International Journal of Economics, Commerce and Management
United Kingdom ISSN 2348 0386 Vol. VII, Issue 6, June 2019
http://ijecm.co.uk/

THE IMPACT OF CORPORATE GOVERNANCE ON PERFORMANCE OF SAVINGS AND CREDIT CO-OPERATIVE SOCIETIES IN TANZANIA: EXPERIENCE FROM MOSHI MUNICIPALITY

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Abstract

SACCOS are among the types of microfinance institutions which provide credit to poor people. However, they are faced with a number of challenges which affect their performances. Lack of corporate governance is among the challenges facing SACCOS. The aim of this study therefore was to assess the impact of corporate governance on performance of SACCOS in Moshi Municipality, Tanzania. The study used cross sectional research design and it adopted multi stage sampling technique with three stages. A sample size of 363 was selected by using formula by Yamane (1967). Analysis of data were done by using descriptive statistics whereby Likert scale with four scales was used to test eight variables which were considered to have impact on performance of the SACCOS. Results of the Likert scales were tested for statistical significance by using Chi-Square (χ2) test. Out of eight variables which were tested, seven were found to have significant impact on performance of the SACCOS. These variables were: transparency, compliance with laws and regulations; adoption of new technologies and policies; education, training and information; and leadership style which were exercised in the SACCOS. However, participation of members in affairs of the SACCOS had no impact on performance of the institutions.

Keywords: Impact; Corporate governance; SACCOS; Performance; Organisations

INTRODUCTION

Corporate governance refers to the process by which corporate organisations are directed, controlled and held accountable. It is the process and structure of directing and managing business affairs of organisations towards enhancing business prosperity and corporate accountability, stewardship, and control exercised with the ultimate aim of realising shareholder value, whilst taking into account the interest of other stakeholders (Claesses, 2013; Johnson et al., 2008).

It is important to note that an effective system of corporate governance facilitates the process of decision making, accountability and responsibility within and outside organisation. Good corporate governance ensures that interests of different kinds of stakeholders are balanced, decision making is rational, informed and transparent and that it contributes to the overall efficiency and effectiveness of the organisation (CCG, 2005). These days, countries throughout the world are increasingly embracing corporate governance practices because of their ability to impact organisational performance positively (Kenani, 2018).

According to Kenani (2018), business environment today poses a number of challenges that require sound decision making and appropriate corporate governance practices. Recent failures in corporate governance have led to the proliferation of corporate governance codes which emphasise, in particular, accountability and conformance measures in organisations (Edwards and Clough, 2005). The essence of these codes is to determine what entails good corporate governance in an organisation. In order for any organisation to succeed in achieving high performance, it must be able to embrace conventional good corporate governance strategies and practices.

Lack of sound corporate governance encourages bribery, acquaintance and corruption to flourish and it suppresses sound and sustainable economic decisions. It is important therefore to note that although corporate governance has emerged as a way of managing modern joint stock corporations, it is equally significant in different organisations which include state-owned enterprises, co-operatives, and family businesses. Regardless of the type of venture, only corporate governance strategies can deliver sustainable good business performance. Organisations with good corporate governance have the capacity to maintain high-quality services and consequently achieve high performance. On the other hand, poor governance arrangements set the framework within which the organisational systems and processes fail to detect or anticipate serious service and financial failures. According to Baker (2007) good corporate governance in organisations enhances public trust and community engagement.

Problems of Poor Corporate Governance

Several organisations including banks and co-operative societies are facing uncertainty due to enhanced competitive advantage and effectiveness. There seems to be several corporate failures and large scale misappropriation of funds which are linked with the management style, audit independence, professionalism, corporate social responsibilities, ethics, immoral practices, and conflict of interest of board members. In Nigeria for example, Olannye and David (2014) reported that good corporate governance in the country appear to be of paramount importance to success of both private and public organisations.

Savings and Credit Co-operative Societies (SACCOS) which is among the types of Microfinance Institution (MFIs) are not an exception to these problems. SACCOS are facing myriad of challenges as a result of poor corporate governance among themselves (Mmari and Thinyane, 2019; Nayak, 2012). These challenges include among others: poor member participation; inadequate managerial skills; corruption; frauds; and inadequate capital (Mmari and Thinyane, 2019). These challenges have created inefficiency and lack of competitiveness in SACCOS which is likely to impair their performance (Siddaraju, 2012).

