as subsidiary of pride Africa started with assistance of 1.2 million from NORAD. Mennonite Economic Development Association (MEDA) focusing on microfinance involvement in urban economic activities mainly in Mbeya and Dar es Salaam.

Foundation for International Community Assistance (FINCA) facilitating village financial implementation projects in Latin America and Africa and other developing countries. BLUE FINANCE is a donor funded organization founded in 2007 in Tanzania aiming at enabling small business owners by providing micro loan facilities. POVERTY AFRICA CREDIT SHOP is an NGO devoted at promoting local initiative that fights poverty. It has initiated saving and credit schemes in Morogoro, Arusha, Moshi and Dar es Salaam. Saving and Credit Corporative

Societies (SACCOS) are established under the Act of 2003. The objectives are to provide thrift services and credit facilities to the members of societies.

All of the above mentioned are micro finance Institutions which have positive contributions towards creating entrepreneurial morale to small businesses by assisting and satisfying basic needs and protection of the society by helping individuals and households to meet their basic needs as well as protecting themselves against risks. This is made possible by these institutions creating such chances or possibility of establishing small businesses. In turn these institutions improve economic welfare of the community and enterprise stability or growth of low income households. If the community is well off, then there is a greater chance of enterprise development.

Microfinance institutions also play a major role in empowering the whole society at large both economically and socially hence promoting gender equality and thus improve house hold wellbeing. Provision of education on thrift before individual businessmen get a loan applied for as she/he has to make small savings either at home or to that particular institution. This in turn helps to create awareness on the importance of saving in business as well as in life generally.

Another role played by microfinance institution is providing education and training to their clients on the utilization of the loan as well as the manner of operating their businesses, which equip borrowers with enough knowledge in manipulating their business operations as well as creation of new entrepreneurs. By availing small loans within the community, it assists in bringing about the possibility of establishment of small businesses that can develop and result into big business establishments (Mkwawa, 2004).

2.2.3 Company Directors

These are group of individuals that have the responsibility of forming, over sighting and implementing company policies in favour of its owners. They bear the duty of

making sure that everything is going in line, who to employ so as to perform duties of the company, laws, responsibilities and punishments to upon non-compliance to those laws and regulation. The directors are led by either Managing Director (MD) or Chief Executive Officer (CEO) in many cases. They have responsibility of hiring and proposing salaries and other benefits to be gained by the new employee. They report and are over sighted by the board members that are in the topic of this research. The following are the principle duties of the company directors;

2.2.3.1 Effective Oversight of the Financial Institution's Affairs

The directors of a financial institution are responsible for safe custody and investment of depositors' funds. Consequently, they must commit sufficient time in the oversight of affairs of their institutions. Effective oversight entails possession of necessary skills to make sound and independent judgments and be able to apply immediate remedial measures when the need arises. The board of directors should exercise their fiduciary duty and authority to question and insist upon straightforward explanations from management, and receive on timely basis sufficient information to judge the performance of management. In connection with effective oversight, directors are also responsible to establish and ensure effective functioning of various board committees and management in key areas.

2.2.3.2 Regulatory Compliance

The business of financial institution is governed by a number of laws and regulations. Directors' responsibility in this respect is to establish policies and monitor operations to ensure their financial institutions comply with laws and regulations. To fulfil this responsibility, directors must have a clear understanding of the legal and regulatory framework under which their financial institutions operate. They must exercise duty of care to see to it that financial and other applicable laws and regulations are not violated and take actions to avoid the recurrence of any violations.

2.2.3.3 Setting and Reviewing Policies and Objectives

The board of directors must establish policies and objectives that will direct the activities of a financial institution in all areas of operations. It is important that these objectives and other organization's values should be communicated throughout the organization. The policies must clearly quantify the acceptable risk and specify the capital required for safe operation of the financial institution. The board of directors should ensure that senior management adhere to objectives set by the organization.

2.2.3.4 To Develop a Strategic Plan

The board of directors in collaboration with management is obliged to prepare a strategic plan and adopt policies to achieve it. A strategic plan is a roadmap to assist a financial institution to achieve its mission and objectives. The plan should be reviewed whenever business and economic conditions call for change. The plan and the institution's mission in general should be communicated to all employees.

2.2.3.5 To ensure arm's length transactions with insiders

Financial institutions should have policies that guide transactions with insiders and their related parties. Such policies should ensure, through adequate procedures, that transactions with related parties, in particular with shareholders, executive officers or members of the board and other related parties, are made on an arm's length basis and are not made on terms contrary to the interest of the financial institution, its shareholders and depositors. Financial transactions with insiders and their related parties must be beyond reproach and in full compliance with regulations concerning such transactions. The board of directors should monitor compliance with policies and procedures relating to insider transactions on a regular basis.

2.2.3.6 Setting and enforcing clear lines of responsibility and accountability

Boards of directors should clearly define the authorities and key responsibilities for themselves as well as senior management. Clear lines of responsibility are important

in hastening implementation of decisions and appropriate response. The executive management must be aware that they are ultimately responsible to the board of directors for the performance of the financial institution.

2.2.3.7 Effective utilization of Internal and External Auditors' work.

The board of directors should recognize and acknowledge that independent, competent and qualified auditors, as well as internal control functions (including the compliance and legal functions), are vital to the corporate governance process in order to achieve corporate objectives. The board of directors should utilize the work of the auditors as an independent check on the information received from management on the operations and performance of the financial institution. The internal and external audit functions are of great importance in enhancing the effectiveness of the board of directors and senior management by the following;

First, utilizing, in a timely and effective manner, the findings and recommendations of auditors. After completing the audit work, auditors provide recommendations to the management regarding different matters which might advance operations and compliance to the international standards as well as the management of the company in general.

Second, ensuring independence of the internal auditor through his reporting to the board or board's audit committee. The internal audit function is to report to the board of directors. These are given independence so as to enhance the value of information from that is useful to the external auditors.

Again, engaging external auditors to, among other things, assess and report on the effectiveness of internal controls. Internal control is the integral part of management and for the better performance of any organisation, this has to be revealed. Eernal auditors provide the management with the report regarding internal control of the company regarding authorization, custodian and division of responsibilities.

Lastly, external auditors are important in requiring timely corrective measures by management of problems identified by auditors. The areas detected to have problems in the organisation are noted and external auditors require the management to make corrections.

2.2.3.8 To ensure that the financial institution has a beneficial influence on the economy of its community

One reason for approving financial institutions' charters is to meet specific community needs. Directors have a continuing responsibility to the community to provide services that will be conducive for well balanced economic growth.

2.3 Empirical Literature

Again, the researcher considered other means in gaining knowledge about the Micro financial Institutions leadership and governance in general. Empirical reviews were considered as follows;

2.3.1 Board Members Characteristics that Influence Performance

The main goals of the company are enhanced through implementation of the desired means of performance. Board members who are management team are with enough influence and are desired to be conversant with objectives and therefore they need to have a kind of characteristic that make them fit for the adherence of those needs. In other words, they need to have certain features that distinguish them from others. This makes it clear that not any person can randomly be included in the team of board members. The characteristics of the board members of any organisation are analysed as hereunder.

2.3.1.1 Education Level

Education is important for building people's skills in any field. People are invited into boards as a way for them to utilize their skills and knowledge for the benefit of the organization. Campion (1998) and Hartarska (2005) argue that the skills board members bring to the MFI board matter. The literature further stresses that the occupation of board members can affect the ability of the board to solicit funds from different sources and to improve board monitoring (Oster & O'Regan 2003). The unique nature of microfinance activities means that board members need to have financial skills as well as knowledge of social services (Rock et al. 1998; Sabana 2006). One important way of acquiring these skills and knowledge is through formal education.

2.3.1.2 Gender

Board diversity in terms of gender is another issue that has attracted attention. Organizations in the developed world have started to actively include female board members in order to benefit from their monitoring expertise and competence. Empirical evidence shows that gender balance has a positive influence on the performance and values of organizations (Erhardt, et al. 2003; Hussein & Kiwia 2009). In addition, it is recognized that MFIs mostly serve female customers and are better at it (Mersland & Strøm, 2009). Mersland and Strøm (2009) in their corporate governance study found that MFIs with female CEOs (who are also board members) outperform MFIs with male CEOs.

2.3.1.3 Board Size

A significant part of the empirical literature has focused on the impact of the *board size* on firm performance. Since free-riding is more likely in larger boards, there is evidence that larger boards are less effective in corporations as well as in small firms (Yermack, 1996; Eisenberg *et al.*, 1998). Financial intermediaries usually have larger boards than do non-financial firms, but the empirical evidence shows both a positive and negative relation between board size and performance (Adams and Mehran,

2003; Pathan *et al.*, 2007). Studies on non-profits boards have suggested that larger boards may be more successful because of the additional duties that board members take on in supervising fundraising, but there is no empirical support for this claim (Oster and O'Reagan, 2004).

2.3.1.4 Composition

External board members (non-employees, not related to the organization) are expected to act as better monitors and advisors to MFIs compared to internal board members (Hartarska 2005; Mori & Randøy 2011). Empirical studies of other organizations have found both a positive and negative relationship between the proportion of outside directors and an organization's performance (Hermalin & Weisbach 1991; Johnson, et al. 1996; Rock, Otero, & Saltzman 1998). Empirical evidence of MFIs in other countries has shown that boards with a higher proportion of internal board members have a negative effect on MFIs' social and financial performance (Hartarska 2005).

