

The Impact of Board Characteristics on the Financial Performance of Savings and Credit Co-operative Societies in Arusha and Dar es Salaam, Tanzania

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Abstract

This paper examines the impact of board characteristics—such as size, gender diversity, skills, and meeting frequency—on the financial performance of SACCOSs in Tanzania. The study focused on three financial performance indicators: net loan income, operating efficiency ratio, and deposit-to-asset ratio. Descriptive statistics and linear regression models were used to analyse panel data collected from financial reports of 198 SACCOSs for five years (2014–2018). The results show a positive and significant relationship between financially-skilled board member(s) and the deposit-to-asset ratio; conversely, they were negatively associated with the operating efficiency ratio. The results further show that board meetings are positively and significantly related to net loan income, whereas board size is positively associated with the operating efficiency ratio. Moreover, the paper found no evidence of a relationship between women's board members and financial performance. Impliedly, having financially-skilled directors on a board and regular board meetings facilitated financial performance in a SACCOS. Thus, the paper calls for board members to have financial skills, and boards to conduct regular meetings for constructive advice and effective monitoring to boost financial performance.

Keywords: board characteristics, financial performance, SACCOS, board