In India for example, SACCOS are faced with problems which include inadequate capital, poor member participation, inadequate managerial skills, corruption, frauds and absence of common brands. These challenges have created inefficiency and lack of competitiveness in the institutions which is likely to impair their performance (Siddaraju, 2012). In Malaysia, SACCOS are facing many obstacles which include among others; improper governance, poor financial performance, managerial weaknesses and lack of capital (Techrani et al., 2014). In the case of Uganda, most SACCOS face a number of challenges which in turn affect their performance negatively (Kakungulu et al., 2010). Ondieki et al. (2011) reported that in the case of Kenya SACCOS were encountering several challenges which include: poor record keeping, high illiteracy level among their members' loan backlogs, inadequate capital, managerial deficiencies and audit arrears. SACCOS operating in Tanzania are not an exception as they are faced with number of problems such as poor management, lack of working capital, embezzlement, high loan delinquency rates and poor business practice (Mwakajumulo, 2011; Maghimbi, 2010)

A study by World Council of Co-operative Union (WOCCU) revealed that SACCOS were facing severe liquidity problems and majority of them were unable to meet demands of their clients for loans and withdrawal of savings (WOCCU, 2008). According to Mvula (2013), common issues that were affecting performance of SACCOS in Malawi were inadequate capital, poor governance, poor profitability, poor liquidity and non compliance. On the other hand, Mudibo (2005) noted that some of the factors which were affecting performance of SACCOs in the county include among others; weak regulations, limited products and services, low marketing and poor image. A number of previous other studies (Zikalala, 2016; Mang'ana et al., 2015; Nkuru, 2015; Gweyi, 2014; Odieki et al., 2011) were conducted on SACCOS in the light of investment in information technology, resource mobilisation, growth sustainability, social economic, growth of income and performance.

As one can observe, most of the problems which are facing MFIs including SACCOS can generally be solved by implementing good corporate governance practices in their organisations. This is because previous studies (Thrikawala et al., 2013; Lukwago 2012; Agumba, 2008) which were conducted in similar area had established that good corporate governance facilitates efficient utilisation of MFIs resources and hence it is vital for promoting performance of MFIs. Furthermore, they noted that good corporate governance practices promote efficiency and sustainability of the MFIs. This calls for the need of study in order to establish the impact of good corporate governance on performance of SACCOS in Moshi Municipality.

There is a large volume of literature in the area of MFIs and SACCOS in particular. However, few studies (Delima and Ragel, 2017; Mwanja et al., 2014; Olannye and David, 2014; Labie and Perilluex, 2008) did address the issue of corporate governance in SACCOS. Those who studied the issue of corporate governance include Labie and Perilluex (2008) who studied corporate governance in credit unions; Mwanja et al. (2014) who studied the effect of corporate governance on performance of SACCOS in Kenya and Delima and Ragel (2017) who studied the impact of corporate governance on organisational development in Sri Lanka. Out of those who investigated about corporate governance, it is only Delima and Ragel (2017) who did study the impact of corporate governance but in development of organisations in general and in Sri Lanka which may not be similar to Tanzanian environment. In view of the above, this study therefore aimed at filling this gap by studying the impact of corporate governance with special emphasis to Moshi Municipality in Tanzania.

THEORETICAL FRAMEWORK

The Stewardship Theory

This study subscribed to the Theory of Stewardship which explains the relationship of employment between the principal referred to as the owner and the steward referred to as the manager. The theory examines the relationship of these two individuals from behavioural and structural points of views. According to the theory, stewards will behave in a pro-social manner behaviour which aims at addressing the interest of the principal and hence the organisation (Zahra et al., 2009; Davis et al., 1997). This behaviour is fostered by the quality of the relationship between the principal and steward and the environment and ideals of the organisation (Corbetta and Salvato, 2004).