2.3.2 Problems facing Microfinance Institutions

MFIs' CEOs and board members reported difficulties in finding the right board members. It is even more difficult to arrange aboard with a balanced skill set. The reasons given include shortage of board members with the right background who are prepared to contribute their time and are willing to work without full compensation. Chairpersons, CEOs, and founders of MFIs reported stiff competition when looking for good board members, not only among MFIs, but among other organizations, including private firms, NGOs, and projects. Several board members reported being approached by several MFIs and had to decide which one to join.

2.3.2.1 Multiple board membership.

Partly as a result of the shortage of good board members, some board members belong to multiple boards, including other MFIs. According to the financial and financial institutions regulations in most countries, a person cannot belong to more

than one board of a regulated financial institution. However, this rule does not apply to unregulated MFIs, which are the majority. Yet belonging to several financial institutions presents a challenge in terms of conflict of interest as well as commitment in achieving the best performance.

2.3.2.2 Board members are too busy to contribute their full potential.

It was also reported that some board members are very competent, but have no time to make a meaningful contribution to their board because they are extremely busy. Some have no time to thoroughly read board papers, while the attendance of others is erratic. This affects their performance towards development of their organizations. The lack of time facing these board members provide the chance for failure to attain the targeted goals and that may find them losing credits over their potential on moving the companies from one stage to another.

2.3.2.3 Some board members are not assertive.

On rare occasions it was reported that some board members lack the confidence to question management or to raise controversial questions. Others are said to perceive their role as that of advisers and therefore desist from asking questions or following up on matters they feel management or other influential or internal board members are not comfortable discussing.

2.3.2.4 Limited awareness of their role.

Some board members, particularly external ones, are not sure what their role is. There are also cases where external board members appointed to chair the board have a limited understanding of their role, with many considering it their duty simply to chair meetings. MFIs that have provided the board with training on governance or the role of the board members reported that there has been a substantial improvement in the contribution of board members after such training.

2.3.2.5 Dominance of founders.

Some founders of MFIs regard themselves as the owners of the institution. Not only are they unprepared to relinquish board membership, but they are unprepared to change their stance when other board members have different views. This makes it difficult for the board members to perform their duties and responsibilities as they face much influence from these founders of organizations.

2.3.3 Responsibilities and Legal Liabilities of Directors

Besides the joint responsibilities of the Board of Directors, each has the responsibilities to the company and through fulfilling this activity; they need to bear attention towards the companies' policies and strategies. Their responsibilities include among others;

The compliance of the memorandum of undertaking in ensuring the safe and sound operations of the financial institution. Also the compliance with secrecy provisions of the Banking and Financial Institutions Act 2006. Directors are also prohibited from involving him/herself in fraud or deliberate mismanagement. They are also responsible for ensuring that all credit facilities granted to him or his related parties by the financial institution to which he is a member of the board of directors, are given at an arm's length basis. Each director is also responsible for inhibiting himself from attending a meeting which intends to deliberate or approve a transaction in which he is the beneficiary.

The policies of the company also provide that a director may be fined, removed from office, or disqualified from holding any position or office in any financial institution in case of violation of provisions of the Banking and Financial Institutions Act, 2006 or regulations issued there under. Each director also has a duty of care and loyalty to the financial institution's interests. Accordingly, a director is liable for damage caused when he breaches the duty of care. Last but not least a director is liable for non-diligent and negligent performance of the job of director and also responsible for exercising rational and independent judgment.

2.3.4 Evaluation of the Board of Directors

The Board of Directors should regularly review its mix of skills and experience and other qualities in order to assess the effectiveness of the board and its committees. Such review should be by means of peer and self-evaluation of the board as a whole, its committee and the continuum of each and every director including the chairman. The evaluation should be conducted annually and the report thereon should be made available to the Bank of Tanzania when requested.

2.3.5 Board Self-Assessment Reports

The Board shall assess its performance annually to identify its strengths, weaknesses and strategies on how to overcome the weaknesses. Areas of assessment includes the definition, understanding and interpretation of the Institutions' vision and mission, the formulation of strategic and operational plans, time devoted to institutions' activities, attendance to Board Meetings, board communication with the management and staff of the institution, board's efficiency in formulation and approval of operational policies and procedures for the Institution, board understanding and adherence to policies and procedures set forth in the manual, board understanding of institution's financial performance, board's understanding of the legal and regulatory framework within which the institution operations; as well as board composition/mix of skills

2.3.6 Criteria for Fit and Proper Persons

Every financial institution should ensure that only fit and proper persons are appointed to their boards. In assessing fitness and propriety of a person to be appointed to the board of directors, every financial institution must consider his honesty, integrity, diligence, fairness, competence, capability and financial soundness. The following criteria should be used to determine a fit and proper person.

Starting with the possession of formal qualifications of management, business or professional experience of at least five years, preferably, possession of a proven track record in financial industry or related activities. Members of the board are expected not to have criminal records. As a person's history affects much the performance of his duties as in some areas that person might be restricted from engaging business issues like transport restriction to some countries and other restrictions.

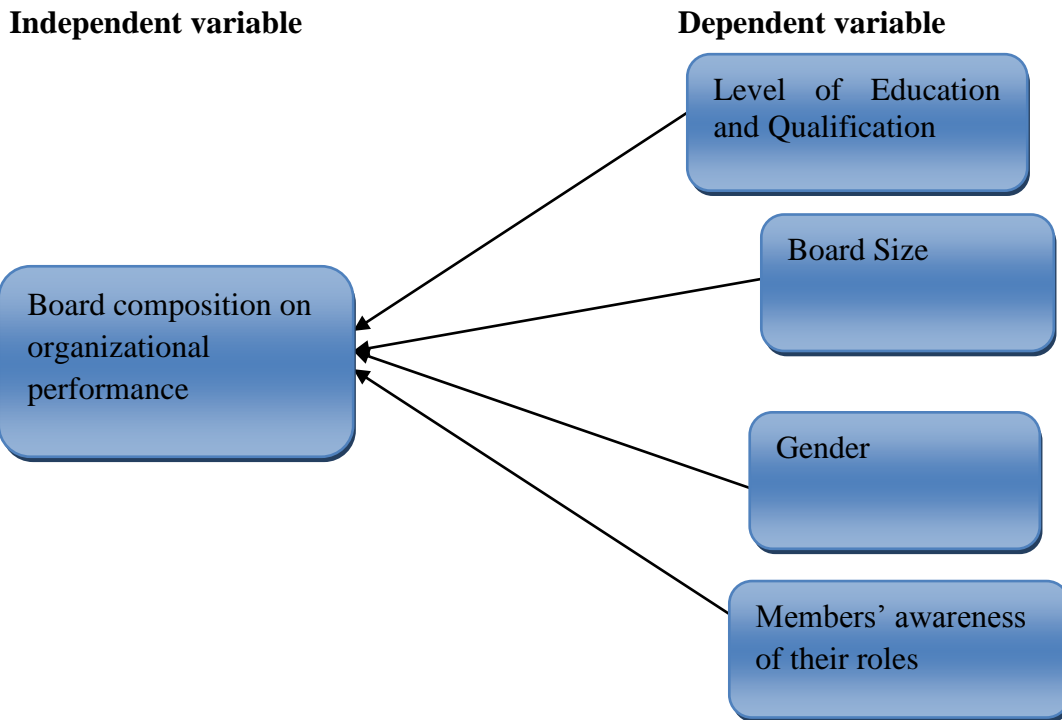
Non-involvement as a member of the management of board of directors, with a financial institution whose registration or license has been revoked or cancelled or which has gone into liquidation. The absence of default record of any credit accommodation taken by him or his related parties from any financial institution or bankruptcy record or suspension of payments or composition with his creditors.

2.4 Conceptual Framework

The researcher has utilized the variables in moving towards the results of the research under review. The variables were divided into independent and dependent variables.

The independent and dependent variables on the subject of the impact of the composition of board of directors on organizational performance: the case of Fanikiwa Microfinance Company Limited.

Figure 2.1 Conceptual framework



Source: Researcher 2014

Figure 1 shows Conceptual Framework of the study. The underlying assumption in this study is that any organizations performance is greatly influenced by the existence and outstanding performance of the board of directors. The board's cocktail of qualification and experiences determines the performance to a great extent. That gender balance enhances unity and performance by evidencing the ability of members working as a team. And members' awareness increases accuracy and familiarity with company strategies thus refrain from making mistakes.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This is the part of research where data collection methods are analysed thoroughly. The researcher gets the chance to give the methods through which information was collected. The chapter also provides information regarding sampling techniques applied by the researcher in collecting more accurate information from different intended sources. The research area, targeted population, data analysis methods and ethical considerations are included in the chapter as well.

3.2 Research Design

A research design means the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure (Kothari, 2004). In this study a case study research design was adopted. Case study gives the history behind the result. Case study research can mean single and multiple case studies, can include quantitative evidence, relies on multiple sources of evidence and benefits from the prior development of theoretical propositions. Case studies are often used to provide context to other data, offering a more complete picture of what happened in the study. They provide much more detailed information than other methods such as surveys. They also allow one to present data collected from multiple methods. This type of research design was selected because; it helps to secure a wealth of information about the unit of study which may provide clues and ideas for further research (Krishnaswami, 2003).

3.3 Study Area

The study area was Fanikiwa Microfinance Company Limited (FMFC) in Dar es Salaam. The choice of Fanikiwa Microfinance Company Limited was based on the fact that there have been no studies conducted on the effect of board of directors on performance of this particular microfinance institution.

