**THE AUDIT COMMITTEE CHARACTERISTICS AND PERFORMANCE OF SACCOS IN TANZANIA: A CASE OF SIX SACCOS’ IN MBEYA CITY COUNCIL**

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA-ACCOUNTING AND AUDITING)**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

**OF THE OPEN UNIVERSITY OF TANZANIA**

**2024**

# CERTIFICATION

The undersigned certifies that he has read and hereby recommends the acceptance by the Open University of Tanzania a dissertation entitled **“The Audit Committee Characteristics and Performance of SACCOS in Tanzania: The Case of Six SACCOS’ in Mbeya City Council”,** in partial fulfilment of the requirements for the award of Degree of Masters of Business Administration (MBA Accounting and Auditing).



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Signature

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Date

**DEDICATION**

I dedicate this work to my dear mother, who has consistently provided unwavering support and encouragement throughout my career development journey. She is irreplaceable, a constant source of inspiration, and possesses an unparalleled depth of love. I hold deep respect and gratitude for her enduring support and unwavering commitment, and I will cherish it forever.

# ACKNOWLEDGEMENT

Above all, I would kindly extend the glory and honour to the Almighty God for enabling me to accomplish this excellent task. Also, I extend my sincere gratitude to The Open University of Tanzania for granting me an opportunity to undertake my studies.

Likewise, I sincerely thank Prof. Joseph Magali and Dr. Francis William for the encouragement, patience, valuable suggestions, and tireless guidance they provided me throughout the dissertation development period. I appreciate my family, who have continuously supported and encouraged me throughout my academic journey. Finally, I recognize and acknowledge the contribution of the Director- Mbeya City Council, the MCC Cooperative officers, and the Management of SACCOS’ as well as Chairpersons of the Board of Directors for unconditionally providing information to me concerning the status of SACCOS in their jurisdiction.

# 

# ABSTRACT

This study investigated on the influence of the Audit Committee (AC) characteristics on the performance of SACCOS in Tanzania, using the case of six SACCOS in Mbeya City Council. Specifically, the study explored the educational background, level, independence, size, and working experience as attributes of the performance of SACCOS in Mbeya City Council. The study employed an exploratory research design as the study was qualitative. Fifteen (15) respondents were sampled and involved in the interview regarding primary data collection. The collected data were analysed through thematic data analysis. The findings revealed that members of AC with educational backgrounds in finance or accounting contributed to the organization's better performance. Secondly, the Audit Committee independent of the SACCOS promoted the profitability of SACCOS. Thirdly, well-experienced Audit Committee members resulted in the performance of SACCOS as they saved time in auditing various transactions and undertakings of the SACCOS they worked with. The study suggests that decision-makers should formulate the policies that prioritize the AC activities within the SACCOS Also, the SACCOS should appoint the AC members with required qualifications.

**Keywords*:*** *Educational background, Audit Committee Size, Independence, Working experience, performance of SACCOS.*

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**LIST OF ACRONYMS AND ABBREVIATIONS**

2SLS- Two-stage least square

AC- Audit Committee

AGM- Annual General Meeting

AMEX- American Stock Exchange

BoDs- Board of Directors

CPA- Certified Public Accountant

FSs- Financial Statements

FY- Financial Year

GAAP- General Accepted Accounting Principles

IV- Instrumental Variable

MCC- Mbeya City Council

MFIs- Microfinance Institutions

Nasdaq- The National Association of Securities Dealers

NED- Non-Executive Directors

NYSE- New York Stock Exchange

OUT- Open University of Tanzania

PSE- Pakistan Stock Exchange

SACCOS- Savings and Credit Cooperative Organizations

SEC- Securities Exchange Commission

TZS- Tanzania Shillings

UK- United Kingdom

US- United States

**CHAPTER ONE**

# INTRODUCTION

# Overview

This chapter essentially discusses the background of the research problem, the statement of the problem, the general objective of the study, the specific objectives of the study, the research questions, the significance of the study, the scope of the study, and the organization of the study.

# Background to the Research Problem

According to Hesborn et al. (2016), Savings and Credit Cooperative Societies (SACCOS) are regarded as voluntary financial institutions where members are regularly pool their savings and subsequently obtain loans at reasonable interest rates to carry out different social-economic activities. Danga et al. (2018) cemented that SACCOS, as among MFI, is an effective tool for fighting poverty by providing financial services to the poor, low-income earners, women, and all marginalized who typically have no access to loans from the conventional banking system. SACCOS offers financial services such as savings, credit, and insurance. As per a report issued by the Tanzania Cooperatives Development Commission (TCDC, 2022), in the financial year 2021/2022, the number of SACCOS in Tanzania were 3,925. In Mbeya region, 171 SACCOS were registered by microfinance regulators, with 259,852 members as of 30th June 2022.

TCDC (2023) reported that apart from the achievements attained by SACCOS, still most of them are facing some challenges like non-performing loans due to delays in loan repayments, poor leadership skills, poor administration, low investment in shares, saving and loans, poor business practices and negotiation skills, lack of proficiency in running SACCOS operations, lack of innovative spirit, poor keeping of financial records, violation of laws and regulations governing SACCOS and lack of leaders’ integrity. These challenges led to misappropriation of SACCOS funds, poor management of assets, embezzlement of SACCOS funds and mismanagement of assets. Meanwhile, these challenges had resulted in the poor performance of some SACCOS and sometimes led to deregistration (TCDC, 2023).

According to Tuko (2018), the AC is a sub-set of the Board of Director (BoD) that plays a significant role in ensuring that SACCOS are performing to the optimum so that the objectives for establishing the SACCOS are met. According to Okeke et al. (2019), the number of AC characteristics is relevant to the performance of any firm. These characteristics include the size of the AC, the percentage level of independence of the AC, the educational level, and the experience of the AC members.

The literature review provided evidence that various studies were interested in AC's role in the performance of MFIs. Nevertheless, several gaps are recognized within these studies. Eriabie (2016) revealed that financial literacy, independence, and size positively and significantly affected the performance of firms listed in the Nigerian stock market. Similarly, Gbegi et al. (2018) realized that AC independence positively and insignificantly affected commercial banks' financial performance, while AC size had a negative but significant relationship with financial performance in Nigeria.

Musoke et al. (2017) conducted their study in Uganda, Al-Baidhani (2014) conducted in Malaysia, Sheikh (2021) in Kenya, Kivaya et al. (2020), Dato et al. (2018) conducted in Ethiopia, Hussain et al (2022) in India and Okeke et al. (2019), Babatunde et al. (2022) and Isa (2017) in Nigeria and Larasati (2019) in Indonesia where are typically outside Tanzania which inspires to conduct a further study on AC characteristics in performance of SACCOS within Tanzania environments.

Some studies focused on general firms and listed companies as well as construction industries, such as Al-Baidhani (2014), Erabie (2016), and Hussain and Abdul (2018). While some studies like Kimani et al. (2021) were done in MFIs, they were selective to deposit-taking only, and Moenga (2015) analyzed both deposit and non-deposit-taking MFIs. As these studies were conducted outside Tanzania, it isn't easy to generalize the concept as they captured the environment outside of Tanzania.

Solomon (2021) of assessed the variables under the study. However, the study was conducted in other MFIs and not SACCOS per se, which makes it difficult to generalize the subject matter in Tanzanian SACCOS. Therefore, the literature review shows that no specific study was conducted in Tanzania aiming directly to look at AC size, independence of the AC members, educational background of the AC members, and their working experience as determinants of SACCOS' performance.

# Statement of the Problem

High amount of non-performing loans has been accelerating the poor performance and therefore led to the non-sustainability of SACCOS in Tanzania (Khalid et al., 2020). Babatunde et al. (2022) stated that the characteristics of AC members including low working experience, educational background and lack of independence promote the poor performance of SACCOS. Therefore, the appointment of the qualified AC members is of great importance to the performance of the SACCOS (Tuko, 2018).

The SACCOS in Tanzania face challenges like non-performing loans due to delays in loan repayments, leadership skills, poor administration, low investment in shares, savings, and loans, poor business practices and negotiation skills, and lack of proficiency in running SACCOS operations (TCDC, 2023). Non-performing loans in Tanzanian SACCOS stem from delays in loan repayments, leadership skills and administrative oversight. Insufficient investment in shares, savings, and loans reflects a lack of strategic foresight and an inability to adapt to market dynamics. Poor business practices and negotiation skills worsen these challenges, hindering the effective operation of SACCOS. Additionally, a lack of proficiency in running SACCOS operations further compounds these issues. Internal audit functions have the role of rectifying these shortcomings. Since it offers a mechanism for improving performance and ensuring compliance with regulations, strengthening internal audit functions can enhance transparency, accountability, and, ultimately, the viability of SACCOS in Tanzania.

# Research Objectives

# General Objective

The study's general objective is to investigate on the Audit Committee characteristics influence on the performance of SACCOS in Tanzania.

# Specific Objectives of the Study

The following are the specific objectives of the study:

1. To explore the effect of the educational background of the AC members as a contribution to the performance of the SACCOS in Mbeya City Council.
2. To investigate into the influence of AC independence on the performance of SACCOS in Mbeya City Council.
3. To study the effect of the size of the AC on the performance of SACCOS in Mbeya City Council.
4. To explore the influence of the working experience of AC members on the performance of SACCOS in Mbeya City Council.

# Research Questions

# General Research Question

What is the relationship between the AC characteristics and the performance of SACCOS in Tanzania, particularly in Mbeya City Council?

# Specific Research Questions

1. What is the influence of the AC members' educational backgrounds on the performance of the SACCOS in Mbeya City Council?
2. How does independence impact the performance of SACCOS in the Mbeya City Council?
3. What is the influence of the size of the AC on the performance of the SACCOS in Mbeya City Council?
4. What is the influence of the working experience of AC members' performance of SACCOS in Mbeya City Council?