In this particular case where the study is about SACCOS, the principal means the members who are also owners while stewards are the employees of the SACCOS and particularly the managers. When the steward conducts his/her activities as per the interests of the principal, the SACCOS are likely to achieve high performance in terms of profits, sales growth and increased membership in the SACCOS (Tosi et al., 2003). According to Davis et al. (1997) this outcome is achieved when both the principal and the manager agree to behave as stewards in the organisation concern. The major assumption of the stewardship theory is that the relationship between the principal and steward is based on a choice and agreement. According to Eddleston and Kellermanns (2007), when both parties agree to behave as stewards and place the principal's interest first, the theory predicts to have a positive impact on performance of the SACCOS because both parties are working toward the same goal.

The choice of stewardship behaviour is impacted by both psychological and situational factors (Vallejo, 2009; Corbetta and Salvato, 2004). Psychological factors such as high identification and intrinsic motivation can steer the intended stewardship behavioural (Zahra et al., 2008). Intrinsic motivation exists within individuals and provides satisfaction to work hard for the target (Ryan and Deci, 2000). It is considered to be a psychological attribute of stewardship theory because managers are motivated by intangible rewards which cannot be perceived (Lee and O'Neill, 2003). Managers or employees who have high levels of identification with their SACCOS are more likely to choose to behave as stewards because they feel a strong sense of membership with their organisation (Zahra et al., 2008; Lee and O'Neill, 2003). Stewardship theory applies a personal power perspective which creates interpersonal relationships that develop over time which in turn influence and empower steward managers.

Empirical Literature Review

Corporate governance can be referred to as an internal system encompassing policies, processes and people which serve the needs of shareholders and other stakeholders by directing and controlling business activities with common sense, fair judgement, accountability and integrity (O'Donovan, 2003). Corporate governance is not just about corporate management but it is broader and it includes efficient and transparent administration which is planned for the purpose of meeting organisational objectives (Mayer, 2007; Ahmadu and Tukur, 2005).

Coleman and Nicholas-Biekpe (2006) defined corporate governance as the relationship which exists between the owners of organisations and their shareholders. Hence, the survival and stability of any organisation is dependent on the quality of its corporate governance. Consequently, corporate governance is among the key factors that determine health situation of the organisation and its ability to survive economic shocks. Despite different definitions of the word corporate governance by different scholars, they all have the same ultimate end of delivering best results to the organisation concerned and its stakeholders.

Importance of good governance

Corporate governance is important because it promotes good leadership within different organisations and it has the following qualities: integrity leadership; leadership for efficiency; accountability and transparency leadership; and leadership that respect the rights of all stakeholders (ICGU, 2000). Effective corporate governance is critical for performance of any organisation. Corporate governance principles and strategies, whether applied in SACCOS or other institutions are important because they insist on managing the organisations in a democratic way. They also insist on managing organisations as stewards and agents of their clients. Furthermore, corporate governance require leaders to use organisational resources prudently and efficiently for the benefits of the organisation itself and its stakeholders (Adeusi et al., 2013; Odera et al., 2012; Lukwago, 2012).

Lukwago (2012) argues that corporate governance promotes efficient management and thereby facilitates maintenance of reputable MFIs and trust among their clients. According to Adeusi et al (2013) corporate governance places the structure, processes and management mechanisms which enhance organisational performance. The Council of Microfinance Equiaty Funds (2012) found that sound governance in the MFIs keeps organisations on track towards implementing their decisions. It further stressed that sound governance fosters implementation of the MFIs goals and strategies and hence maintain health MFIs. This on the other hand ensures adequate human and financial resources which mitigates risks. Thrikawala et al. (2013) asserted that training in corporate governance for the MFI's board is important for improving financial performance of MFIs including SACCOS.

Consequences of poor or lack of corporate governance

Absence of proper corporate governance strategies in an organisation encourages bribery, corruption and suppresses sound and sustainable economic decisions. It is important to note that corporate governance is important in all forms of business organisations including state-owned enterprises, co-operatives, as well as family businesses. It is only through corporate governance that organisations can deliver sustainable businesses. Organisations with good corporate governance have the capacity of maintaining high-quality services and hence make improvement in their businesses. Lack or weak corporate governance strategies cause the organisational systems and processes fail to deliver the anticipated service.