3.4 Target Population

Population in research refers to individuals of more or less common characteristics that are of interest to a researcher (Creswell, 2003). The population of this study was staff in the departments, head of departments and directors of Fanikiwa Microfinance Company Limited in Dar es Salaam.

3.5 Sample Size and Sampling Techniques

As explained above, the research was designed to utilize the use samples for getting access to information regarding the microfinance board members' rationale. Information so attained therefore take into consideration of different groups of participants and targeted respondents. Answers represent population by assessing that if the full population were used, the same answers could be attained.

3.5.1 Sample Size

Kothari, (2004) defines sample as a small group of respondents drawn from a population about which a researcher is interested in getting the information so as to arrive at a conclusion. As a general rule one can say that the sample must be of an optimum size, that it should neither be excessively large nor too small (Kothari 2004). The sample size of this study consisted of 26 staff out of 52 in Fanikiwa Microfinance Company Limited in Dar es Salaam, and 6 of them were directors.

3.5.2 Sampling Procedures

Two sampling techniques which were used in this study are purposive and simple random sampling procedures. Purposive procedure is a method whereby sample elements judged to be typical representative are chosen from the population (Kothari, 2004). The chance that a particular case will be selected for the sample depends on the subjective judgment of the researcher. Purposive sampling was used to select the head of department, and Director of Fanikiwa Microfinance Company Limited. This

is purposively chosen because they are considered to possess vital information useful for the study by virtue of their positions.

Simple random sampling as defined by Jamal Adam and Faustine Kamuzora, (2008) refer to probability sampling whereby all members in the population have equal chance of being selected to form a sample. Simple random sampling was used to select members of staff (Martella, et. al. 1999).

3.6 Methods of Data Collection

To some extent, the kind of instrument used in data collection depended upon how the data was collected (Mason & Bramble, 1997). The study employed a variety of methods to facilitate the cross-checking of the accuracy of the information that were collected from the field. The use of more than one method aims at obtaining adequate, original and relevant data about the study from a variety of respondents.

This study used two sources of data, i.e. primary and secondary data. Primary data means data directly collected from the area of study while secondary data means data from secondary sources like books, journals, reports and speeches (Mertens, 1998).

3.6.1 Primary Data

Primary data are described as those items that are original to the problem under study (Cohen et al. 2000). This undertaking access and generate primary data from selected Fanikiwa Microfinance Company Limited through interviews (face-to-face interviews). Primary data are necessary in order to get relevant, original and reliable first hand information about the problem under study.

3.6.1.1 Interview

According to (Kothari, 2006), an interview is a set of question administered through oral or verbal communication or is a face to face discussion between the researcher and the interviewee respondent. During the study, two types of interviews were

conducted with respondents' namely structured and unstructured interviews. Both types of interviews were conducted with respondents.

The researcher used interviews to collect data because they afforded the opportunity to have face to face conversation with respondents and, hence, provide her with access to more details and information that provided answers to research questions. Interviews enabled the researcher to get additional information from that obtained through the use of questionnaires.

Interviewing is basically about asking questions and receiving answers. It is a way of accessing people's perception, meaning and definitions of situations and construction of reality (Punch, 2005). Interview was done to key informants such as Head of Departments and Directors of Fanikiwa Microfinance Company Limited. Through in-depth interviews, the researcher was able to ask questions related to the challenges faced by board of directors in managing Fanikiwa Microfinance Company Limited. The interview method is quite flexible and can be easily adapted to a variety of situations (Mason & Bramble, 1997). This study employed unstructured and semi-structured interviews. Interviews were conducted face-to-face or over the telephone (Mason & Bramble, 1997).

3.6.1.2 Questionnaire

According to Kothari (2006), a questionnaire is a set of questions which are usually sent to the selected respondents to answer at their own convenient time and return back the filled questionnaire to the researcher. The researcher decided to use this method because it give respondents adequate time to give well thought-out answers. The questionnaires contained two types of questions namely; open-ended and close-ended questions.

One set of a structured questionnaire was prepared and pretested before being used as the main data collection instrument. The structured questionnaires were administered to the staff of the departments. Structured questionnaire is that questionnaire which poses definite, concrete and preordained questions; that is they are prepared in advance (Rwegoshora, 2006). The purpose of pre-testing the questionnaire was to

test wording, sequencing, questionnaire layout, fieldwork arrangement, test analysis procedure and estimate response rate (Veal, 1997).

The questionnaire was divided into four parts. Part I comprised of questions focusing on personal particulars of the staff including age, sex, marital status, education level, and working experience. Part II is on the awareness of the roles of board of directors, Part III board members characteristics and Part IV challenges faced by board of directors in managing the company.

3.6.2 Secondary Data

These are accounts offered by the second part, those who did not actually see the object or event but obtained information and provided descriptions of what they learned (Mason & Bramble, 1997). They are usually seen as text that is produced much later than the events being studied, offering an interpretation and conversion of the primary data into an account that may be consulted by others (Mertens, 1998). The present study collected and generated the secondary data through documentary search like office records, circulars, administrative files, reports and minutes of meetings related to the research problem. The secondary data were used in the absence of, or to supplement primary data.

3.6.2.1 Documentary Review

In addition to interviews, data can be generated from documents and records which are non-human sources made available, often at low cost, and being factual (Cohen et al. 2000). The data that was obtained by this method enabled the researcher to cross-check the consistency of the data generated through interviews.

Documentary data were obtained from office records and documentation including minutes of the meetings, letters, reports and the administrative files and other related records. Other data were obtained from government records and documents such as circulars, directives, policies, Acts, and reports. Data from documentary search

complements the data and information that were generated through interviews. Books and journals were used to shape the direction of the research.

3.7 Validation and Reliability of Research Instruments

Validation of instrument is the process of establishing documented evidence, which provides a high degree of accuracy that a specific process consistently produces to meet its predetermined specifications and quality attributes (Orodho and Kombo, 2002). Validation of data collection instruments also aims at establishing indicators that provide evidence that information generated through selected instruments in the research is trustworthy and believable (Mertens, 1998). The validation of instruments was done by seeking expert's opinions whereby their comments helped to refine the instrument in relation to study in terms of relevance, coverage and consistency. Additionally, the research instruments were discussed with the supervisor in order to help in rectifying any inconsistencies and ambiguity. The purpose was to make the instruments focus on the purpose of the study.

The study used triangulation method to validate instruments. A triangulation method is a combination of more than one method of data collection in the same investigation (Denzin, 1970). Using more than one method is desirable; it provides a means of testing one source of information against the other (Robson, 1997).

Pilot testing of the reliability and validity of data gathering instruments was conducted within Fanikiwa Microfinance Company Limited in Dar es Salaam. The responses derived from the pilot study enabled the researcher to redesign some of the research questions for ambiguity clarification and making necessary adjustments. For validity purposes, the researcher has used triangulation of the data. In the field, the researcher tried to increase reliability of data by revealing the study purpose to the respondents. Confidentiality of respondents' information was highly regarded and ensured for them to freely express their views and uncover relevant information they aware of or they possessed.

The enquiry was largely carried in English language as the study was mainly carried out in English. The intended language used was not the national language of Tanzania; nevertheless, English is widely used as the medium of communication in Tanzania be it in schools and offices. The other reason for using English as a medium of communication for this study is it is well understood by almost all the respondents at Fanikiwa Microfinance Company Limited in Dar es Salaam and it is the recommended language by Mzumbe University for educational matters.

3.8 Measurement of variables

Variables are very essential in research. The researcher gets time to assess factors that depend on each other by considering the way one affects the other. In finding relationship, it becomes as essential as that relationship assists in decision making.

3.8 .1 Methods of Data Analysis

The study used both qualitative and quantitative data. Qualitative data will be collected through interviews. According to Cohen et al (2007) content analysis is a research technique for making replicable and valid inferences from the meaningful matter to the contexts of their use. Leedy (1980) states that there is more than one style for reporting the findings of qualitative research. The reason for using both approaches is that they complement each other. Therefore, its use helped the researcher to summarize data from the field and report them as findings. This will be done by coding the obtained data and categorizing them into themes for the purpose of creating meaningful units of analysis that will appear in terms of words, phrases and sentences. Quantitative data will be derived from documents and questionnaires will be first summarized in tabular form showing frequencies, sums, percentages and rank orders. Data from documents were collected and recorded in statement or numerical forms depending on the type of information found and key themes were identified. Some of the quantitative data will be used to construct grouped bar charts.

In the second stage the summarized data from tables and bar graphs will then be analysed and interpreted.

3.9 Ethical Consideration

The researcher asked for permits and research clearances from the Mzumbe University, the letter was further forwarded to Fanikiwa Microfinance executive. The consent of respondents were sought and then maintained by good use of the language and communication skills that made them to give information willingly. This includes assuring them that the information they were giving would be only for this study and it would be handled with high confidentiality. To guarantee confidentiality, anonymity was used where the researcher did not record names, addresses and whereabouts of the respondents.

CHAPTER FOUR
DATA PRESENTATION, ANALYSIS AND DISCUSSIONS
OF RESEARCH FINDINGS

4.1 Introduction

The researcher managed to collect the information that was proposed, analysed and at the end of the study managed to give a conclusion basing on the findings. This chapter is about presentation, analysis and discussion of the findings. The first part provides the summary of the study, population characteristics then followed by the interpretation of the characteristics so presented. A detailed discussion of the results is presented and similar findings found are cited wherever required. The chapter also serves as a baseline for making conclusions and recommendations. Data is presented and discussed with the help of tables and figures as a means of summarizing and clarifying the issues so discussed for each finding with regard to the study objectives.