# 1.6 Significance of the Study

The findings of this study underscore the practical significance of ensuring that Audit Committees (ACs) SACCOS in Tanzania comprise members with backgrounds in finance or accounting. By prioritizing the appointment of AC members with relevant qualifications, SACCOS can enhance its organizational performance. Additionally, promoting independence within ACs and prioritizing selecting well-experienced members can improve profitability and efficiency within SACCOS. Decision-makers within these organizations should thus formulate policies prioritizing AC activities and ensuring AC members possess the necessary qualifications to fulfil their roles effectively.

Policymakers should consider establishing regulations or guidelines that mandate the composition and functioning of ACs, including requirements for independence and qualifications of members. Additionally, regulatory bodies could implement monitoring mechanisms to ensure compliance with these policies, thereby promoting transparency and accountability within SACCOS. By prioritizing governance reforms that align with the findings of this study, policymakers can contribute to the overall stability and effectiveness of SACCOS in Tanzania.

The findings of this study provide valuable insights into the role of governance mechanisms, such as ACs, in mitigating agency conflicts within SACCOS. The study validates key propositions of agency theory by demonstrating that the characteristics of AC members, including their educational background, independence, and experience, significantly influence SACCOS performance.

# Scope of the Study

This study was conducted on six SACCOS operating within MCC in the Mbeya region in the Southern Highlands Zone of Tanzania. The study typically focused on education, size, independence, and experience, which are the characteristics of the AC members and are linked to the SACCOS's performance. Nevertheless, inquiries were made to the SACCOS management team and BoD regarding AC members.

# Organization of the Study

The study is organized into five chapters. Chapter one presents the background to the research problem, statement of the problem, scope, significance and structure. Chapter two presents the theoretical and empirical literature review, the gaps and conceptual framework of the study. Chapter three is about research methodology. It entails the research philosophy, design, methodological choices, sampling design and procedures, the study area’s description, the data collection and analysis procedures, validity and reliability, measurement of variables and research ethical issues. Chapter four is about data presentation and discussion. Chapter five contains the summary of findings, conclusion, implications and recommendations of the research.

# CHAPTER TWO

# LITERATURE REVIEW

# 2.1 Chapter Overview

Chapter two discusses various literature based on theoretical and empirical literature reviews. Generally, this chapter is concerned with definitions of the keywords and concepts used in this study, a theoretical literature review, the study gaps, and a conceptual framework. The literature links the essential relationships between the characteristics of the AC members and the performance of the SACCOS.

# Definition of Terms and Concepts

The following section defines the key terms and concepts.

# The Audit Committee

According to Şen (2022), the Audit Committee is one of the board committees whose essential role is to act independently in monitoring the organization's performance. Its principal function is to meet regularly with the firm's external and internal auditors to review the company's financial strength, the audit process, and internal accounting controls. The AC is highlighted as a group comprising a company's directors who are responsible for supervising the financial reporting. The AC must coordinate with the management team, internal auditors, and independent auditors to monitor the accounting policies and regulations by ensuring adherence to laws and regulations.

Exercising their roles helps minimize the agency problem by facilitating the timely release of unbiased accounting information from managers to shareholders and creditors and reducing the information asymmetry between inside and outside stakeholders.

# Independence of the AC Members

According to Saat (2015), independence refers to the state of being free from the influence or control of another person. Therefore, there is a straight relationship between the independence of AC members and the performance of SACCOS, as evidenced by Alqatamin (2018), who stated that there is a positive relationship between the independence of the AC and the performance of the organization such that AC is a crucial element to ensure AC effectiveness requires the committee members to be independent or accessible from the influence and pressures of top management. This will lead to effective monitoring which in turn leads to higher daily to daily firm performance, hence general performance.

This monitoring is efficiently implemented if and only if AC members are independent and free from any relationship with the management. Also, an independent AC executes better than a less independent committee; the independent AC provides better monitoring through its ability to resist pressure from managers (Saat, 2015). Furthermore, Naimah (2017) found that there is a positive association between independent AC members and profitability, a proxy for company performance such that ACs that consist of independent members who are the outsiders from the organization are taking charge without impairing the independence, which can be termed as a conflict of interest in professional eyes.

# Working Experience and Financial Expertise of the AC Members

Hamid and Aziz (2012) definedwork experience as knowing how to do specific work in a particular field or occupation. Hence, there is a straight linkage between the working experience of AC members and the performance of SACCOS, as evidenced by the following scholars: Bouaine and Hrichi (2019) found a positive correlation between corporate success and an audit committee of directors with prior managerial experience or financial understanding. A small business in its early stages of development may benefit more from the directors' industry experience because they can act as a management resource by connecting the company to outside resources like contracts and relationships. Having directors on the audit committee with experience in accounting and finance has a favourable and significant impact on the company's performance (Bouaine & Hrichi, 2019).

Correspondingly, Sultana et al. (2015) state that there are benefits in constituting AC with features of prior committee experience, which may lead to efforts to improve financial reporting, which provides for the firm's overall performance, including MFIs.

# Educational Background of the AC Members

Alqatamin (2018) defined educational backgroundas an individual's learning qualifications. Hence, there is a direct relationship between the educational background of AC members and the performance of SACCOS. Alqatamin (2018) argued that the appointment of members of AC with an educational background in accounting or finance had a positive effect on the performance of the firm such that having AC members with academic backgrounds in the related field of finances may lead to having the AC that can add value to the successful monitoring of the MFIs undertakings which therefore will lead to the performance of MFIs including SACCOS.

# Size of the Audit Committee

According to Dato et al. (2018), the size of the audit committee refers to the number of members comprising the committee, typically established to oversee financial reporting processes and internal controls within an organization. Hence, there is a direct relationship between the size of the AC and the performance of SACCOS as evidenced by the following scholars: According to Malyshev et al. (2022), the AC may comprise at least three (3) members from independent officials and parties from outside the organization. It emphasized that the AC effectiveness increases proportionally with the increase in committee size. Ruto et al. (2017) realized that AC's effectiveness increases when the committee's size increases. Therefore, a significant positive relationship exists between the size of AC and the performance of SACCOS.

# SACCOS

The SACCOS is an abbreviation of Savings and Credit Cooperative Societies. These are voluntary associations where members regularly pool their savings and obtain loans for different purposes (Hesborn et al., 2016). SACCOS, being a MFI, may perform well subject to a number of factors, AC characteristics being among them. SACCOS are member-owned financial institutions that aim to promote savings, provide credit facilities, and offer other financial services to their members (Ndiege et al., 2016). These cooperatives function as microfinance entities, often serving individuals and small businesses in local communities. Their primary functions include mobilizing savings from members, providing affordable credit options, facilitating financial education and literacy programs, and fostering community development initiatives (Magali, 2022). SACCOS play a vital role in enhancing financial inclusion, empowering individuals economically, and stimulating local economic growth by channeling resources back into the communities they serve (TCDC, 2023).

# Performance of MFIs

According to Tchuigoua (2014), performance refers to the profitability or the ability of MFIs to cover all of their operating expenses with their operating revenues. The profitability index measures the performance of MFIs. From the MFI's perspective, SACCOS can maintain a going concern for achieving its objectives. Musoke and Nyonyintono (2017) related profitability with business's performance. Organizational performance refers to the general capability of the organization to achieve its targeted goals and objectives (Babatunde et al., 2022). Hence, the Performance of SACCOS is a result of several factors, including the well-characterized AC members

# Theoretical Review

This study relied on the Agency theory by Jensen and Meckling in 1976. This theory a links the attributes of AC and financial performance of the SACCOS.

# The Agency Theory

Jensen and Meckling (1976) defined an agency relationship as a contract in which one person, the principal, hires another person, the agent, to perform specific duties on his behalf (principal). The contract between the owners and the managers should ensure that the managers always act in the owners' best interests. However, arranging the perfect contract is impossible because managers (agents) always make decisions that affect their welfare and the owners' interests. Therefore, this raises an original question of how managers, as agents of their company, can be persuaded to act in the best interests of the shareholders (Muithya & Ombati, 2019).

The theory prominently proposes having an effective governance system, which includes the appointment of BoDs to align agent-principal interests. The performance of SACCOS depends on the composition of AC, which can monitor managers as agents to discharge their duties in the best interest of the members as principals of SACCOS.

The principals (members) of a SACCOS delegate management to agents (managers), expecting them to run it effectively and efficiently. However, the SACCOS's overall performance may suffer due to agents' tendencies. These agents also tend to make decisions in the face of uncertainty, and they are risk-averse when it comes to potentially increasing their wealth but risk-seeking when dealing with potential economic loss (Bratton, 2012). These tendencies may have a long-term impact on the SACCOS’ performance and survival. The principals and agents make contracts. The uncertainty about an agent’s effort to maximize stakeholder value and uncertainty about an agent’s state of nature leads to uncertainty about the outcomes of agency relationships. As a result, forming an influential AC can aid in resolving agency issues and costs (Pepper & Gore, 2012). Agency theory is thus a tool for understanding and explaining how AC characteristics affect the effectiveness and performance of the firm (Musoke et al. 2017), for this case SACCOS, increasing the sustainability of MFIs.

Musoke et al. (2017) further argued that when adopting the Agency theory in their studies, discussed that the level and intensity of agency problems are lower in firms where the AC is more effective in composition and functioning. Also, an agency relationship is defined as a contractual process whereby owners delegate some of their authority and responsibilities to a team of expert members (s) and expect them to exercise their expertise in the best interest of the firm's operational success.

Regarding the independence of the members of AC, Musoke et al. (2017) also argued that the performance of SACCOS is necessitated with an effective AC that has qualified members to protect stakeholders’ interests by ensuring reliable financial reporting, evaluating internal controls and risk management through its diligent oversight efforts. Therefore, the effectiveness of ACs, to a large extent, relies on their diligence, independence, and knowledge as well as other attributes, and the AC is not only independent of management but are also independent of BoD because they are directly elected by the Annual General Meeting (AGM). Also, with the working experience/competencies of the AC members, they expounded that AC members with relevant knowledge can show better performance of SACCOS and can prove their competencies against the non-competent AC members.