Factors which promote corporate governance in organisations

Several authors (Mwanja et al., 2014; Odera, 2012; Wambua, 2011; Chaves et al., 2008 and Baker, 2007) conducted studies to establish factors which influence corporate governance and hence promote organisational performance. The most common factors which were found to influence corporate governance include among others: size of board members; communication strategies within organisations; code of conduct within organisations; levels of transparency; levels of accountability; leadership exercised in organisations and the extent of adoption of new technologies among organisations. Others are: type and level of training provided to members and employees; rewards and incentives used by the organisation; style of providing feedback to employees about job done; compliance to laws, regulations, policies and many others depending on the area where studies are conducted.

Despite the importance of SACCOS in making credit accessible to poor people, most of them are still overwhelmed with a number of challenges. These challenges which affect their performances include mismanagement, corruption and poor financial performance. Several authors have tried to solve these challenges by conducting studies (Danoshana and Ravivathani, 2013; Love, 2011; Goergen, 2010; Kajola, 2008) in the area of corporate governance and performance of organisations.

Several studies have been carried out in the general aspect of SACCOS such as performance and their roles but not directly in the impact of corporate governance on performance. However, few studies (Magali, 2014; Tadele and Rao, 2014; Hartarska, 2014; Hossain, 2013; Magali, 2013b, Lukwago, 2012) were carried in the area of corporate governance and MFIs. Out of these studies which investigated the relationship between corporate governance and MFIs, only Magali (2014) did concentrate on the influence of corporate governance on profitability of SACCOS. However, even Magali (2014) did not study performance as a whole but rather one aspect which is profitability. Furthermore, he concentrated on rural SACCOS thereby excluding those in the urban areas, hence findings from his study cannot be generalised fully to SACCOS from other areas. This knowledge gap therefore created a need of conducting a study on the impact of corporate governance on performance of SACCOS in Moshi Municipality, Tanzania. The next section (Figure 1) shows predictors and criterion variables as conceptualised by the author.