4.2 Characteristics of Respondents

The researcher collected information from employees of Fanikiwa Microfinance Company, some of which being directors. She sent questions to 26 people in total and 6 of which being the directors as planned. These had different characteristics as analysed in table 4.1 below;

Table 4.1 Characteristics of Respondents

1. Age of Respondents	Frequency	Percentage of Total
18 - 25	4	15
26 - 35	7	27
36 - 44	9	34
45 and above	6	24
TOTAL	26	100
2. Gender		
Female	11	42
Male	15	58
TOTAL	26	100
3. Level of Education		
College/University	15	57
Higher Degree	8	31
Other	3	12
TOTAL	26	100
4. Marital status		
Single	4	15
Married	22	85
TOTAL	26	100
5. Nationality		
Tanzanians	26	100
Non Tanzanians	0	0
TOTAL		100

Source; Researcher's construction – 2014

The characteristics and information regarding respondents reveal that the researcher managed to get information collected from all targeted respondents. This is important as it indicates that she obtained data required at 100% rate. She can thus carry on in making an analysis as the information is readily available. The information obtained

is from a microfinance institution and to a brighter side; all six board members of the organization were consulted and gave their responses as was anticipated.

On the same note the answers so obtained are from accomplished persons as the lowest education level is one degree and therefore information relevancy and reliability is enough to give a distinct depiction of the segment.

4.2.1 Ages of Respondents

Respondents were of different ages and this divulges the experience and knowledge in Microfinance issues. Many respondents that provided answers to the questions sent by the researcher were youth. These are educated personnel that perform their activities as per the knowledge acquired from Higher Learning Institutions. With that regard, responses so obtained are satisfactory for the researcher in analysing the data so obtained.

Table 4.2 explains that a favourable number of employees of Fanikiwa Microfinance Company are between ages of 18 to the age of 44 which depicts the experience acquired by each. The total number of respondents in this age is 20, making a total of 75% of responses. These are participants in the company's daily operation and therefore are in clear understanding of how they perform and can present more accurate information about the Microfinance Sector. The remaining 6 (25%) are the ones that are directly engaged in the governance of the organization and these are thus the main targets of this research.

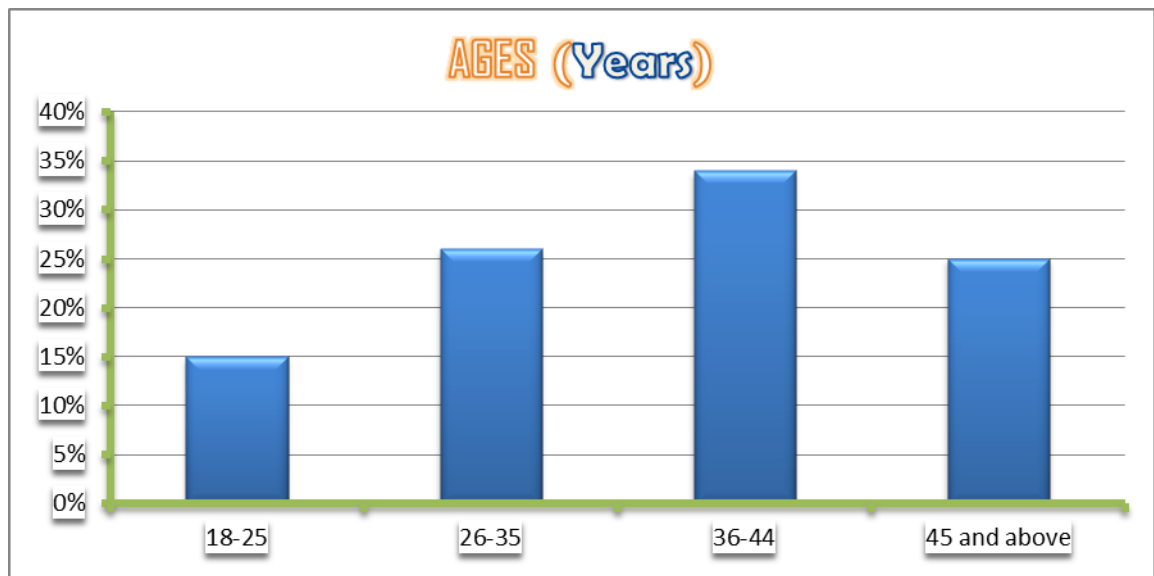
Table 4.2 Table stipulating ages of respondents

Age of Respondents	Frequency	Percentage of Total
18 - 25	4	15
26 - 35	7	26
36 - 44	9	34
45 and above	6	25
TOTAL	26	100

Source; Research Data

Consider the corresponding figure 4.1 below

Figure 4.1 Ages of Respondents



Source; Researcher, 2014

4.2.2 Gender of Respondents

Respondents chosen were of both males and females. It was the target of the researcher that both genders are engaged. As a result the number of males overturned

females but not to a great extent and the main purpose of the research work was reached as both genders were engaged in data collection and report findings. Refer to Table 4.3 stipulating gender contents.

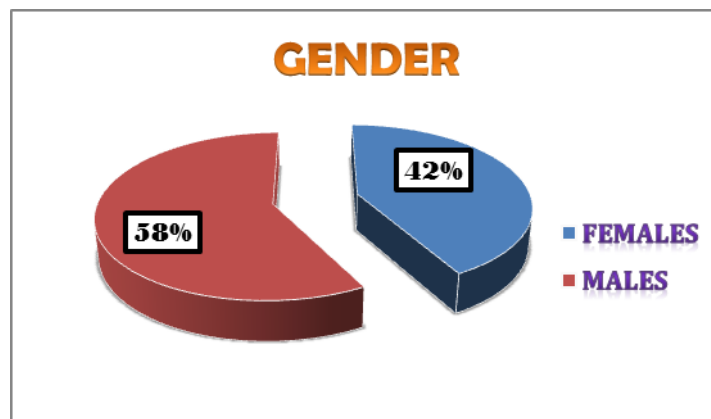
Having information from individuals of different kinds lead to more accurate information collected because all respondents are within the company and some in leadership.

Table 4.3 Gender Composition

Gender	Frequency	Percentage
Female	11	42
Male	15	58
TOTAL	26	100

Source; Research data, 2014

Figure 4.2 Gender Composition



Source; Researcher Construction, 2014

4.2.3 Level of Education of respondents

Respondents were of different education levels. These levels included Bachelor's Degree, Master Degree and other form of higher education. Refer to Table 4.4 for references.

The employees of FMFC Limited who responded to the research questions were with different education background. Those having the first degree consisted of 57% of all respondents who participate in the day to day operations of the company. 8 respondents (31%) of respondents were those with Master Degree and very essential in the company as they offer the company with more knowledge and leadership skills. This group is as they bridge the gap between the subordinates and managers who are in governance of the company.

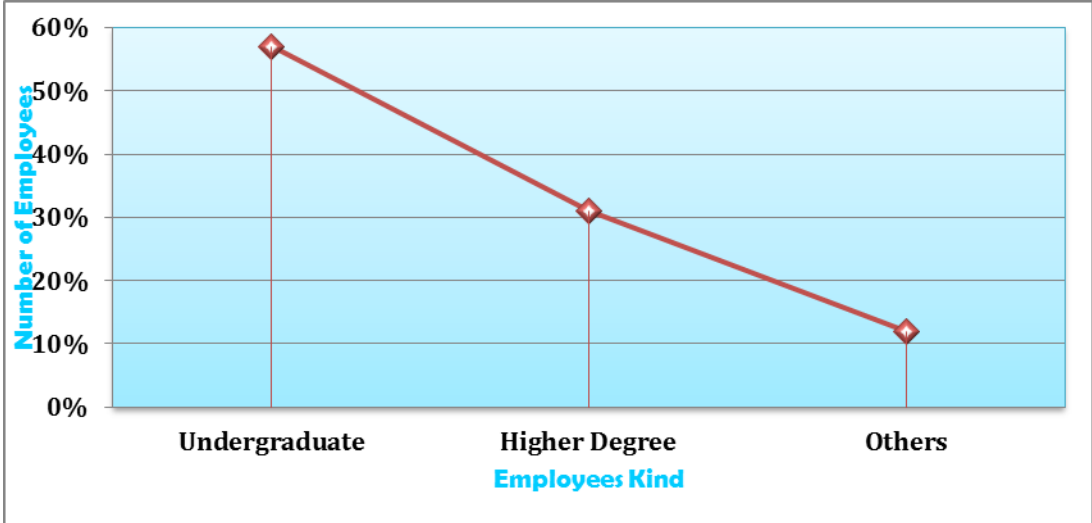
The remaining 3 respondents that constitute of 12% were having higher education of a Doctorate Degree. These are fully engaged in governance of the company and the research aimed at understanding their position in the composition of the Board and their performance in FMFC as a Microfinance Institution.

Table 4.4 Level of Education of Respondents

Level of Education	Frequency	Percentage
College/University	15	57
Higher Degree	8	31
Other	3	12
TOTAL	26	100

Source; Research data, 2014

Figure 4.3 Level of Education



Source; Researcher Construction, 2014

4.2.4 Area Covered

The researcher had arranged to cover the areas around Dar es Salaam City and stick in Fanikiwa Microfinance Institution. At the end of the assessment she managed to collect information from the targeted group and intends to analyse and present the same. Fanikiwa Microfinance Company is located in Dar es Salaam, with their main offices located at Ubungo Plaza, 9th Floor, West-Wing, Morogoro Road in Dar es Salaam Tanzania. In his regard, the researcher had a good experience as all expected respondents were cooperative; an indication of a substantive achievement in data collection process. The main reason for this is the respondents work in the same organization.