Some more scholars used agency theory and came up with various findings. For example, Madhani (2017) studied diverse roles of the corporate board by reviewing the agency theory. Kadaga (2020) assessed the effects of non-performing loans on the growth of SACCOS in Tanzania. Towo (2023) applied the agency theory while studying financial leverage and financial performance of SACCOS in Tanzania, Ruto et al. (2017) applied the agency theory when investigating the BoDs’ composition, level of independence and financial performance of selected SACCOS in Kericho County, Kenya. Muhanguzi (2019) applied the agency theory in the study titled an empirical test of the agency theory in corporate governance of SACCOS in Uganda. The study stipulated further that, independence and size of the AC had high likelihood of reducing the principal-agent problem in corporate governance practices. Therefore, there is a need to appoint well-characterized AC members in SACCOS for better performance.

# Theoretical Gap

The agency theory applied to this study, because it provides the relationship between agent and principal where members of the SACCOS are the principals and management of SACCOS, are the agents to members initially not expounded. Also, the study described the AC members acting as agents on behalf of the BoD in overseeing the financial undertakings of the SACCOS. Previous scholars have not expounded on this, and thus, there is a gap between them. This researcher filled the gap left behind. In Tanzania, a study like this had yet to be conducted while taking the example of Tanzanian characteristics of AC concerning the performance of SACCOS.

# Empirical Literature Review

Solomon (2021), in his study on the effect of firm performance and corporate governance having evidence from MFIs in Tanzania, concluded that the size, educational background, independence, and experience in microfinance issues positively affect the performance of MFIs. Nevertheless, the study focused on multiple MFIs, which is challenging to generalize specifically for SACCOS. Also, Musoke et al. (2017) analysed the influence of AC features on the effectiveness of AC in SACCOS in Uganda used descriptive correlation and regression analysis and came up with the findings that competent financial expert members of AC had a lot to do with the general performance of SACCOS. However, the study did not assess AC's independence and size.

Al-Baidhani (2014) in Malaysia studied the AC's role in corporate governance while employing descriptive study cemented that the size of the AC, the education level of the members of AC, the independence and competence which is the working experience of the members composing AC had a positive relation with the performance of firms. Also, Sheikh (2021) in Kenya, in his study titled the influence of corporate governance qualities on financial performance of MFIs in Nairobi County, using descriptive analysis multilinear regression analysis. The study found that there was a significant relationship between board size, education, independence, and competence with the financial performance of the firm. Even though the study did not focus on a specific organization, the study was conducted in Malaysia and not in Tanzania.

Kivaya et al. (2020) in Kenya researched the regulating role of firm size on corporate

governance and financial performance of MFIs, as they employed descriptive analysis, Pearson correlation, and panel data analysis model; upon their assessment, they found that the size of AC and the independence of AC had a positive effect to the MFIs performance at an incredible pace. However, the study did not examine how the AC members’ educational background and working experience to influenced the performance of the MFIs. Also, Dato et al. (2018) in Ethiopia, in their study of the board committees and MFI's performance evidence from Ethiopia, used a panel data analysis model. The study found that the board size and level of academic members were well associated with organizational efficiency that is, the performance of MFIs. However, the study did not examine how the AC members' independence, working experience, or competence influenced the MFI performance.

Hussain et al. (2022), in their study on practices of corporate governance and its impact on the financial performance of MFIs in India used a descriptive research, correlation, and ex-post facto design.

The study came up with results that the performance of the MFIs depended on the board size as well as the independence of the audit AC. However, the study did not examine how the AC members' educational background and working experience influenced the performance of MFIs. Okeke et al. (2019) assessed the influence of organizational efficiency on corporate governance in microfinance banks in Anambra state in Nigeria using descriptive statistical analysis and regression method. The study discovered that board size, academic qualification positively influenced the organizational performance. Still, the study did not examine the working experience and independence of the audit committee members, and it focused on multiple MFIs.

Olick (2015) studied the influence of corporate governance practices on the financial performance of MFIs Bank in Kenya using descriptive and multiple linear regression analysis. The findings indicated that the board size had a significant effect on the performance. Nevertheless, the study did not examine how the AC members' educational background, independence and working experience influence performance of the firm. Also, Dato et al. (2018) in Ethiopia, while conducting their study on board committees and the performance of MFIs AC used of panel data analysis, came up with the findings that the size of AC has a lot to contribute to the performance of the firm

Ngo and Le (2021) in Vietnam, used regression analysis while studying the relationship between AC and the profitability of listed companies. The study concluded that independence positively influenced the organization's performance. However, AC's financial expertise and size were inversely related to its best performance. However, the study did not examine how the size of the AC and the educational background affected the firm's performance. Tuko (2018) examined the consequence of corporate governance on financial performance of the selected MFIs in Hawassa City. The findings realized that board size has a negative relation while educational qualification had a positive effect to the performance of MFIs. Nevertheless, the study did not examine how AC members' independence and working experience influence the MFIs performance.

In Nigeria, Eriabie (2016), while using Ordinary Least Squares (OLS) regression in the study of the influence of AC characteristics on the quality of financial reporting in Nigerian quoted companies. The study came up with findings that financial literacy, independence, and size had a positive significant effect on performance. Though the study did not focus on MFIs, it focused on listed companies, not MFIs. Gbegi et al. (2018) assessed the influence of financial performance and corporate governance of listed deposit money banks, realized that AC independence has a positive but insignificant effect on financial performance. The study found that AC size had a negative but significant relationship with financial performance. However, the study concentrated on listed banks and ignored the MFIs. Typically, the study ignored educational background and working experience.

Babatunde et al. (2022) used linear regression analysis descriptive and inferential statistics and found that AC competence harmed the firm's performance in Nigeria. However, the study did not examine the AC members' working experience, academic background, and independence. However, the study did not examine the size of the AC, educational background, and independence of AC as among the factors influencing the firm's performance.

Mashiya (2016) in Kenya studied the determinants of financial performance of MFIs.

However, the study ignored the academic level, working experience, AC size, and independence of the AC members in the performance of MFIs. Ali et al. (2021) in Pakistan applied a two-stage least square (2SLS) in their study of corporate governance and firm performance with the evidence from listed firms of Pakistan. The study concluded that large size and independence of AC led to outperformance even though the study ignored academic level and working experience, the study also, concentrated on listed non-financial firms on the Pakistan Stock Exchange (PSE).

# The Research Gap

The literature reviewed in this research provided evidence that various researchers were interested in AC's role in the performance of MFIs. Nevertheless, several gaps are recognized within these studies. Eriabie (2016) revealed that financial literacy, independence, and size positively and significantly affected the performance of firms listed in the Nigerian stock market. Similarly, Gbegi et al. (2018) realized that AC independence positively and insignificantly affected commercial banks' financial performance, while AC size had a negative but significant relationship with financial performance in Nigeria.

Musoke et al. (2017) conducted their study in Uganda, Al-Baidhani (2014) conducted in Malaysia, Sheikh (2021) in Kenya, Kivaya et al. (2020), Dato et al. (2018) conducted in Ethiopia, Hussain et al (2022) in India and Okeke et al. (2019), Babatunde et al. (2022) and Isa (2017) in Nigeria and Larasati (2019) in Indonesia where are typically outside Tanzania which inspires to conduct a further study on AC characteristics in performance of SACCOS within Tanzania environments.

Some studies focused on general firms and listed companies as well as construction industries, such as Al-Baidhani (2014), Erabie (2016), and Hussain and Abdul (2018). While some studies like Kimani et al. (2021) were done in MFIs, they were selective to deposit-taking only, and Moenga (2015) analyzed both deposit and non-deposit-taking MFIs. As these studies were conducted outside Tanzania, it isn't easy to generalize the concept as they captured the environment outside of Tanzania. Solomon (2021) of Tanzania assessed the variables under the study. However, the study was conducted in other MFIs and not SACCOS per se, which makes it difficult to generalize the subject matter in SACCOS. Therefore, the literature review shows that no specific study was conducted in Tanzania aiming directly to look at AC size, independence of the AC members, educational background of the AC members, and their working experience as determinants of SACCOS's performance.

# The Conceptual Framework

The conceptual framework is the structure that presents the relationship between the variables of the study (Kumar, 2018). This is commonly developed based on a literature review of existing studies and a theoretical framework for the study. Figure 2.1 hereunder explains the relationship between the independent variables, which are independence, size, educational level, and working experience of the AC members. The dependent variable is the performance of SACCOS, which is measured by its profitability. Therefore, the relationship between the study variables was that independent variables, which are independence, educational background, size, and working experience, influence or affect the performance of SACCOS, which is the dependent variable.

**Figure 2.1: Conceptual Framework**

**Independent Variables Dependent Variable**

Performance of SACCOS

(measured by profitability index)

Independence

Educational background

Size of the AC

Working experience

**Source**: Empirical literature review synthesis (2023)

**CHAPTER THREE**

# RESEARCH METHODOLOGY

# 3.1 Overview

This chapter expounds on the research methodology used in this research. The study included research philosophy, research approach, research methods or design, research strategies, study area, target population, sampling and sample size, time horizon. The study also involves data collection methods, data analysis, validity and reliability, variables and measurement, study limitations, and eventually, research ethical issues considerations.

# Research Philosophy

According to Saunders et al. (2019), research philosophy is a term used to describe a set of assumptions and attitudes toward the growth of knowledge. Knowledge was gained when collected data were processed and used to address various research questions for a specific topic. Positivism, interpretivism, and pragmatism are the three research philosophies used in social science studies.

Merriam and Tisdell (2015) argued that the foundation of interpretivism is the idea that reality is arbitrary, complex, and socially produced. The strength of interpretivism was that it guaranteed high validity in study findings by employing qualitative research methods. However, this philosophy had a weakness in using a small sample size, whereby its results could not be extended to the entire population, and it had low reliability as the research could not be repeated by other researchers. This is because each form of research has a particular circumstance.