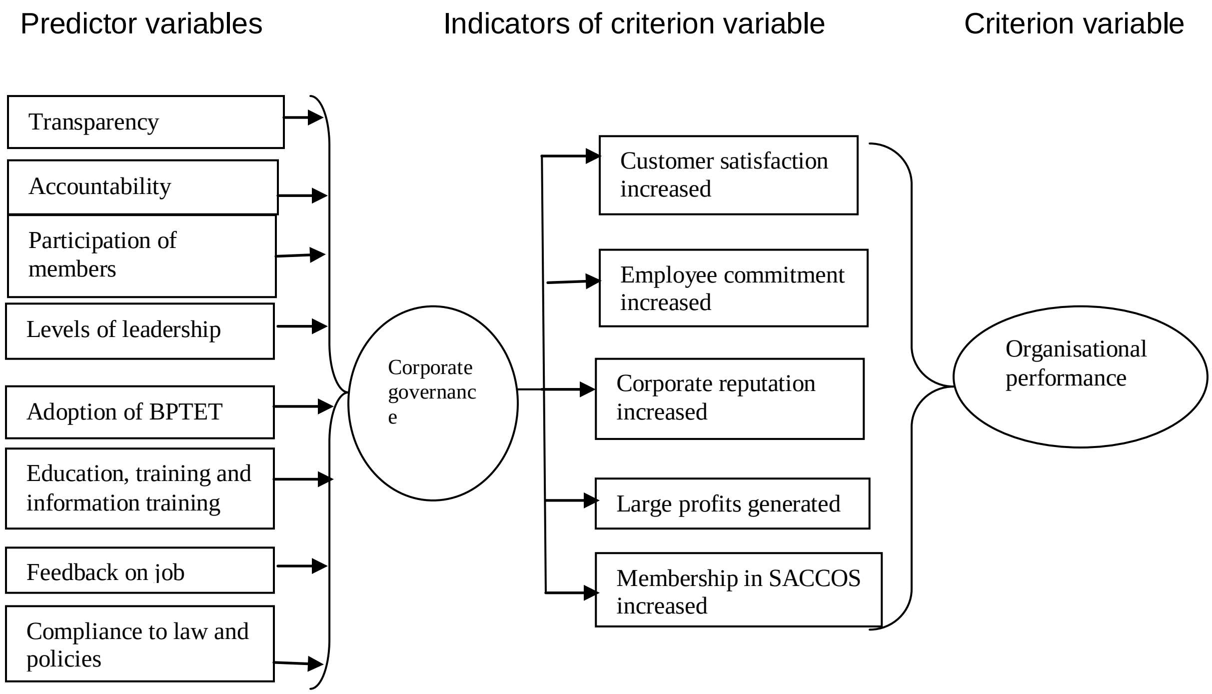

Figure 1: Conceptual Framework

METHODOLOGY

The study was conducted in Moshi Municipality in Kilimanjaro Region. The region was selected because of its long and rich history of co-operatives within the country. This is the region where the first co-operative society was established and registered in the year 1925. Hence, the study benefited from rich information on co-operative issues. In addition, Moshi Municipality had the highest percentage of urban SACCOS compared with the rest of districts. The study adopted a cross sectional research design where data were collected at one point in time because variables which were being examined were not expected to change within a short period of time. Furthermore, the design has the following advantages over others: it can be used to prove or disprove certain assumptions; it is not costly compared to other designs and it saves time without compromising accuracy of the work; data collected through cross sectional design can be used for various purposes; it can be used to estimate prevalence of outcome (e.g. diseases) of interest because the sample is drawn from the whole population.

In selecting the sample size, the study adopted multi stage sampling technique with three stages whereby the first stage was used to select Moshi Municipality purposively because of its rich history of co-operatives. The second stage was used to select all 17 active SACCOS which were operating in the municipality by using census sampling technique. This technique had the advantage of reducing sampling errors thereby increasing reliability of the outcome. The third stage involved selection of 323 respondents from the population of 1,682 members by using simplified formula by Yamane (1967) which says $n = N/\{(1 + N(e)^2\}$ where n = sample size; N = population; e = precision.

However, specific numbers of members from each SACCOS were selected proportionally to the total number of members in those SACCOS in order to make the sample size representative of the whole population. Furthermore, 10 key informants were picked by the use of snow ball technique in order to complement information given by the main respondents. Analyses of the findings were done by the use of descriptive statistics whereby eight indicators of corporate governance were carefully selected from the literature and assessed for association with performance of the SACCOS by using Likert scale with four scales. Results of the Likert scale were also tested by the use of Chi-Square (χ^2) in order to establish statistical significances of the impact of the indicator on performance of the SACCOS.

ANALYSIS AND FINDINGS

The impact of Corporate Governance on Performance of SACCOS

The aim of this section was to establish the impact of good governance of financial performance of the SACCOS (measured in terms of savings value) in Moshi Municipality. This was done based on the extent of transparency, accountability, participation, leadership style, feedback communication, law compliance, education and training, and adaptability of the SACCOS (Table 1). These variables were considered to be among the most important factors which had impact on corporate governance which in turn motivates members to save more money in their SACCOS. The relationship between each variable of corporate governance with financial performance of the SACCOS was tested by Pearson Chi-square (χ^2). The survey included four ratings Likert scale which were excellent, good, satisfactory and unsatisfactory as presented In Table 1.

Table 1: Impact of corporate governance variables on performance of the SACCOS

Variables	Excellent (%)	Good (%)	Satisfactory (%)	Unsatisfactory (%)
Transparency in SACCOS	44.7	46.8	2.1	6.4
Accountability of members	16	47.9	29.8	6.4
Participation of members	7.4	38.3	21.3	33
Level of leadership in the SACCOS	19.1	62.8	8.5	9.6
Provision of feedback on job	28.7	46.8	19.1	5.4
Compliance to law	9.6	36.2	37.2	17
Adoption of BPTET	30.9	35.1	17	17.1
Education, training and information	9.6	31.1	30.9	8.9

Impact of transparency on savings value of the SACCOS

Transparency was assessed based on the elements of audited reports, right information, frequent reporting, access to information and involvement of members in different forums such as meetings. Transparency was considered to be: excellent if four to five elements were met; good if three elements were met. Findings from the study show that transparency among SACCOS in the study area was practised because 44.7% of the respondents said it was excellent, 46.8% said it was good, 2.1% said it was satisfactory while 6.4% said it was unsatisfactory. When this result was tested statistically using Chi-Square test (χ^2) it showed that there was a significant association between transparency and members' savings thrift of SACCOS {X^2 (3) = 0.968. p = 0.012}.