4.2.5 Marital Status

The respondents of the study were both married single. Table 4.5 stipulates the results of this information.

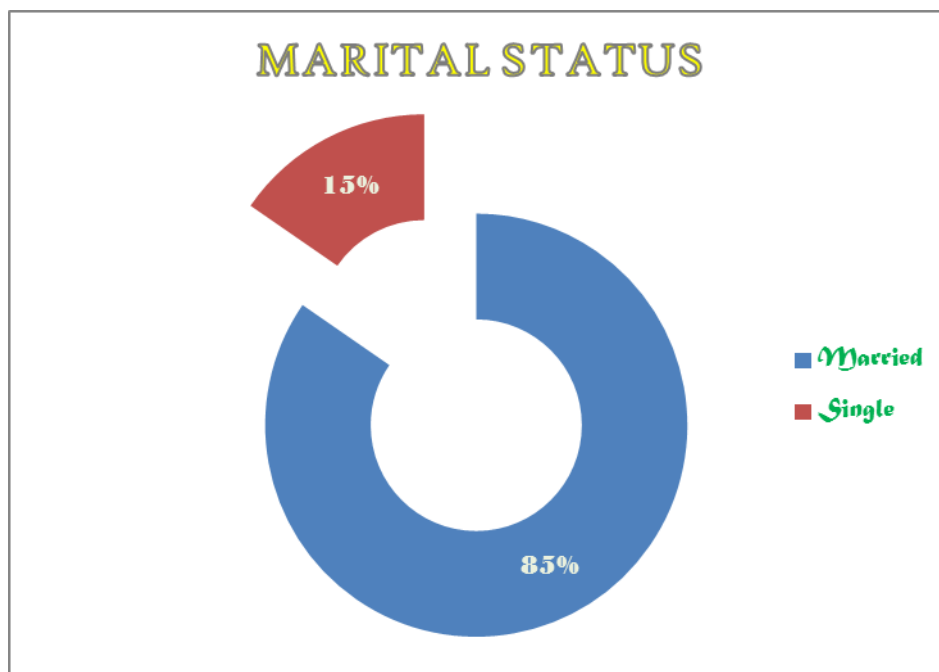
As explained earlier, the researcher managed to have information collected from both married and single respondents. Married respondents supersede the other, where those who were single were 4 covering 15% of the total population and married were 22 constituting 85% of the total population. Results of this research regarding marital status information do explain the level of commitment of the married respondents to the organisation.

Table 4.5 Marital Status of respondents

Marital status	Frequency	Percentage
Single	4	15
Married	22	85
TOTAL	26	100

Source; Research data, 2014

Figure 4.4 Marital Status of respondents



Source; Researcher Construction, 2014

4.3 Discussion of Findings

The researcher aimed at making an analysis on the effect of board of directors in the performance of microfinance institutions and proposed Fanikiwa Microfinance Company Limited (FMFC) as the case of reference. Through this objective, she intended to have a good understanding of the members of board of directors in the company and how they can strive to a better financial and strategic performance as the policy formulators. Specific objectives accompanied by research questions were set to assist in observing the role of the said directors.

The specific objectives set included; an assessment on how board members of Fanikiwa Microfinance Company are aware of their roles, examining the effect of board members characteristics on the performance of Fanikiwa Microfinance Limited, determination of the effect of the board members professional qualifications in enhancing the performance of the company and eventually making an assessment on the problems faced by the board of directors in managing Fanikiwa Microfinance Company Limited. Thus the research questions went along with the framed specific objectives. That is to say, through answers of the aforementioned questions, the researcher will be in good position of analysing and forming an independent conclusion on the relevance and importance of such knowledge to the personnel entrusted with governance of the company in relation to its performance.

4.4 Mode of Presentation

The information collected is summarized by using different techniques as intended by the researcher. Such information including figures are set together in tables and then presented using different excel techniques like pie charts, bar graphs, line graphs, column, drought and others. The presentation is set in such a way that it brings about the intended connection between the research findings and the information shown in tables and summarized charts.

4.4.1 Collected Information from Primary Sources

The primary sources of information set by the researcher assisted in collecting reliable data. These methods were interviews and questionnaires that consisted of setting questions and scrolling for answers. Acquired respondents were 26 as stated earlier consisting of 20 employees and 6 directors by which response rate was 100% as stated above. Collected information from interviews and questionnaires are combined together at this stage of research and shall give the general summary of findings.

4.4.1.1 Board members awareness on their roles in the board of FMFC

For the existence and a better performance of any company, it is pertinent for those in charge of the governance to have awareness of their roles and duties. Directors and board members should be in position of understanding that development and advancement of the organization to a great extent depends on their capabilities and contributions to the company. Therefore through this objective, as one of the ways forward to getting answers of the research, the researcher aimed at cropping the ways through which board members are aware of their roles. Awareness increases accuracy and familiarity with company strategies thus refrain from making mistakes.

Since there were different levels of groups of the targeted respondents in the case company, the researcher grouped data collected into two groups with that from the normal employees of FMFC Limited and another constituting board member. The information collected is adequate as the responses given were reliable basing on the questions set by the researcher.

i. Response from Board Members

Board members were six (6) in number and they responded with 100% as stated before in this report. On the said objective the answers provided were of two types; one group stated that they are aware and another seemed that they are not aware of

their roles. Those who stated that they are aware of their responsibilities constituted 60% of the group and others seemed that they are not fully aware of those responsibilities which constituted the remaining 40%, the answers of which are explained by table 4.6 below.

Responses from board members showed their position as the existing members of the company's governing board. In relation to their views, the group that seemed not to be fully aware of their role in relation to enhancing the performance of the company, pointed out that such is caused by different reasons one being having to work in other positions in multiple companies, and that some or many of the issues brought to the board get to be resolved in their absence due to having multiple responsibilities. They therefore insisted that members of the board should make sure they dedicate enough time in performing their duties on the board which will enable them to get familiar with the company's policies and strategies.

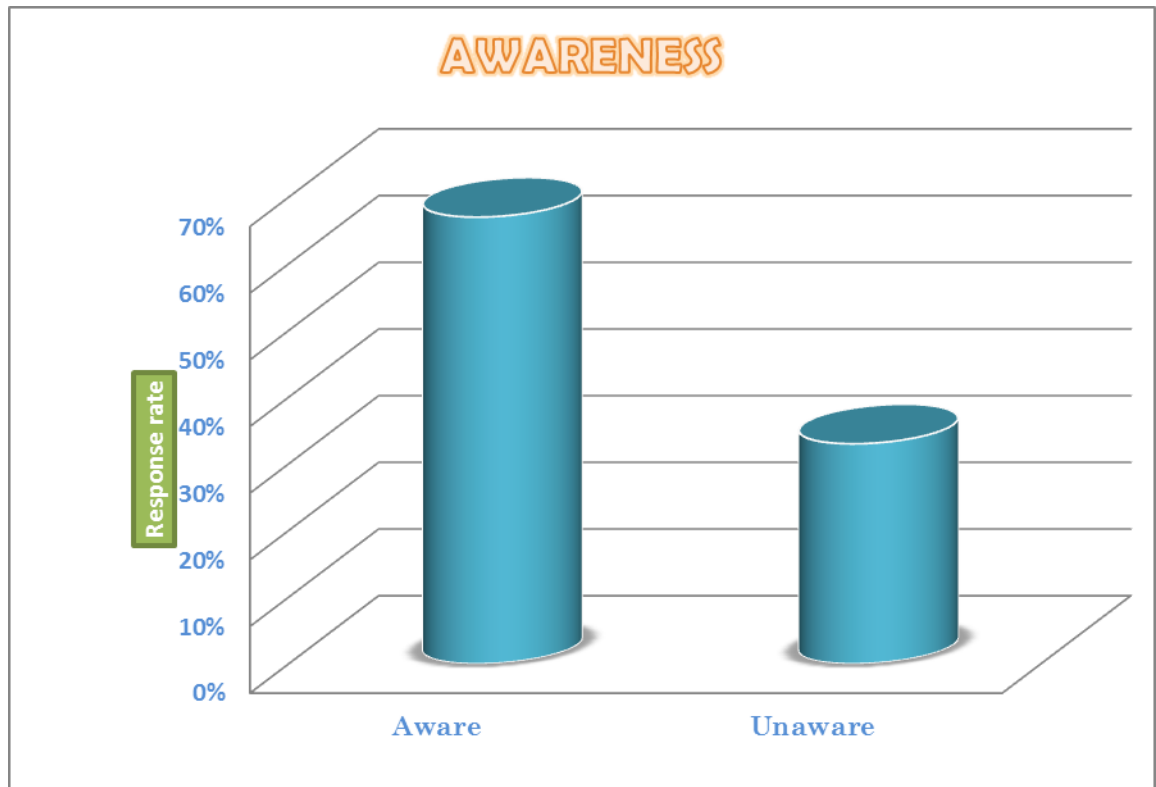
Table 4.6 Board members' responses regarding their awareness about their roles

Responses	Rate	
	Number	Percent
Aware	4	60
Unaware	2	40
Total	6	100

Source; Research data, 2014

The figure is more explained by figure 4.5

Figure 4.5 Board members' responses regarding their awareness about their roles



Source; Researcher's Construction, 2014

ii. Responses from other members of FMFC

This category included all employees except the board members of the Company. These are the ones responsible of implementation of the company's policies and strategies in accordance with their employment requirements. The respondents were 19 in number and yet again the response in this area was a full (100%). The table below expounds the data so collected from the field of study.