Interpretivism philosophy was applied since the study was qualitative in nature. Thus, it allowed a researcher to conduct the study in a very natural setting, which permitted personal contact with the participants. This may enable them to be subjective with different perspectives, which in turn assisted in obtaining views about a studied phenomenon.

# Research Design

According to Lelissa (2018), research design refers to prearrangements or planning of the conditions for data collection and analysis that aim to combine relevance to the research purpose with low-cost techniques. Research designs are divided into three categories: exploratory, explanatory, and descriptive. These are categorized according to the purpose of the study and depend on the designed research questions.

Therefore, this study employed an exploratory research design because there was little information, and few studies were conducted on the subject matter. Also, in exploratory design, issues were quickly identified by study participants and guides for further studies. However, the exploratory design failed to draw an independent conclusion about the study and hence cannot be relied upon (Hennink et al., 2020). Furthermore, exploratory research is desirable as far as qualitative study is concerned and thus may serve the researcher’s needs better since it is typically associated with the generation rather than the testing of theory.

# Area of the Study

The choice of conducting the study in the Mbeya City Council within the Mbeya region of Tanzania holds significant justification. First and foremost, Mbeya City Council represents a vibrant urban center within the Southern Highlands Zone, offering a microcosm of economic, social, and demographic dynamics prevalent across Tanzania. With a substantial population of 2,343,754 and a growth rate of 2.7% over a decade, according to the National Bureau of Statistics (NBS)'s 2022 census data, the Mbeya City Council presents a rich context for examining the performance of SACCOS.

Additionally, being situated along the Tanzania and Zambia railway (TANZAM), the region enjoys strategic geographical positioning, likely influencing economic activities and financial services provision, including the operations of SACCOS. Focusing on the Mbeya City Council allows for a deep understanding of how the characteristics of audit committees impact the performance of SACCOS within a specific urban setting, contributing valuable insights to the broader discourse on cooperative finance and governance in Tanzania.

# Target Population

Decarlo (2018) defined populationas the entire set of cases from which a sample is drawn. Also, it cemented that all the research questions address the needs of the target population while translating the problem statement into a specific statement. The research targeted a population of six (6) registered SACCOS operating within MCC. Two (2) of which were the best performing SACCOS and the other four (4) of which were the least performing SACCOS. The researcher selected these SACCOS because they enabled comparison of the results of exploring the AC characteristics and performance of SACCOS based on the best and least performing SACCOS.

# Sampling Procedure and Sample Size

The following section presents the sampling design used by the study.

# Sampling

Gentles (2015) defined sampling as the process of selecting subsets of people to be researched from the large target population to which they belong. The study adopted purposive sampling, a group of non-probability sampling techniques in which units were selected because they had characteristics required for the study.

# Sample Size

This study used a sample size of fifteen (15) respondents comprising the managers of SACCOS, Internal Auditors, Accountants, and the BoD of SACCOS regarding AC members named as Supervision Committee of SACCOS and characteristics of the AC at large. Therefore, the selected sample was adequate to meet qualitative analysis as far as the study was concerned.

# Data Collection Methods

Qualitative research emphasizes on in-depth explanation, seeking to explore complex phenomena and understand the intricacies of human experiences, perspectives, and behaviors (Herrero-Arias, 2021). Given the focus of this study on examining the characteristics of audit committees (AC) and their impact on the performance of SACCOS within the specific context of Mbeya City Council in Tanzania, a sample size of fifteen (15) respondents comprising managers of SACCOS, internal auditors, accountants, and members of the Board of Directors (BoD) was deemed appropriate and sufficient.

Qualitative research prioritizes the richness and depth of data obtained from participants, rather than the quantity of participants. By targeting key stakeholders directly involved in the operations and governance of SACCOS, such as managers, internal auditors, accountants, and members of the BoD, the study captured a diverse perspectives and insights essential for understanding the intricacies of audit committee characteristics and their influence on SACCOS performance. Additionally, focusing on a smaller sample size allows for in-depth exploration through techniques like semi-structured interviews or focus group discussions, enabling researchers to explore deeply the participants' experiences, perceptions, and interpretations.

# In-depth Interview

Kramer et al. (2019) argued that an in-depth interview is an effective qualitative method for making participants present their feelings, experiences, and opinions of how people interpret things. Hence, the study involved in-depth interviews to collect primary data because this instrument provides a clear view of the participants’ perceptions of the study problem. As Saunders et al. (2019) recommended, an in-depth interview is helpful when using semi-structured questionnaires to extract genuine information from respondents. In line with the data collection method, the researcher used a semi-structured checklist of questionnaires and a tape recorder as data collection tools.

# Variables and Measurements

# Variables

This study analysed the influence of audit committee characteristics on the SACCOS'

performance in specifically within the Mbeya City, Tanzania. Variables were extracted from literature suggesting their potential influence on organizational governance effectiveness and financial performance. Through a comprehensive analysis of these independent variables, the study aimed to elucidate the extent to which the composition and attributes of audit committees impact the overall performance of SACCOS in the Tanzanian context. The independent variables were audit committee (AC) members' working experience, independence, educational background and audit committee size.

By employing both dependent and independent variables, the study examined the complex interplay between audit committee characteristics and SACCOS performance, aligning with Creswell's (2018) emphasis on incorporating multiple variables to provide a comprehensive understanding of research phenomena. This approach facilitates a detailed exploration of the factors contributing to SACCOS performance, thereby enriching the existing body of knowledge on cooperative finance and governance dynamics in Tanzania.

# Measurements

Aacharya (2022) measurement is the process through which the researcher describes, explains, and calculates the phenomena. Measurement was essential in research as it enabled the researchers to quantify the study's variables. Table 3.1 indicates the types of the variables and measurement indicators.

**Table 3.1: Variables and Measurements**

|  |  |  |
| --- | --- | --- |
| **Variables** | **Sources** | **Data analysis** |
| Performance of SACCOS (Dependent variable) | Musoke et al. (2017) | Thematic analysis |
| The level of formal education of audit member | Al-Baidhani (2014) | Thematic analysis |
| The level of independence of audit member | Babatunde et al. (2022) | Thematic analysis |
| Working experience | Ngo and Le (2021) | Thematic analysis |
| Audit committee size | Dato et al. (2018) | Thematic analysis |

**Source:** Literature review

# Data Processing and Analysis Methods

The following section describes the data collection and analysis procedures.

# Data Processing

By the guidance provided by Kramer et al. (2019), data processing plays a pivotal role in ensuring the credibility of scientific studies, particularly in facilitating the necessary comparisons and analyses. Data processing encompassed several key stages, including data editing and classification, according to themes. Initially, data editing involved reviewing and verifying collected data to identify and rectify any inconsistencies, errors, or missing information. This step was crucial in enhancing the accuracy and completeness of the dataset, thereby minimizing the risk of bias or misinterpretation during subsequent analyses.

# Data Analysis

Building upon Mende's (2022) definition, content data analysis is a comprehensive methodological approach to extracting, summarizing, and interpreting written data, encompassing various forms of textual information to distil key insights and messages. As far as this study is concerned, qualitative content analysis was employed, specifically utilizing manual thematic analysis techniques to analyse the collected data. The analysis aimed to capture the explicit content of respondents' responses and the underlying contextual meanings embedded within their expressions. This qualitative approach allowed the researchers to identify recurring themes, patterns, and insights that elucidated the research phenomena under investigation.

# Data Validity and Reliability

Data validity and reliability are essential in determining the accuracy, trustfulness, and quality of scientific research. Regarding valid and reliable data, this study provided relevant, sufficient, and consistent information to analyse the study.

# Data Trustworthiness

As per Patton (2017), trustworthiness refers to how researchers assure themselves and their readers that the study results are worth enough attention. Therefore, trustworthiness in the principal goal of research is based on validity and reliability, and it must be judged at the time and after the study. This study achieved trustworthiness by establishing a well-coding of the qualitative data and classifying the data into themes. Correctly repositioning the data based on the themes promoted the study's trustworthiness.

# Data Credibility/Validity

According to Rosen et al. (2019), data validity is the magnitude with which a test

measures what one desires to measure, which is sometimes regarded as credibility. As far as validity is concerned, it is regarded as the most severe standard; it indicates the point to which the tool measures what is supposed to be measured. Therefore, this study's validity was assessed using theoretical approaches, which focused on how well a theoretical concept was transformed into an operational measure. The variables of the study were also derived from the previous studies and this enhanced the credibility of the research.

# Data Dependability/Reliability

Data reliability is the extent to which data collection techniques yield consistent findings similar to those of other researchers (Moon et al., 2017). Also, qualitative research design reliability is a quality measure of the consistency of research findings and the extent to which the study processes are documented, whereby someone who did not participate in the study can make a follow-up, examine, and criticize the process. The data enhanced reliability by comparing the findings with those of the previous studies.

# Data Transferability/ Generalizability

Transferability is the degree to which qualitative research findings can be transferred with other respondents to other contexts, also referred to as generalizability. Achieving data transferability or generalizability involves demonstrating the extent to which findings can be applicable in other relevant studies. To enhance transferability, detailed description and purposive sampling of respondents must be considered. Purposive samplingis a sampling technique used in the natural setting of the study as it enables the selection of individuals or organizations with specific requirements for responding to research questions. Hence, purposive sampling provided the most excellent in-depth outcomes compared to other probability sampling methods (Kamuru, 2022). Detailing the data and analysis processes promoted the availability of exact data. Using the variables from the theory also promoted the study's transferability. Therefore, the study assures that transferability is enhanced to the large extent that detailed descriptions of data were collected from the purposive sampling method. Purposive sampling was conducted to obtain respondents who were suitable for the study.