This implies that transparency had positive significant impact on the habit of members to save their money in their SACCOS which means that 96.8% of the variation in savings value for the SACCOS could be explained by the good level of transparency. This result is consistent with findings of other previous study by Gordon (2014) which found that 57% of 2000 surveyed co-operative members were likely to leave their co-operative societies due to poor transparency. Transparency is one of the most important aspects in SACCOS throughout the world. Having achieved high scores for excellent and good in terms of transparency in SACCOS imply that members were part and parcel of decision making in their SACCOS. As a result of this best practise in terms of transparency, it is likely to have positive impact on performance of SACCOS in the study area.

Impact of accountability on savings value of the SACCOS

Another indicator of good governance which was assessed is accountability. Impact of accountability on performance of SACCOS was measured through the following variables: good relationships; fulfilment of obligations; reporting; taking responsibility; meeting expectations and accepting the mistakes. Accountability was considered to be: excellent if four to five elements were achieved; good if three elements were achieved; satisfactory if two elements were achieved; and unsatisfactory if only one or none element was achieved. Result of this test shows that 16% of the respondents said that accountability was excellent; 47.9% said it was good; 29.8% said it was satisfactory while 6.4% said it was unsatisfactory. When the results were further tested statistically using Chi-Square (χ^2) the result of the findings showed that there was a significant statistical association between accountability and savings value of SACCOS (X^2 (3) = 0.544, p = 0.004).

The findings further showed that accountability had positive significant influence on savings value of members in their SACCOS and that 54.4% of the variation in savings value could be explained by the level of accountability. In order for the SACCOS to maintain an ultimate success, they need to have a system which can test accountability in place. As a result, all members of the SACCOS must make sure that they are accountable and hold their leaders accountable for the decisions they make. In other words, in order for the SACCOS to achieve high performance, accountability should be enhanced to the level of excellence. In a similar study, Gathurithu (2011) noted that it helps every business to accelerate its financial performance, keeps all participants engaged and responsible.

Impact of members participation on savings value of the SACCOS

Members of the SACCOS must have opportunity of participating in decision making and benefits sharing. In order to have positive participation in affairs of SACCOS the following elements should be emphasised: access to information, shared knowledge, attendance in meetings, paying contributions, getting feedback, getting dividends, paying fees, borrowing from the SACCOS and transparent. Participation was considered to be excellent if five to eight elements were achieved, good if three to four elements were achieved, satisfactory if two elements were achieved, and unsatisfactory if only one or no element was achieved. Findings of the study revealed that: 7% of the respondents said it was excellent, 38.3% said it was good, 21.3% said it was satisfactory and 33% said it was unsatisfactory.

Participation of members in affairs of the SACCOS according to the findings of this study was low because if one combines the score of excellent and good the total sum is 45.3% which is below 50% which is the cut off point. Consequently, this is likely to affect financial performance of SACCOS because members are the owners and customers of their enterprises and their participation is of paramount importance for good results. Furthermore, the third co-operatives principle posits that members of the co-operatives should participate economically. Economic conditions of any SACCOS rely on members' participation. If members are not participating well in affairs of their SACCOS it will have negative impact on their performance. In a similar study, Jeremiah and Okibo (2014) noted that when participation of members in the SACCOS declines, leaders tend to hijack the mandate and use SACCOS for their own benefits. However, results of this section was not statistically significant {(χ^2 (4) = 0.528, p = 0.110)}. Hence, members' participation was found to have no significant impact on savings value of the SACCOS. Hence, result of this section contradicts findings by other previous study (Mpiira et al., 2013) who had established that members' participation had positive impact on performance of the SACCOS.