The employees who were the respondents to this work and under the leadership of the governing board of the FMFC Limited gave their views on the said governing board. They were of the view that some of the members of the board are aware of their duties while there are others that are not fully aware and also some respondents

stated that they do not clearly understand the duties of the company’s governing board. A hefty number of respondents in this field pointed out that board members are aware of their responsibilities. This constituted of 12 respondents out of 19 which is 63% while 6 respondents that equals 32% did not have confidence with the board members’ understanding of their duties. One person the remaining 5% did not understand whether board members were aware of their duties or not.

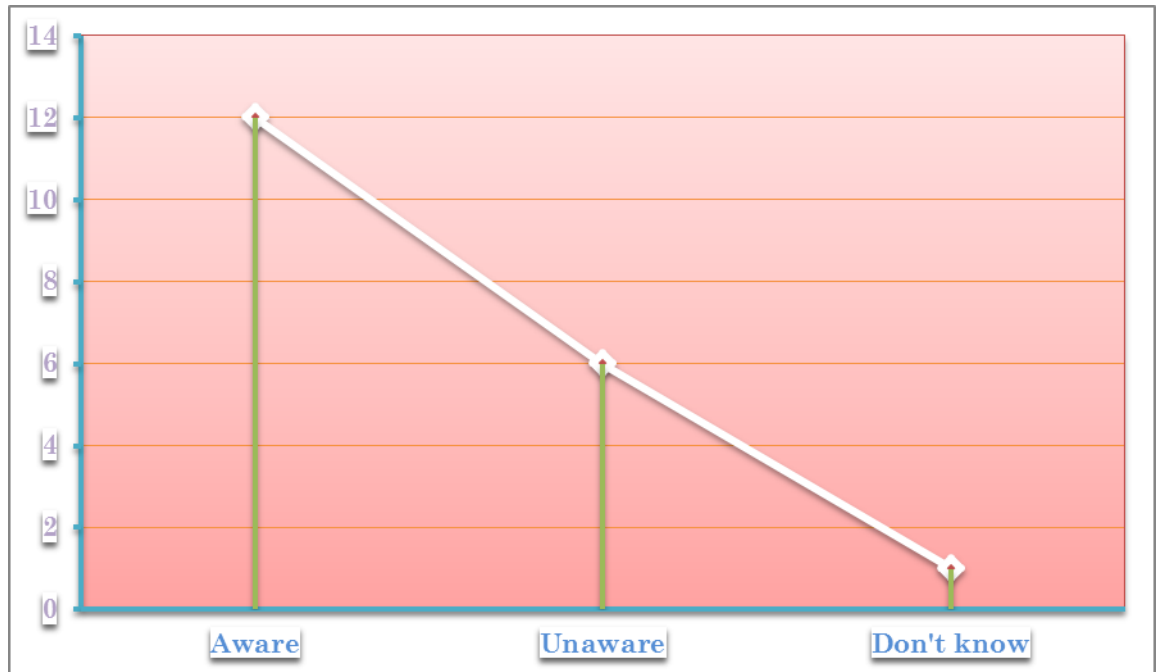
Table 4.7 A table stipulating employees views on awareness of board members

Response	Rate	Percent
Aware	12	63%
Unaware	6	32%
Don’t know	1	5%
Total	19	100%

Source; Research data, 2014

Results shown in the table are extensively expounded by the figure herein below so as to present the intended information more accurately.

Figure 4.6 Employees views on board members' awareness and readiness



Source; Researcher's Construction, 2014

4.4.1.2 Effect of board members characteristics on the performance of Fanikiwa Microfinance Limited.

An independent and performing governing board is essential in the development of any organization. The governing board is essential as it is responsible of forming the company's policies, setting ways of implementing them and supervising the implementation of such. They therefore need to have distinct characteristics that distinguish them from other members of the organization. It has been established that companies perform better when the board members are competitive and have positive attitude towards the company.

Therefore in the researcher aimed at testing the important characteristics of FMFC Limited's board members in relation to their performance which if maintained may

bring about a catalyst in the achievement of the main objectives of a microfinance institution. The following characteristics were mentioned in the data collection stage by the respondents regarding FMFC's board members;

i. Hard Working Spirit

The researcher gathered that the members of board of the company have a hard working with spirit of which to a great extent has a positive influence in the performance of the company. The members stated that for most of them, Fanikiwa's success is one of the major things that is constantly in their minds, looking on among others ways in which the Company can create more wealth to Tanzanians and Africans in general.

ii. Policy formation and implementation

This is the major role for the governing body of an organization as compared to the other members of the organization. Like other companies FMFC has board members whose main duty among others is the formation of policies and enhancing implementation. In its execution the board sets the Vision and Mission statements of the company its rationale being to become outstanding in its performance. The board also analyses the company's Strengths, Weaknesses as well as the Opportunities and Threats in constructing future policies and strategies of the said company.

FMFC's governing board have made sure that policies are formed and the implementation is enhanced. As aforementioned, the company vision as the plan is set as becoming the leading MFI in the provision of sustainable financial services aimed at empowering rural and urban communities and enabling them to realize their potential for improved livelihood.

The mission statement of the company as aforesaid is to provide quality and inclusive financial services to micro, small and medium enterprises both individuals and communities focusing on underserved segments/groups in their quest to increase

their household income. Through the vision and mission of the company, members of the board are in line with enhancing the performance of the company and getting the desired triumph.

iii. Creation of good relations with other members of the company

For any group of people to achieve, there must be a good coordination between such. They must work as a team with the same goal of performing to the best of their ability. The company's governing board appreciates that a good relationship with those governed creates more chances of a greater performance. They have created a sort of relationship that insures respect among members of the company and in that way every person considers they are part of the organisation and as a result it is reflected in the performance of the company.

iv. Need to be part of fight against poverty

Members of the company as a whole are part of the fight against poverty. The main objective of the company is enabling people that are not able to access formal financial services; like banks to access the same in the fight against poverty. On the same note, the company aims at playing a major role in the advancement of the society. Policies established are anticipated to assist in the war of poverty alleviation. Table 4.8 explains the results offered by respondents about the influence of directors' characteristics in the performance of the company.

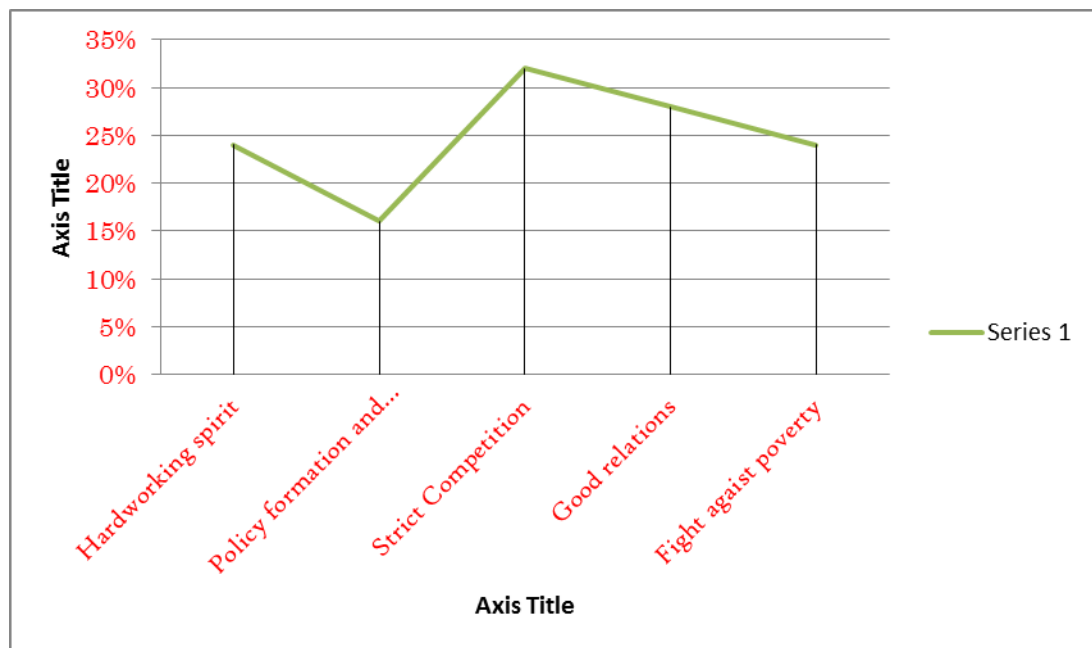
Table 4.8 results offered by respondents about the influence of directors' characteristics in the performance of the company.

Board members characteristics	Response (no. and %)	
Hard Working Spirit	6	24%
Policy formation and implementation	4	16%
Creation of good relations with other members of the company	8	32%
Need to be part of fight against poverty	7	28%
TOTAL	25	100%

Source; Research data, 2014

The data presented by the table are explained more by figure 4.7

Figure 4.7 Effect of board members characteristics on the performance of Fanikiwa Microfinance Limited.



Source; Researcher's Construction, 2014.