# Data Confirmability/Objectivity

Confirmability is reached when credibility, dependability, and transferability are achieved, such that the researcher should reason for the study's theoretical, analytical, and methodological choices to allow others to ascertain how and why the decisions were made. This agreement states that the researcher must interpret the data obtained and show clearly how the interpretation of the findings is made (Nowell et al.,2017). Data confirmability or objectivity was enhanced using the in-depth data collection technique properly. Moreover, using data analysis procedures applied by previous scholars, adopting the variables from previous studies, and using the SACCOS and qualitative research experts promoted the study's objectivity.

# Research Ethical Issues Consideration

Akaranga and Makau (2016) defined research ethical issues as the norms to ensure the enhancement of the research purpose. Bell et al. (2022) stated that the researcher is not required to treat people unfairly or badly during the study. The researcher should neither harm the respondent by any means nor use the data discovered in the study to harm people.

Some of the ethical dilemmas the researcher adhered to included simple ethical principles such as negotiating terms of reference with the organization, the right to privacy, confidentiality agreements, informed consent, preventing deceptions, confidentiality, and anonymity, permission to use voice recorders, data storage, conflict of interest, and misuse of research.

This research adhered to all ethical matters, such as requesting the consent of the respondents to participate in the study such that nobody was forced to be a part of the study, but their free will was judged accordingly. For instance, some were ready to respond but not to be recorded; some made a total refusal on responding until the end of the data collection period. Furthermore, the researcher obtained a clearance letter from OUT to conduct this study at MCC, and a letter from the MCC management to conduct a study within their locality and maintain the confidentiality of their information and their identification of responses. Generally, all of these facilitated getting the most accurate information that was genuine for concluding the study while solving the research problem identified in the community. Last but not least, the researcher avoided data fabrications, falsification, and plagiarism throughout the process to the point of concluding the study.

# The study Limitations

The study was hindered by time and financial resource constraints. Time was the

major constraint as various appointments were postponed by the intended respondents, leading to a slow pace of data collection, analysis, and reporting. Also, the researcher was supposed to conduct interviews depending on the convenience of respondents, traveling expenses incurred enabling to move from one point to another for data collection through in-depth interviews, and the cost of purchasing tools for data collection such as tape recorders and stationeries. Not only that but also, as the study intensively covered the AC characteristics and performance of SACCOS in Tanzania, having a case of six (6) SACCOS operating within Mbeya City, the findings obtained are not adequate and capable of concluding concerning the entire SACCOS in the country as whole.

# CHAPTER FOUR

# DATA PRESENTATION AND DISCUSSION

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# Chapter Overview

This presents and analyses data in four dimensions concerning the study's general objective of the AC characteristics and performance of SACCOS in Mbeya City Council while articulating the four dimensions of specific study objectives. Firstly, the educational background and level of the AC members and the performance of SACCOS. Second, the influence of AC independence on the performance of SACCOS. The third theme is the effect of the AC on the performance of SACCOS. Lastly, the influence of AC members' experience on the performance of SACCOS in MCC is also discussed. The data was collected through interviews with sampled participants.

# Demographic Information

The following section presents the results of demographic factors based on age, sex, educational background, and position of the 15 participants from the sampled study population. Therefore, while articulating and looking back to the previous studies, Babatunde et al. (2022), in their study titled AC and firms’ performance in Nigeria, used a sample of 51 listed groups. Meanwhile, Dato et al. (2018) used a sample of 21 MFIs. Collins (2014) also used a sample of 35 respondents from seven MFIs in his study in Kenya. Our study used 15 participants as recommended by Yunitasari et al. (2023).

# Age

The respondents' age is a vigorous factor in determining the study's results (Connelly, 2013). Therefore, this study involved respondents of the age of majority ranging from 18 to 50+ years old, as shown in Table 4.1, which presents the age information of the respondents who participated in the study. These results regarding the respondents' age are similar to those of Magali (2022), whose respondents ranged from 18 to 60. Therefore, this implies that respondents are from the working age.

**Table 4.1: Age of Participants**

|  |  |  |
| --- | --- | --- |
| **Age range (Years)** | **Frequency** | **Percentage** |
| 18-30 | 3 | 20 |
| 31-40 | 7 | 47 |
| 41-50 | 3 | 20 |
| 50+ | 2 | 13 |
| **Total** | **15** | **100** |

**Source:** Field data September, 2023

# Sex

Respondents' sex is vital in discerning the pattern in the qualitative study (Connelly, 2013). This study involved both males and females. As shown in the table below, 60% of respondents were females, and 40% were males. Therefore, while articulating and looking back to the previous studies, supported by Magali (2022), who found that 40.3% were males while 59.7 were females. It implies that most females perform management roles in SACCOS as part of women's empowerment while attending to the marginalized and excluded from conventional financial services.

**Table 4.2: Sex of Participants**

|  |  |  |
| --- | --- | --- |
| **Sex** | **Frequency** | **Percentage** |
| Male | 6 | 40 |
| Female | 9 | 60 |
| **Total** | **15** | **100** |

**Source:** Field data September, 2023

# Educational Level

The educational level of respondents is an essential pattern of the qualitative study (Connelly, 2013). This study shows that most SACCOS staff had an advanced secondary level of education, followed by college level, then ordinary secondary school level, and few with primary education, supported by a previous scholar. For instance, Collins (2014), in his study, which used a sample of 35 respondents from seven MFIs, indicated that most respondents possessed a formal education in Kenya. Therefore, both studies show that well-educated management members of SACCOS contribute to an overview of SACCOS's performance.

**Table 4.3: Educational Level of Participants**

|  |  |  |
| --- | --- | --- |
| **Educational level** | **Frequency** | **Percentage** |
| Primary education | 2 | 13 |
| Ordinary Secondary education | 4 | 27 |
| Advanced Secondary Education | 6 | 40 |
| College and University Education | 5 | 33 |
| **Total** | **15** | **100** |

**Source:** Field data September, 2023

# Position

Apart from the education level of participants, their position in their SACCOS' was also considered. The study involved accountants, internal auditors, chairpersons of the BoD, and Managers. Their positions determined their understanding and perceptions regarding the study. It concurs with the positions of the sample determined by Hezron and Muturi (2015), who used 23 branch managers, equivalent to 33.3%, 23 Credit managers, equivalent to 33.3%, and 23 Accountants, equivalent to 33.3% of the total respondents. The findings signify that the respondent's position in the study promotes the attainment of the desirable results.

**Table 4.4: Position of Participants**

|  |  |  |
| --- | --- | --- |
| **Positions** | **Frequency** | **Percentage** |
| Chairperson | 3 | 30 |
| Manager | 7 | 47 |
| Accountant | 2 | 13 |
| Internal Auditor | 3 | 20 |
| **Total** | 15 | **100** |

**Source:** Field data September, 2023

# Data Analysis

# Level of Education and Performance of SACCOS

The following question was asked to trace the education level of AC on the performance of SACCOS: What is the educational level /background of the members forming the AC of your SACCOS?

The researcher interviewed different participants from different SACCOS in Mbeya City Council, whereby the interviews indicated that the educational level of members of the AC ranges from primary school level to university level. Respondent No. 07 from the least performing SACCOS commented that when appointing members of AC, members are chosen based on their reading and writing capacity, from standard VII educational level to university level. So, at the SACCOS, education level does not matter; what matters is the integrity of the member in undertaking their duties. This was clarified by respondent No. 5:

*"*In our SACCOS, education level does not matter; what matters is the integrity of the member to undertake their duties, being a standard VII with the capacity of reading and writing is enough …” (Interview field data, MCC September 2023).

On the other hand, respondent No.04 from the best performing SACCOS commended that at their SACCOS, AC members have educational level beginning from secondary school education to the university level, and added that those AC members of the university or college level one is coming from the finance cadre. For example, respondent No. 4 revealed that

“… In our SACCOS, we consider AC members' education level and professional background. We usually appoint AC members with education levels from secondary to university. Currently, we have one AC member with a secondary school education level and two AC members with university qualifications. Among the three members, one AC member is an accountant. …” (Interview field data, MCC, September 2023).

This question was also asked to assess the appointment of AC members in various SACCOS: Did the SACCOS appoint the AC members based on their education level and background? Did they submit their CVs and certificates to SACCOS management before the appointment?

Respondent No. 04 commended that during the appointment of the members of the AC, the educational background had been used as the criterion to obtain one member among the three members of the AC such that one member was to be one of the finance cadres. The respondent cemented that certificates and curriculum vitae for contestants were submitted to the SACCOS for review during the search.

Respondent No. 01. on the other hand, commended that educational background was not considered when searching for AC members. Instead, the AC members were required to know how to read and write. In the same case, respondent No.02 remarked that education may be a critical case, but the SACCOS wants the members of AC to be honest and have integrity and have a pinch to SACCOS their SACCOS. Respondent No. 01 revealed, “…We require the AC member to be capable of reading and writing; thus, in our SACCOS, we begin with STD VII class of primary school education as offered in Tanzania …” (Interview field data, MCC September 2023).

To trace if there was any case whereby SACCOS failed to perform due to poor or low level of education, the researcher asked this: *Can you give cases where AC members failed to perform because of a poor/low level of education or irrelevant educational background?* Respondent No.10 said that in their SACCOS, sometimes performance was poor due to a lack of members with a background in finance, as every member was new in their undertakings and hence relied upon management to go through their responsibilities. Respondent No. 14 stated,

*“……..There is a case in our SACCOS that our AC members failed to perform due to their education background such that in their first tenure nobody was conversant with AC activities as well nobody had the background of finances to assist fellow members obtaining a start-up area hence they failed to hold Audit Committee Meetings regularly ..…”*(Interview data, Mbeya City, September, 2023).

Respondent No. 11 commented that the SACCOS did not perform to the best of its

ability due to the educational background of members of AC in such a way that they failed to understand the audit procedures. They failed to interpret financial statements in a way that influenced the performance of SACCOS. Respondent, No. 04 opposed that AC failed to perform their duties due to academic background as their team of three members one is of finance cadre. In contrast, others come from different cadres with different academic levels, starting with secondary school education.

“There is no case that our AC members failed to perform due to their education background as one member out of three was of finance cadre ..…” (Interview data, Mbeya City, September 2023).