Impact of leadership on savings value of the SACCOS

Another indicator which was used to assess the impact of corporate governance on performance of the SACCOS in the study area is leadership. This is because implementation of objectives of any organisation depends greatly on the leader (manager) and his leadership style. In order for the SACCOS to achieve high performance, their leaders must be integrative, initiative, innovative, inspirational and willing to deliver timely and correct information to members. In this study leadership was considered to be excellent if five to six elements were achieved; good if three to four elements were achieved; satisfactory if two elements were achieved; and unsatisfactory if only one or no element was achieved. Findings of this study show that 19.1% of the respondents said that leadership in their SACCOS was excellent, 62.8% of the respondents said it was good, 8.5% of the respondents said it was satisfactory while 9.6% of the respondents said it was good, 8.5% of the respondents said it was satisfactory while 9.6% of the respondents said it was unsatisfactory. When these information were tested using Chi-Square (χ^2) the result show that there was a highly significant association {(χ^2 (3) = 0.749, p = 0.002)}. Furthermore, the test revealed that 74.9% of the variation in the savings value of SACCOS could be explained by the type of leadership. In previous other similar study (Masungo, 2015) found that strategic leadership had a significant impact on financial performance of the SACCOS whereby 48.6% of the variations could be explained by the leadership style. Result of this section therefore is consistent with findings of Masungo (2015).

Impact of feedback on performance of the SACCOS

The study also assessed the impact of feedback communication on financial performance of the SACCOS. Out of all respondents who were interviewed, 28% said that provision of feedback was excellent, 46.8% said it was good, 19.1% said it was satisfactory while 5.4% said it was unsatisfactory. When these results were tested using Chi-Square (χ^2) it was revealed that there was a significant statistical association {χ^2 (3) = 0.806, p = 0.050} between feedback on job and financial performance of the SACCOS.

Further analysis on the result indicates that 80.6% of the variation in the savings value of the SACCOS could be explained by the feedback communication. An effective feedback communication has a positive impact on financial performance of the SACCOS. Feedback communication motivates members to save more money in their SACCOS. In a similar previous study, Evelyn (2014) found that there was a statistical positive relationship between feedback and employees' intentions to save in their SACCOS which in turn improve financial performance. This section has therefore established that feedback communication had significant positive impact on performance of the SACCOS in the study area. Result of this section is in line with findings of other previous study (Evelyn, 2014) which had found that effective feedback communication had an impact on performance of SACCOS.

Impact of compliance with laws on savings volume of the SACCOS

This section wanted to assess the extent to which SACCOS were complying with laws such as Co-operative Societies Act (2013, Microfinance Act of 2015 and others when conducting their businesses. Therefore compliance with laws and regulations was another indicator which was assessed its impact on financial performance of the SACCOS. This assessment was tested in terms of savings volume in the SACCOS in the study area. Nine point six percent (9.6%) of the respondents who were interviewed, said that compliance with laws among SACCOS in the study area was excellent; 36.7% said it was good; 37.2% said it was satisfactory; while 17% said it was unsatisfactory. These information were tested using Chi-Square (χ^2) and the results show that there was a significant statistical association {χ^2 (3) > = 0.068, $p < 0.028$} between compliance with laws among SACCOS in study area and savings value of the SACCOS. Further investigation on the results indicate that compliance with laws among SACCOS in the study was not very good because the scores for good and excellent ratings was less than 50% while satisfactory and unsatisfactory accounted for over 50%.

Results in this section therefore has established that compliance with laws among SACCOS had a significant positive influence on their financial performance in terms of savings volume and that 6.8% of the variation in savings value of SACCOS could be explained by the level of compliance with laws. In a similar study, Alukwe et al. (2015) found that there was low knowledge on co-operative policy and legislation among employees and members of co-operative organisation and that is one of reason for poor compliance to the laws. Complying with laws is important because it can reduce challenges such as illegal activities which can make the SACCOS to incur costs in courts. Furthermore, it will win members' trust to their SACCOS because they will know that their money is not misused by their leaders.

Impact of adopting technology on performance of the SACCOS

Technology in business is a growing necessity and hence it is impossible to separate business performance from it. Without taking into account size of the business enterprise, technology has both tangible and intangible benefits that will help one to make money and produce the results that were demanded by customers. The role of technology in business has resulted in tremendous growth in trade and commerce these days. Business concepts and models were revolutionised because of the introduction of technology. This is because technology gave a new and better approach on how to go about with business. It provides a faster, more convenient, and more efficient way of performing business transactions. This section sought to establish the relationship between business technology and policies on one hand against performance of the SACCOS.