4.4.1.3 Effect of the board members professional qualifications in enhancing the performance of FMFC

The board of FMFC Limited comprise of people with different qualifications. The reason for having members with a wide range of qualifications and expertise is the need to insert their understanding, knowledge and experience to others so that they together work as a group. FMFC has five departments namely Human Resources, Information Technology, Finance, Credit Operations and Audit. The departments are made with personnel with different education level and experience which reflects the diversity in the professional qualifications of the board members.

Therefore the researcher aimed at making analysis on the professional qualification of board members of FMFC Limited. The following are qualifications of the board members as presented by the respondents; Entrepreneurs, Information Technology experts, Microfinance experts, Bankers, Accountants and Lawyers.

These members of the board are therefore expected to contribute in the development of the organisation from their professional qualifications and experience. The researcher was therefore in need of information that will assist in understanding how these qualified people are vital towards the development of the company.

The information collected from the field of study revealed that members of the board have different views in regard to the better performance of the company and have suggested different ways through which the requirements to be filled for qualified and experienced persons as the integral part of their entry requirements into the board.

The responses assimilated from the respondents suggested among other things that the company board members need to have required qualification only, some suggested experience as the only way by which a person can outstandingly perform in the board, while others pointed out that members of the board should have neither qualification nor experience but instead the commitment to perform is of great essence and can independently lead to a better performance.

32% of the respondents were of the view that there is only a mandatory need qualification of the person who can form part of the board of directors of the company. Those suggesting that the company should only have members with massive experience in the related field regardless of their professional training made a total of 24% of the acquired responses.

On the same note 36% of the population that gave their responses to the researcher suggested that board members should have both qualification and experience and further pointed out that this would to a great extent enhance the performance of the company and in turn bring about competition advantage in the market. The remaining 8% of the total population said that neither education qualification nor experience should be considered when bringing the person into the board, only their commitment and how best they will be able to deliver, as well as their capacity to understand issues concerning Microfinance Institutions requirements.

Answers provided by respondents are presented in table 4.9 hereunder.

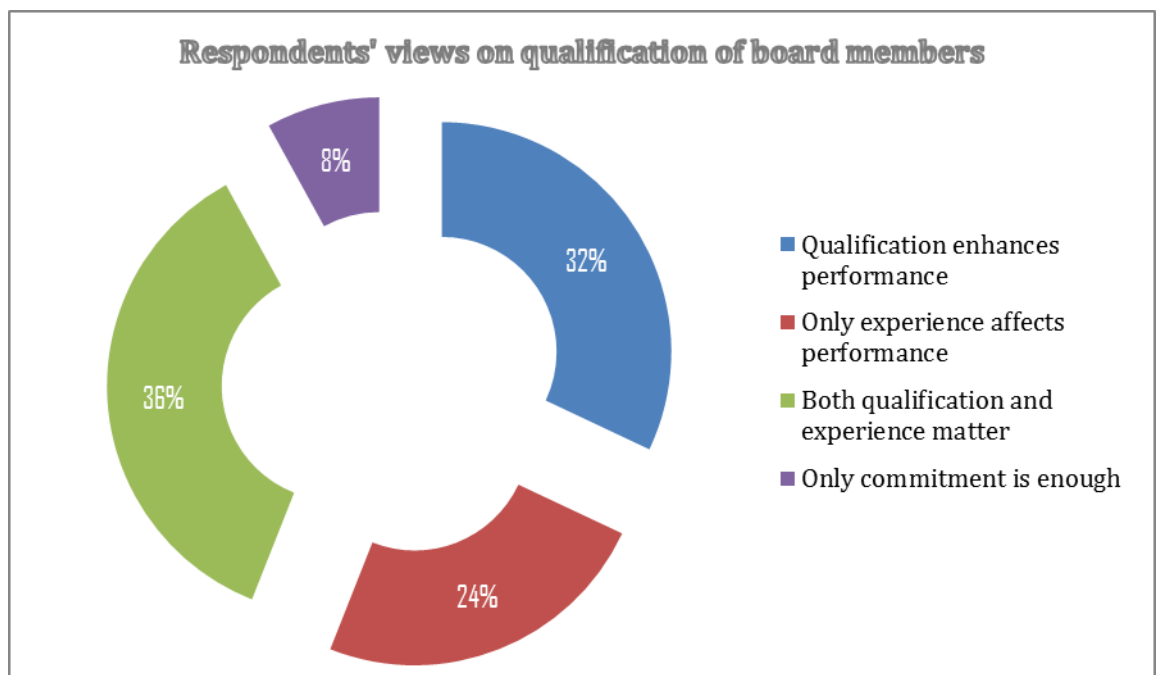
Table 4.9 Presentation of information concerning contribution of qualification and experience of board members towards the performance of Microfinance Institutions

No	Detail	Response (%)
1.	Qualification enhances performance	32%
2.	Only experience affects performance	24%
3.	Both qualification and experience matter	36%
4.	Only commitment is enough to enhance performance	8%
TOTAL		100%

Source; Research Data, 2014

Information presented in the table is further illustrated in the graph Figure 4.8

Figure 4.8 The doughnut showing the respondents views on contribution and need of qualification and experience in the board members in the development of a Microfinance Institution



Source; Researcher's Construction

4.4.1.4 Problems faced by the board of directors in managing Fanikiwa Microfinance Company Limited

In managing any organisation there are challenges that normally exist and pose as obstacles in the attainment of company organisational goals. The company's governing board is concerned with the risks that may be facing the market and that in turn may affect the company's performance in its generality. The board thus has the responsibility of finding ways of resolving problems of whichever magnitude that face the organisation.

Therefore the research was concerned with determination of the risks that are faced by FMFC Limited governing board in managing and running the company towards attainment of the set goals and objectives. Respondents to the research gave suggestions to issues that the governing board may consider in order to minimise the risks.

Responses stipulated that there are many problems the board faces in managing the company as an organisation. 22% of the total responses suggested that the financial risks are the major risks the board faces in running the company. These risks are based on the financial viability of all financial sectors like credit risks, liquidity risks, regulation risks and others. These responses pointed out that credit risks are the major risks that affect FMFC when some of the clients of the organisation fall in default or delay to pay back their loans. This is a major problem considering that the company's major clients are small business owners who sometimes fail to pay due to profitability of their businesses. However they point that the company is making arrangements and procedures to face and manage this risk by providing education and directing clients on the better ways of managing loans.

On the other hand, 24% of the total population suggested that the company faces the problem of perception of Tanzanians about financial institutions. Many Tanzanians do not prefer using financial institutions in raising funds to add on their capital. What they prefer is to create capital for themselves by using their own efforts and they believe taking loan from the financial institution is risky during the time of repayment or in the event of default. They do not use these financial institutions and instead they take a lot of time raising the capital and in other instances they fail to do such. Therefore the board thus arranges in making sure that they change minds of their expected customers who are expected to match for loans.

Out of the responses received, 31% suggested the main problem facing the board is member's membership in multiple financial institutions. This problem has been pointed out that some of the board members of FMFC are fully engaged in other organisations and thus perform their duties in their organisations and thus fail to dedicate enough time as well as their skills in matters and that affect the performance

of FMFC. Such has made it difficult for the company to form policies and implement them on timely basis. Respondents strictly suggested that these board members, considering their position in the company should not have memberships in other organisations and that would bring about dedication and thus enhance performance.

Lastly, 23% of responses pointed out the main problem facing board members in managing the company is people's knowledge about Microfinance Institutions. Many people cannot differentiate between banks and microfinance institutions. They consider these organisations as one and the same in the formal sector. They do not understand that microfinance institutions are initiated for boosting loan accessibility to the low income earners. Therefore board members would have attained goals of FMFC but perceptions undermine their efforts.

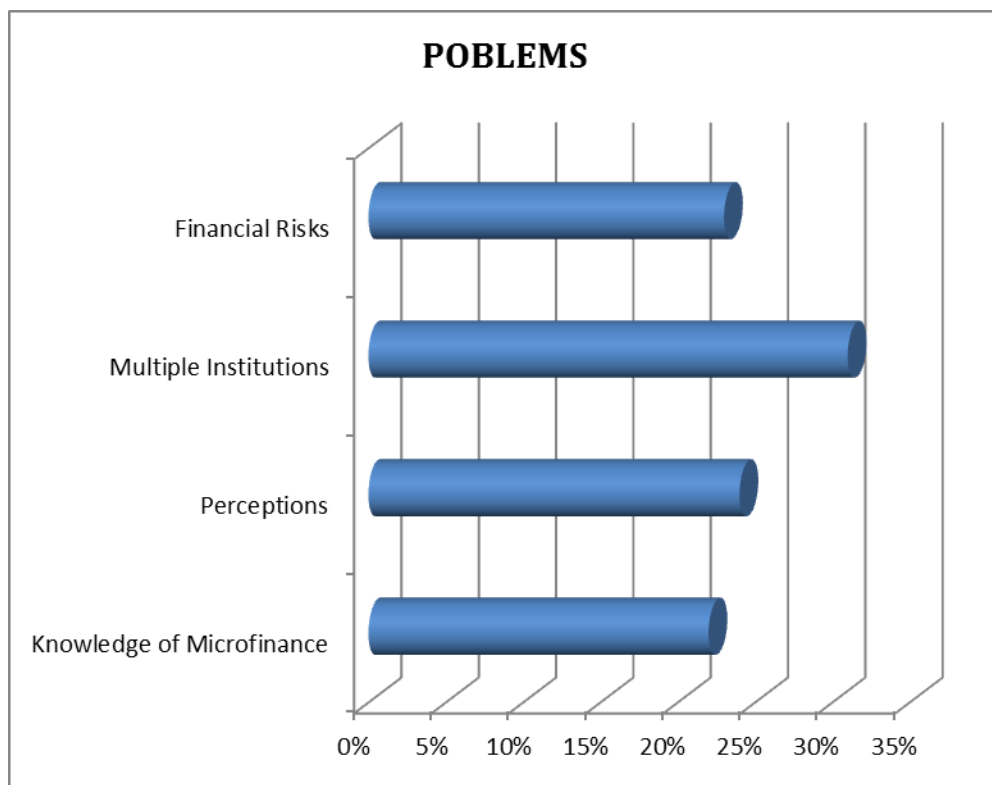
Table 4.10 Stipulated types of problems pointed out and therefore believed to affect FMFC.