The following question was asked to trace the general influence of the education level of AC on the performance of SACCOS: “How does the educational level of a member of AC influence the performance of your SACCOS?” Respondent No. 04 commented that *“The educational background of members of AC influences the performance of SACCOS by making keen financial judgments. However, these attributes cannot stand alone as a factor contributing to the performance of SACCOS”*. Also, Respondent No. 14 commented that *“The educational background of members of AC influences the performance of SACCOS, such that they have contributed to the preparation and presentation of financial statements”.*  Hence, the intake of members with educational financial backgrounds delivered high-impact and sustained results. This respondent highlighted that

“Educational background of members of AC influences the performance of SACCOS such that at our SACCOS during intake of AC members with educational background in finances delivered the high impact and sustained results thus lead to renew of their tenure after the lapse of first tenure” (Interview data, MCC, September 2023).

Respondent No. 14 commented further, *“The educational background of members of AC has merely influences the performance of our SACCOS such that they have contributed to providing education to the BoD and Management of SACCOS. They are advisors on issues related to financials, as well as in the interpretation of financial statements”*. Respondent No. 14 additionally commented,

*“For our case, the educational background of AC members is of great influence to the performance of SACCOS as they work on behalf of members and BoD in providing advice and education based on finances in terms of presentation and interpretation of financial figures and facts”*(Interview data, MCC, September 2023).

On the other hand, respondent No. 01 commended that *“Education level and background are not alone that promote the performance of SACCOS. But additionally, the newly appointed AC members are provided with induction training on supervising and auditing the SACCOS”*. He further highlighted that

*“For our case, educational background of members is an initial tool that promote the performance of SACCOS. However, upon the appointment of new AC members are trained in basic finance and accounting matters.”*(Interview data, MCC, September 2023).

# The Effect of the Educational Background of AC Members on the Performance of SACCOS’ in Mbeya City Council

So far, the study has explored the AC characteristics and performance of SACCOS in MCC. Various respondents were interviewed from different SACCOS’ within the MCC based on the effect of the educational background of the AC members on the performance of SACCOS. Respondent no 9 declared *“At least one AC member should have a background in finance or accounting. Even though induction training for newly appointed members contribute to the performance of SACCOS, educational background has played a significant role”.*

On top of that, several best-performing SACCOS found that their success in terms of profitability has been contributed by the AC members who are professionally and technically grounded in accounting as they are capable of making financial judgments and interpreting financial items. For example, respondent No.04 revealed that:

*“Our success in terms of profitability and overall performance at large is a result of one of the AC members who has a background in finance as played a great role in making genuine financial judgment….”*(Interview field data, MCC, September 2023).

Respondent No.01 revealed that:

*“*Although the educational background of AC members is not a criterion for their appointment in our SACCOS, we ensure that we have at least one AC member with knowledge of finance. So that they can see bad things before they become worse…”  (Interview field data, MCC, September 2023).

Though most respondents did not receive support from the least performing SACCOS, they declared that their underperformance may result from a lack of financial expertise in their SACCOS. From the respondents’ comments, it was evident that having members with educational backgrounds in the field of finances has a positive influence on the financial performance of SACCOS, implying that the absence of these members leads to underperformance and vice versa. For example, respondent No. 15 revealed that “…Our AC SACCOS lack knowledgeable members on AC matters, these could see things before they become worse …” (Interview field data, MCC, September 2023).

The findings concurred with Alqatamin (2018), who explored Audit committee effectiveness and performance of company in Jordan. The study indicated that there was a close relationship between the academic background AC and the performance of the company. The study concluded that appointment of members of AC with an educational background in accounting or the related field of finances added value to the successful performance of MFIs including SACCOS. Similarly, Eriabie (2016) insisted that financial literacy had a positive significant effect on performance. Thus, when appointing members of AC, consideration should be given to ones with financial literacy. This action promotes better understanding and interpretation of financial information.

# Independence and Performance of SACCOS

The subsequent question was asked to confirm the independence of AC members: *How does SACCOS ensure the independence of AC members?*

Respondent No. 04 pronounced that “*The independence of the AC members at our SACCOS is ensured by protecting them from forces of top management”*. On the other hand, respondent No. 14 cemented that *“At this point, AC members are free to discuss any loan defaulting issues. Therefore, their independence is enhanced to address the issue without compromise when they find weaknesses in SACCOS operations.* *On top of that, the AC members are free to prepare and present their reports concerning their duties to ensure their accountability as stipulated in the SACCOS guidelines”.* This is emphasized by Respondent No. 13, by stating, *“……………. AC members at our SACCOS are free to discuss any issue. They can address defaulting issues even though taken by the spouse, family members, or any member related by either blood or adoption. This is often done by declaring an interest and being quitted to discuss.……...”*(Interview data, MCC, September 2023).

To obtain an overview of AC members' independence, the researcher questioned: Are AC members free to discuss issues without fearing their consequences? Can you mention some negative cases as examples? Many respondents pronounced that their AC members are free to discuss any issues without fearing the consequences that may harm their relationship with the members. Also, it was expounded that members of AC have been acting with due diligence, working for the SACCOS's interest and not for their interests. It was remarked that AC members are very open to discussing anything that may harm SACCOS' performance. Hence, regardless of the consequences, they can speak black and white. It was remarked by respondent No.13, who stated that "… At any point of time, AC members are speaking black and white for the public interest and not for personal interest. And this has contributed to the performance of our SACCOS at large …" (Interview field data, MCC, September 2023). Respondent No.14 started that, “*Even though the AC members are independent enough to discuss issues without fearing the consequences, their independence is still faced with the threat of familiarity, personal conflict, and self-review. This happens at one point of time when AC members discuss their loans, the loans taken by family members, and upon reviewing the mistakes led by themselves”.*

The subsequent question was asked to hint at the general influence of the independence of AC members on the performance of SACCOS: *How does the independence of a member of AC influence the performance of your SACCOS?* From the respondents' perspectives, AC members' independence significantly contributed to SACCOS' performance. Respondent No. 07 argued that “*The mistakes made by the management of SACCOS and ascertained that the AC members were taken positively for improvement of SACCOS. These were done during the reconciling of raised items”.*

Respondent No. 08 cemented that

“*The independence of the AC members contributed to the performance of their SACCOS because the weaknesses identified by members of AC were taken positively, and improvements upon their recommendations and advice were taken care of before being presented to the BoD”.*

# The Effect of Independence of the AC on the Performance of SACCOS’ in Mbeya City Council

The study also sought to explore the effect of AC's independence on the performance of SACCOS in MCC. The study found that most, if not all, of the SACCOS AC members belong to the SACCOS they work for. In the eye of research, this is an indicator that the independence of AC members was impaired by conflict of interest; hence, they were required to put in place controls that could safeguard the situation.

From the respondents' commentaries and the researcher's observation, even though AC members were free to discuss issues without fearing the consequences, it was evidenced by AC members, their independence might be impaired as they all belong to the members of SACCOS. Also, some of their family members belong to the same SACCOS. This might result in the underperformance of SACCOS as they exercise self-reviews and were possibly subjected to conflict of interest; as per human nature, they cannot disclose the mistake they had caused.

The finding was in line with the findings of Saat (2015) and Alqatamin (2018) who indicated that in order to ensure the effectiveness and best performance of SACCOS, the AC members must be independent or accessible from the influence and pressures of top management. Also, an independent AC executes better than a less independent committee.

Furthermore, these findings are concurred by Naimah (2017), who found that there was a positive association between independent AC members and profitability, a proxy for company performance such that ACs that consisted of independent members who were the outsiders from the organization were taking charge without impairing the independence which could be termed as a conflict of interest in professional eyes.

Respondent No.13 stated,

“Currently all AC members are members of SACCOS. This is under the SACCOS guidelines. But their presence influences accountability to all people related to SACCOS, including Management, BoD, and employees…” (Interview field data, MCC, September 2023).

The findings indicated that all SACCOS in MCC have AC members of the same SACCOS. The result from the analysis, even though it is an impairment of independence, is that AC members still work independently by declaring interest when it comes to a moment to discuss the issues related to themselves or the family members belonging to the same SACCOS. On the same matter, according to the remarks of respondent No.10, who revealed that

“Independence of AC promotes the transparency in the operations of the SACCOS. Thus, safeguard to the assets of the SACCOS. AC members are capable of detecting the upcoming risks to affect the performance of SACCOS and thus help to stand as a first eye of the BoD.…” (Interview field data, MCC, September 2023).

The comment was enlarged by respondent No.08, who cemented that

“*The independence of the AC members contributes to the performance of their SACCOS since the weaknesses identified by AC members are taken positively. Improvements upon their recommendations and advice are taken care of before being presented to the BoD*”.

Respondent No. 08 revealed that “…In our SACCOS we enhance independence by taking consideration each advice made by AC members to the management team and this promote performance of SACCOS and revealed weaknesses are corrected once……” (Interview field data, MCC, September 2023).

Respondent No. 03 commented that *“Independence of AC alone does not improve SACCOS' performance.* *However, profitability results from the accountability of AC members, BoD, employees, and management*. The findings correspond with the findings of Ofoeda (2017) in Ghana and Eriabie (2016) in Nigeria, who agreed with this study by revealing that the independence of the AC members had a positive influence on the performance of financial institutions. Conversely, this study's findings contradict those of Nelson and JKUAT (n.d) of Kenya, who found that poor independence of AC harmed financial reporting among the selected SACCOS in Kisii, Kenya.