Respondents were asked to rank impact of adopting technologies and policies in their SACCOS. Results of the question show that 30.9% of the respondents said that the impact of adopting new technologies in their businesses was excellent, 35.1% said it was good, 17% said it was satisfactory while 17% said it was unsatisfactory. When these results were tested using Chi-Square (χ^2) it was revealed that there was a positive and significant statistical association {X^2 (3) = 0.078, p = 0.007} between adoption of new business technology and policies in one hand and financial performance for SACCOS on the other side. According to Jeremiah and Okibo (2014), a financial institution's credit policy affects the financial performance of that institution. A study by Schroeder et al. (1995) found that there were linkages between strategy, technology and performance in small manufacturing firms. They concluded that failure to adopt appropriate new technology or failure to realign with firm's strategy to the new technology weakens firm's competitive position as well as its performance.

Credit policy of any institution affects its capital adequacy, asset quality, management quality, earnings and liquidity of the institution either positively or negatively depending on how well the policy are made and implemented. Thus, adoption of new technology by the SACCOS on better ways of conducting businesses has positive impact on their financial performances. This section has established that adoption of new technology in business has positive impact on performance of the SACCOS in the study area.

Impact of education and training on performance of the SACCOS

Other indicators which were assessed whether they had impact on performance of the SACCOS are education, training and information. This is because any business organisation that seeks to improve its learning environment always looks on effective education, training and information. Provision of timely and accurate information to managers of organisations therefore is a critical issue for SACCOS which need to survive in the competitive business environment. This is the main reason which prompted the author to assess the extent to which SACCOS reach the best learning environment.

Results of this test show that 30.6% of the respondents said that it was excellent, 51.1% said it was good, 9.8% said it was satisfactory, while 8.5% said it was unsatisfactory. Further investigation on the results using Chi-Square (χ^2) revealed that there was a significant positive association {(χ^2 (3) = 0.078, p = 0.007)} between provision of education, training and information and financial performance of the SACCOS in the study area. These results are in line with findings of other previous study by Bhutan (2007) who found that 75.6% of the respondents agreed that education, training and information had really impacted performance of SACCOS positively. SACCOS like other co-operative organisations were providing education and training to their members, elected representatives, managers, and employees so that they could contribute effectively to development of their organisations. They inform the general public particularly young people and opinion leaders about the nature and benefits of co-operation. Result from this section has therefore proved that education, training and information have positive impact on performance of SACCOS in the study area.

CONCLUSION

Eight corporate governance variables were identified and tested for associationsχ with performance of the SACCOS. The variables were identified from the literature review. These variables are: transparency; accountability; members' participation on affairs of the SACCOS; leadership style; feedback communication; compliance with laws; adoption of technology and policies; education, training and information. Each of these variables was tested in order to establish its association with performance the SACCOS by using results of Likert scale before testing them for statistical significance by using Chi-Square (χ^2).

The study found that there was a strong association between the variable transparency and performance of the SACCOS. Furthermore, it was found that transparency had positive impact on performance of the SACCOS in the study area. It was also found that the variable leadership style had an association with performance of the SACCOS. In addition, the association was found to have a positive impact on performance of the SACCOS which was statistically significant. Another variable which was found to have positive association with performance of the SACCOS is compliance to laws, regulations and policies which governed operations of the SACCOS. Compliance with these legal documents was found to have positive impact on performance of the SACCOS. Adoption of new technologies was also found to have an association with performance of the SACCOS. Furthermore, the process was found to have positive impact on performance of the SACCOS. Education, training and information were also found to have an association with performance of the SACCOS which had an impact on performance of their institutions. Other factors which were found to have associations with SACCOS in the study area are accountability and feedback on job done. Both accountability and feedback on job done were found to have positive impact on performance of the SACCOS.

On the other hand, the study found that participation of members in the affairs of their SACCOS was low. But it had no significant impact on their performance. This result contradicts findings of other previous studies which had found that participation of members in the affairs of the SACCOS had positive impact on their performance.

LIMITATIONS OF THE STUDY

This study was confined to Moshi Municipality which is an urban area with specific characteristics which may not be very similar to other areas within and outside the country. Findings of the study therefore may not be wholesome the same with other SACCOS from different areas. Hence, when replicating the findings to other areas it may call for some adjustments depending on the area and characteristics of the people.

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