Challenge/Problem	Response (%)
Knowledge of Microfinance by members of the board	23
Tanzanians' perception on MFIs	24
Membership in Multiple Institutions	31
Credit risks (Non repayment of loans)	22
TOTAL	100

Source; Research Data, 2014

Information on table are further explained by the bar graph 4.9

Figure 4.9 Graph explaining responses on problems facing board members in running the FMFC Limited.



Source; Researcher's Construction, 2014

4.5 Discussion of research findings

The researcher managed to collect information from all targeted respondents that were 26 in number. The researcher achieved to select the desirable persons who gave positive responses. According to the information the following analysis can be provided;

4.5.1 Presence of the Board in FMFC Limited

The research has established that there is a board in in place in the organisation that performs the duty of enhancing policies and strategies of founders. Its existence

meets the main objective of the research in looking at the extent through which the board can influence the performance of a microfinance institution. Its presence also makes it valid for carrying out a research in this field and FMFC as a case study. Among others, duties of the said board include;

The first duty of the board suggested by respondents is forming long-term strategies of the company. The main role of board members is the formation of long-term policies that depict the picture of where the company aims at being in the long term. Any achievement and failure is communicated to the board and this board is supported to ensure the attainment of those policies.

The second is supervising implementation of the long-term policies. Long term policies depict the situation of the company upon attainment of those policies. Different techniques are applied by the board so as to make sure they are implemented and achievement sorted.

Another duty stated is enforcing compliance to laws and regulation. The board has the role of enforcing compliance to laws and regulations in such a way that everybody in the company must be in line with those laws. Laws are such as the International Financial Reporting Standards (IFRS) and International Accounting Standards (IASs) in the preparation of General Purpose Financial Statements. Also legal and national laws in which the company operates need to be complies to and the board members are responsible for this function.

Again, the board members have the role of enhancing performance on timely basis. The board forms the based time at which certain types of policies are intended to be accomplished. They set ways to achieve, how to achieve and the impact of that achievements within the given time base.

The last suggestion provided by respondents is forming the basis of performance analysis within the company. The board sets the basis at which performance of individual or group of employees shall be measured. The basis is dependent on the situation and time at which accomplishment is attained.

4.5.2 Composition of Board of FMFC

Gender balance in any organisation enhances unity and performance. The board of FMFC comprises of both females and males. These share and bind the suggestions and experiences so as to move the company to a better stage. The combination of genders evidences the ability of the members to work as a team and from that performance can be achieved. It is suggested that the company should keep and maintain the combination as it is now for advanced development.

4.5.3 Qualification of Board members

Education and experience are major roles that contribute to the performance in any organisation. Any person performing duties in accordance to his/her education and experience acquired throughout their career is expected to perform to the best of their ability. The governing board of Fanikiwa should maintain the cocktail of qualification and experiences of the members for better performance and overall development of the company.

4.5.4 Problems and Challenges

As stated by respondents, the company is facing variety of problems in raising the company and enhancing performance. These problems are stipulated as like Tanzanians' perception on microfinance and lending in general. This is said to be the major periphery towards financial and social performance of the company. People do not believe in the saying that obtaining the advance from a financial institution is the way to boost development of their businesses instead they believe it as a way to more problems. Most of business people focus on the possibility of defaulting rather than thinking of utilising those loans to generate more income.

Other problems that were mentioned as major ones were failure of people to differentiate between Micro finance institutions and other formal financial institutions like banks. They do not understand that microfinance institutions are

initiated for boosting those in need of advances but have no qualities for obtaining loans from banks and other integrated financial institutions like having strong securities, high capital base and others that differentiate these institutions from the duos. It is therefore stated that the board plans to create better policies that will aim mainly in providing education to citizens in understanding the main functions of these institutions.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This is the part of research that presents the conclusion of the work attained by the researcher. This integral part of research involves the communication of what has been achieved in that function from the first to the last chapter. This chapter explains and provides the summary of the findings, the conclusion of the work and the recommendations provided by the researcher regarding the research work. The conclusion is based on the basic objectives set out by the researcher and findings so formed, the way formed and challenges faced in the course of the research work.

5.2 Summary of Findings

The researcher managed to collect information from the intended recipients and managed to acquire a considerable and intended proportion of responses. The research was based in Dar es Salaam, Tanzania. The research was intended to be about the Microfinance sector pointing FMFC as a case study. In the said organisation the researcher assessed the contribution of the board and its influence in the performance and development of the microfinance institution while considering the role of the board. Different techniques were used by the researcher to collect information from the field; namely interviews, questionnaires and focus group discussions. The microfinance sector is said to be important for small income earners if fully utilized by the targeted respondents. These institutions are formed with the purpose of providing financial advances to the people with no or less accessibility to loans from the formal sector.

The findings collected by the researcher were enough for forming a well thought conclusion. The researcher collected information concerning all objectives that are concluded hereinafter. The information provides the insight to the society about the role performed by the board in managing and leading a microfinance institution.

Findings obtained explain the role of these institutions in enhancing development to the whole society.

5.3 Conclusion

There cannot be development without proper leadership in any organisation. These organisations are managed and led by the governing boards that are made up of persons entrusted duties among others being forming policies and strategies that determine the future of the company and explain the basis of which performance and implementation can be assessed. This organ therefore becomes an important part in the microfinance of organisation that clearly forms the way the companies are run. The researcher concludes the following basing on the research results so obtained; Basing on the findings regarding board member' awareness on their roles, the research went in detail and assessed the extent to which the board of Fanikiwa Microfinance Company are aware of their duties and responsibilities thus concluding their role in the overall performance of the company. Some of the respondents stated these integral members of the organisation are aware of their roles and others challenged their awareness regarding their roles. The percentage of those recognising that these people understand their roles was higher than the opposing ones.

Again, basing on the effect of board members characteristics on the performance of Fanikiwa Company Limited, various responses were attained. The characteristic role of board proposed by respondents were possessing hard working spirit, policy formation and their implementation, creation of good relations with other members of the company and need to be part of the fight against poverty. These were proposed by the respondents and believed that they are basic ways by which performance can be achieved.

With regards to professional qualification of board members in enhancing performance of Fanikiwa Company Limited and the overall performance of the sector, different suggestions were provided by respondents. Some of them suggested that qualification of board members matter much in running the organisation and

others suggested that qualification is not a matter but experience in the field of management is the vital catalyst for future performance.

Problems facing the board members in running the microfinance organisations were also raised by respondents. The researcher suggests that those problems may be minimised through making sure the people are in good understanding of this sector. The researcher concludes that these problems are of important nature as they lead to accessible development and impressive attainment of those challenges and more services.

From the research so performed, this body is vital for moving the company from one stage to another. They affect the financial, economic and social performance by creating different policies and long-term strategies. The governance body of the institution is important and there is likelihood that without this organ the intended performance might not be reached or there might be needed some alterations in the needs of the company and expected performance. Nothing can be visibly performed without this organ. It is because of this organ that employees comply with the established rules and regulations regulating their day to day activities and functions. The main policies of these institutions include the ways through which they can attract customers, capture their hearts towards their services and raise their lives through provision of financial services.

5.4 Recommendations

After making assessment on the roles of Board of Directors in enhancing performance and thus development of Microfinance Institutions, the researcher would issue the following recommendations;

The governing body of the company is a very important organ and has a major part in enhancing the growth of the company. With no such in place there will be a weak and a less expected performance as the roles so stipulated in this research will not have a part to play in the said growth and as seen they are of great importance. The governing body has to be empowered and encouraged in making proper decisions in

the event the company and its employees are not in line with the intended company's policies and strategies.

Proper and clear plans for the board activities should be put in place. Board plans for its activities should be arranged to satisfy the needs of the company. When members of the board are aware of the expectations of the company in the activities for the whole year it gives them ample time to prepare and at times as required read all materials in advance as provided so as to be in a position to contribute during the meetings.

It is pertinent for the companies to put in place a board that is satisfactory in terms of the qualifications of the members and experience in the related field. This factor should be considered as of great importance as for the company to reach its expected performance there has to be a mixture of proper educational training which amounts to qualification, experience in the field of financial institutions and the commitment to take the company to the next level.

An outstanding performance is achieved when all members of the company work as a team. In so doing every member of the company consider themselves as an important part of the company and thus will work to the best of their abilities to perform best. The company other than needing a performing board needs to motivate its employees and every other person in the company that is meant to be part and parcel of achieving the intended success.

Therefore as much as the performance of a Microfinance Institutions is greatly influenced by a well-established, organized and performing board the company as a whole needs to play as dedicated team thriving towards raising a winning trophy!!

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