# Size of the AC and Performance of SACCOS

To determine whether size was a criterion for SACCOS’ when looking at AC, the researchers asked the following question: What criteria does your SACCOS use to determine the size of AC? Most respondents from various SACCOS’ remarked that they use guidelines as criteria in determining the size of AC, such that it requires members of SACCOS to be at least three (3), and one must be a professional accountant. These criteria are laws and regulations guiding the operation of SACCOS, such as the volume 03 of the Cooperatives Societies Act of 2013 and internal SACCOS By-laws as approved by the board of directors (BoD) during the annual general meeting (AGM). Therefore, policies as well as regulations and guided the selection AC members for operating SACCOS in Tanzania. Contrary, Respondent No. 15 remarked that,

“*Though we have criteria for appointing the members of AC, our SACCOS did not comply with the criteria set as our SACCOS has neither AC nor BoD, so it is going through a difficult moment of failing to operate well because of poor performance. Meanwhile, we are in a position to resume the operations of SACCOS by adhering to guidelines for forming AC”.*

To obtain the amount of satisfaction on the AC size, the researcher came up with a question about any instance of SACCOS failure due to size: Can you give an example of a situation where the SACCOS failed to perform well due to a higher or lower number of AC members? Respondent No.02 commented that

“*There is a piece of evidence to stand as an example that the SACCOS underperformed due to the small size of the AC since the SACCOS’ have a lot of transactions, which requires the large size of AC to broaden a scope of discussion on technical issues. Additionally, one AC member died while the tenure was still in progress. Still, SACCOS kept progressing without appointing the new member. This made our SACCOS to underperform.*

Contrary Under the same note, respondent No. 09 revealed that “…

First of all in our SACCOS had three AC members who are too many such that they contribute to underperformance as they have financial implications to SACCOS. The AC members are obliged to allowances on various activities hence such expenses increase operational cost and decrease the profits well...” (Interview field data, MCC, September, 2023).

The researcher asked a general question about the influence of AC size on SACCOS performance: “How does the size of AC influence the performance of your SACCOS?” Respondent No. 13 claimed,

*The size of AC members influences the performance of SACCOS' as they are supported by the presence of the internal auditor involved in the daily operational activities and regarded as an eye for AC. Moreover, a similar respondent remarked that the size stipulated in the guidelines for running SACCOS is enough to cater to the sense of accountability and increase effectiveness and efficiency as few members implement their responsibilities effectively and on time.*

Respondent No. 14 remarked that

*The size of AC simplifies the distribution of work among the members of SACCOS. Hence, the size may save time when reviewing and presenting reports. Thus, the performance of SACCOS is assessed not only by profitability but also by timely report delivery of reports to respective authorities.*

This finding was in line with the findings Olick (2014) and Hussain and Abdul (2018) of Malaysia; while studying the effect of corporate governance practices on the financial performance of MFIs Bank in Kenya and Malaysia. The studies found that the board size and the AC size had a positive influence to the financial performance of MFI. Also, Mashiya (2016) in Kenya found that AC size is a factor that determined the performance of MFI in Kenya.

# The Influence of the Size of the AC on the Performance of SACCOS

Regarding the influence of the AC on SACCOS’ performance in Mbeya City Council, the various interviews were conducted with different respondents evidenced that SACCOS had a minimum of two or maximum of three members of AC following the regulations and guidelines as well as laws of SACCOS in Tanzania. These minimal numbers stipulated by regulators influence the performance of SACCOS. These members work every quarter, not routinely, as evidenced by the comments from respondent No. 06, who revealed that

“We usually have three AC members who supervise the SACCOS for the best performance. These members take on their responsibilities quarterly and four times per year…”  (Interview field data, September, 2023).

On the other hand, according to the comments of respondent No.01, who opposed by saying that,

“For our case size of AC members leads to underperformance as they have financial implications with costs associated with supervision. These costs reduce the profit of SACCOS which is an indicator of underperformance…” (Interview field data, MCC, September 2023).

With the accompaniment of the researcher's observations, the size of AC members was very reasonable in influencing the performance of the SACCOS. In the best-performing SACCOS, the researcher noticed that the members of AC performed well due to the support of the internal audit function available to the SACCOS. This made the duties of AC to be easy. This was evidenced by respondent No.04, who commented,

"Our SACCOS is giant but has three AC members who are very competent enough to carry out their duties. The work of AC members is simplified by the Internal Auditors who execute daily routine activities to rectify errors on behalf of the AC …" (Interview field data, MCC, September 2023).

Additionally, one of the interviewed respondents supported that having few members of AC leads to underperformance, as evidenced by one SACCOS which underperformed when one AC member of died while is on the tenure. The two remained members underworked.

"In our SACCOS there is evidence that the SACCOS slowed down due to the small size of the AC as it had many transactions which require the large size of AC to broaden a scope of discussion on technical issues……." (Interview field data, MCC, September 2023).

These results concur with the findings of Ruto et al. (2017) who revealed that AC’s composition and level of independence influenced the financial performance of selected SACCOS in Kenya. Additionally, Malyshev et al. (2022) emphasized that AC effectiveness increased positively the organization's performance.

Moreover, most of the respondents' comments and the researcher's observations evidenced that SACCOS in MCC had been implementing the regulations issued by regulators that required members of AC to be at least three to undertake supervision roles within their SACCOS. Hence, this number is reasonable as they work quarterly to ensure the improvement of the SACCOS. For instance, respondent No. 14 stated,

"Our SACCOS is having at least three members of AC as required by the Cooperative regulations of 2013 and as stipulated in our SACCOS internal by-laws of 2017" (Interview field data, MCC, 2023)

The comment from the respondent indicated that for SACCOS in MCC to perform and remain in the competition, were to maintain the size of AC while keeping track of the size by implementing the mixture of one member with experience. In contrast, others could be all-new; one member has an educational background in finances, while others are from any cadre. This was evidenced by the comments of respondent No. 04, who revealed that

“For better performance at our SACCOS, we have been maintaining the proper mix of members of AC such that one member among the three is a professional in finances while the remaining are from cross-cutting professionals” (Interview field data, MCC, September 2023).

Generally, these findings implied and indicated that cooperative officers continuously monitored SACCOS while members of AC took on their responsibilities as supervisors and overseers of the SACCOS internal controls.

# Working Experience

The researcher also determined whether SACCOS considered working experience a criterion for appointment of AC members and thus asked the following question: “Did you consider the working experience of the members of AC during the appointment?” Respondent No. 06 commended that

“O*ur SACCOS consider working experience as factor in appointing the AC members”.*

Similarly, respondent No. 08 remarked that

*Upon the appointment of the AC members, the SACCOS consider working experience in the field of accounting and finance as long as the appointee is a member of their SACCOS.* *Contrary to the low-performing SACCOS, some SACCOS do not consider the working experience*. *Instead, When the new AC members are appointed, capacity building is done for the appointees.*

This is highlighted by respondent No. 09.

"For us, education background does not matter; we only depend on training offered by the City cooperative office to equip AC members with the knowledge of auditing and supervision. …."  (Interview field data, MCC, September 2023).

To get a clear picture of any failure resulting from AC members' low experience, the researcher asked: Can you give examples of a situation where the AC fails to perform because of its members' low experience?

Respondent No. 10 pronounced that

“*Taking the example of our SACCOS, members with low experience led to poor performance of our SACCOS as members of AC with little or no experience failed to supervise and audit their SACCOS as previously expected”.* *Also, members with low experience are consuming too much time to discuss a small portion of their undertakings.*

Another respondent No. 14 concluded that

“*There are too many delays in the implementation of activities when members of AC are less familiar with their job”*

The researcher asked the following question to examine the influence of working experience to the performance of SACCOS: “How does the working experience of the AC members influence the performance of your SACCOS?” Respondent No. 13 informed that

“*Well-experienced AC members help the SACCOS save time in implementing their responsibilities; hence, time management is well enhanced. Experience also enhances SACCOS to maintain the accuracy and consistency of financial information”*. *Also, the experience of the AC members plays a significant role in the performance of SACCOS as they can prepare, defend, and analyze their reports in a way that even a layperson can understand.*

Moreover, respondent No. 04 stated

*“Experience of the AC influences the performance of SACCOS because make AC members trust their reports regarding the operation of SACCOS. Further the experience of AC members helps to foresee things before they happen and taking charge to rescue any bad situation that has a likelihood of occurrence”.*

Respondent No. 09 remarked that “Our SACCOS, have experienced members of AC with broadened scope of SACCOS laws, regulations and best practices. Respondent No. 07 cemented that well-experienced AC members act as role models for new and first-time appointees. Respondent No. 08 cemented that AC members who serves the second tenure of the appointment is working much better than those working in the first tenure of appointment. These findings are comparable to Nelson and JKUAT (n.d) of Kenya, who found that committee experience had a positive influence on the performance of SACCOS. The findings are contrary to Ali (2021) who disapproved the influence of the working experience on the performance of selected MFIs in Pakistan.

# CHAPTER FIVE

# CONCLUSION AND RECOMMENDATIONS

# Introduction

This chapter presents a summary of the findings, a conclusion based on the findings, and recommendations.

# Summary of the Findings

The findings are summarized based on the results from specific study objectives.

# Effect of Educational Background and Level of Education of Members of AC and Performance of SACCOS in MCC

All respondents remarked that the lack of one AC member who was an expert on accounting and finances led to poor or worse SACCOS performance. This implies that the performance of SACCOS was influenced by the AC members with a financial background, as they could make financial judgments and interpret financial facts and figures. As there are three AC members in each SACCOS, one of them could be technical personnel in finances.

In response to the educational background being a characteristic of AC and the performance of SACCOS respondents, they commented that SACCOS performing well due well educational background of its AC members. The findings indicated that financial experts helped to avoid misstatements of financials, recalculate the financial figures, and make various follow-ups on auditing issues. The results revealed that the best-performing SACCOS in MCC had required educational background, which was a factor which promoted the financial performance of SACCOS. However, the findings designated that the performance of the least performing SACCOS was poor because AC members lacked the required expertise in finance and accounting. The findings further indicated that SACCOS’ with at least one member with expertise in AC performed better than those who lack the financial personnel.

# The Influence of Independence of AC Members on the Performance of SACCOS in MCC

The findings revealed that AC members' independence influenced SACCOS' performance in MCC. Since independent AC members were free to discuss issues without fear of the consequences. They work transparently and have been standing firm to avoid the loss of SACCOS properties. The findings indicated that independence played a vital role in promoting SACCOS' performance as it detected various risks. These initiatives finally improved SACCOS' profitability.

# The Influence of the Size of the AC on the Performance of SACCOS

The findings revealed that the size of AC was a significant factor in the betterment and performance of SACCOS. The findings demonstrated that the larger the SACCOS, the more transactions it performed. However, the findings indicated that government determined the size of the AC through the guidelines of Cooperatives where each SACCOS should comprise three AC members. The findings showed that this number might be too vast for small SACCOS and too small for large SACCOS. The findings further indicated that absence of complete number of AC negatively affected the performance of SACCOS.

# The Effect of the Working Experience of the AC on the Performance of SACCOS in MCC

The findings indicated that the working experience of the AC members greatly the findings demonstrated that experience of the AC members enabled them to have high capacity of interpreting the financial reports and other related issues regarding the undertakings of the SACCOS’. Hence, experienced members of AC greatly influenced the performance of SACCOS as they could make the proper financial judgment and interpret financial information.

# Conclusion

The study's findings revealed that the educational background of AC members emerged as a critical determinant of SACCOS' performance, suggesting that members with higher levels of education brought a breadth of knowledge and skills that enhanced the efficiency and effectiveness of decision-making processes within the SACCOS framework. Moreover, the degree of independence among AC members was a significant contributor, indicating that a balanced mix of autonomy and collaboration fostered innovation and strategic planning, ultimately driving SACCOS' performance. Furthermore, the size of the AC enabled more expertise, leading to more robust governance structures and operational strategies. Additionally, the cumulative working experience of AC members was a crucial component, highlighting the importance of industry knowledge, financial expertise, and leadership capabilities to promote the SACCOS' performance.

# Contribution of the Study to the Theory

# This study contributes to the theoretical understanding of the impact of AC functions on SACCOS' performance. By examining the interplay between factors such as AC members' educational background, independence, size, and working experience, the research describes how AC functions promoted SACCOS’ performance. The following section presents the contribution for each specific objective.

# Effects of Educational Level and Educational Background on the Performance of SACCOS

This factor contributes to Agency Theory by highlighting the importance of aligning AC members' expertise with the financial complexities inherent in SACCOS operations. Members with backgrounds in finance can better understand and analyze financial management matters well. Thus, they can more effectively fulfil their role as agents to the BoD and SACCOS members. Agency Theory posits that agents act on behalf of principals. In this case, the educational background of AC members directly influences their ability to fulfil this role with competence and expertise.

# Effects of Independence on the Performance of SACCOS

Agency Theory underscores the necessity of agents (AC members) operating independently from management influence to effectively represent the interests of principals (shareholders and BoD) and maximize organizational performance. SACCOS can enhance transparency, accountability, and decision-making integrity by ensuring that AC members remain free from managerial control. The findings align with the theory of agency, which emphasizes the importance of mitigating conflicts of interest and promoting agency independence to achieve organizational objectives.

# Effects of Size on the Performance of SACCOS’

The size of the AC impacts Agency Theory by influencing the dynamics of principal-agent relationships within SACCOS. A larger AC can provide diverse perspectives, expertise, and oversight, mitigating agency problems such as information asymmetry and moral hazard. According to Agency Theory, more prominent committees can enhance accountability and governance mechanisms by facilitating more comprehensive scrutiny of organizational activities and decision-making processes.

# Effects of Working Experience on the Performance of SACCOS

Agency Theory suggests that experienced agents are better equipped to fulfil their fiduciary duties and act in the best interests of principals. The working experience of AC members contributes to Agency Theory by promoting effective succession planning, knowledge transfer, and continuity within the organization. Experienced members can provide valuable insights, mentorship, and guidance to newly appointed members, strengthening the agency relationship and enhancing SACCOS performance.

# Implications of the Findings to the Government

Based on this study's findings, various issues are encountering SACCOS within MCC and Tanzania that may necessitate the government's attention. The big challenge included all members of AC belong to SACCOS they work for, which significantly impairs their independence as various scholars recommend that for the effectiveness of any organization, AC member's independence may come from outside the organization and not within the organization as currently done within Cooperative Societies in Tanzania. Therefore, upon reviewing documentation for establishing SACCOS in Tanzania, the government's regulators may review their policies, regulations, and guidelines to assess their weaknesses while benchmarking best practices from other countries. This will increase the improvement and performance of the SACCOS in Tanzania, and Tanzania will be the country for other countries to benchmark.

# Policy Implications of the Findings

The study offers evidence to policymakers, planners, and other regulatory bodies so that they may review the regulations and guidelines on forming the AC members of the SACCOS for better performance. AC members are not supposed to be members of the SACCOS'. This provides complete independence when supervising and monitoring the SACCOS operations. Hence, the MCC SACCOS' and the country as a whole will improve. To understand the attributes of the AC members concerning the performance of SACCOS in MCC, enlighten policymakers to design and review policies that will enhance the improvement and performance of SACCOS and other MFIs.

This study highlighted AC characteristics to the performance of SACCOS, which provide prerequisites to the policymakers guiding reviews and development of the policies in place and new policies, respectively, such as the problems hindering SACCOS and constraints that lead to deregistration end. The challenges to mark an end as a result of well-characterized AC members are like non-performing loans due to delays in loan repayments, leadership skills, poor administration, low investment in shares, savings, and loans, poor business practices and negotiation skills, lack of proficiency in running SACCOS operations. Hence, as part and parcel of a successful SACCOS, AC members may take charge of tracking the SACCOS' undertakings for the best growth of MFIs in Mbeya City Council and Tanzania as a whole.

# Implication of the Findings to SACCOS

The study outcomes indicated that with the ups and downs of SACCOS, its performance is still influenced by the firm and well-characterized members of AC in the Mbeya City Council. The ability to understand the characteristics of AC is well highlighted in this study, as it is the utmost step towards improving the performance of SACCOS within the city and the country as a whole.it is essential to note that during the appointment of AC members, Management, BoD, and members are to be keen enough to evaluate attributes of the AC members, taking into consideration that they must ensure that the SACCOS’ are moving forward ever backward, never. By emphasizing this size of AC, the independence of AC, educational background, and working experience of the AC should be well assessed. This will, therefore, lessen, if not all abolish, the underperformance problem, specifically for the worst-performing SACCOS.’

# Areas for Further Research

The study explored the AC characteristics and performance of SACCOS in MCC. The study employed only four variables: the characteristics of AC members. Although the study was conducted qualitatively, it is essential to note that a similar study can be conducted quantitatively. On the other hand, other scholars are recommended to examine many other AC characteristics. Hence, further studies are recommended on the same subject matter using other attributes of the AC members.

Moreover, the researcher recommends that to obtain a more transparent and broader view of SACCOS in Tanzania, a similar study should be conducted in different cities or regions to make generalization easier. The performance of SACCOS may result from many factors, including capital, integrity of management, and members. Though the study discussed AC characteristics as among the factors, in the future, other researchers may devote their time to studying the same subject matter while investigating AC attributes other than the four considered in this study.

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# APPENDICES

# APPENDIX I: IN-DEPTH INTERVIEW QUESTIONS FOR SACCOS MANAGEMENTAND BOARD OF DIRECTORS IN REGARD OF AUDIT COMMITTEE (SUPERVISION COMMITTEE MEMBERS)

I am an Open University of Tanzania student pursuing a Master Degree of Business Administration majoring in Accounting and Auditing. I am studying ***"The Audit Committee characteristics and performance of SACCOS in Tanzania: A case of six* SACCOS in Mbeya City Council**”. The study is conducted for academic purposes only. Therefore, your participation is highly valued for making this study successful. I request that you participate in the study. You are assured that the information you provide will be treated as confidential in the research and used for this study only.

1. **PRELIMINARY INFORMATION**

**General information**

Name of SACCOS: ………………………

Number of Respondent: …………………..

**Interviewee Information:**

**Gender:** Male [ ] Female [ ]

**Age:** 18-30 [ ] 31-40 [ ] 41-50[ ] Above 50[ ]

**Education level:** Informal education [ ] Primary education [ ]

Ordinary secondary [ ] Advanced Secondary Education [ ]

College and University [ ]

**Position:** The position you hold in the SACCOS……………………………………

1. **PERFORMANCE FACTORS INFROMATION**

**1. Educational level and background**

1. What is the educational level and background of the members forming the AC of your SACCOS?
2. Did the SACCOS appoint the AC members based on their education level and background? (Did they submit CV and certificates to SACCOS management before appointment?)
3. Can you give cases where AC members failed to perform because of their poor/low level of education?
4. How does the educational level of a member of AC influence the performance of your SACCOS?

**2. Independence**

1. How does SACCOS ensure the independence of AC members?
2. Are audit committee members free to discuss issues without fearing the consequences of them? Can you mention some negative cases as examples?
3. How independence of a member of AC influence the performance of your SACCOS?

**3. Size**

1. What criteria does your SACCOS use to determine the size of AC?
2. Can you give an example where the SACCOS failed to perform well due to a higher or lower number of AC members?
3. How does the size of AC influence the performance of your SACCOS?

**4. Working experience**

1. Did you consider the working experience of the members of AC during the appointment?
2. Can you give examples where the AC fails to perform because of the low experience of its members?
3. How working experience of the AC members influence the performance of your SACCOS

***“THANK YOU FOR YOUR COOPERATION”***

**APPENDIX II: LIST OF THE BEST PERFORMING SACCOS IN MBEYA CITY COUNCIL**

1. UWAMU SACCOS
2. TANESCO SACCOS

# APPENDIX III: LIST OF THE WORST PERFORMING SACCOS IN MBEYA CITY COUNCIL

1. UPIMAJI SACCOS
2. MWANJELWA SACCOS
3. MASE SACCOS
4. NEEMA SACCOS

# APPENDIX IV: CLEARANCE LETTER



