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The Effect of Board Independence On the Performance of Cooperative Institutions in Selected Regions of Tanzania, The Moderating Role of Institutional Factors.

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Abstract: *This study examined the effect of Board independence, which reflects the extent to which boards make objective decisions without undue influence from management or external stakeholders. Although corporate governance has been widely examined, empirical evidence on board independence within cooperative institutions remains limited, particularly in Tanzania's southern and coastal regions. This study examines the influence of board independence on cooperative performance in selected regions of Tanzania (Mtwara, Lindi, Ruvuma, Tanga, and Coast). It assesses the moderating role of institutional factors, namely rules and regulations, norms, and culture. Drawing on agency and institutional theories, the study adopts a positivist philosophy, an explanatory research design, and a quantitative approach. Data were collected from 251 respondents drawn from a population of 673 cooperative stakeholders using structured questionnaires. Hierarchical regression analysis was employed to test both direct and moderating effects. The findings reveal a positive and statistically significant relationship between board independence and cooperative performance. Institutional norms and culture significantly strengthen this relationship, whereas formal rules and regulations exhibit an insignificant moderating effect. Practically, the results underscore the importance of strengthening cooperative governance through enhanced board autonomy, accountability, and risk management practices. Theoretically, the study extends the cooperative governance literature by integrating agency and institutional perspectives in a developing-country context. Policy-wise, the findings highlight the need for capacity-building initiatives and more effective enforcement mechanisms to enhance cooperative performance. Future research should explore board–management diversity and regulatory compliance dynamics within cooperatives.*

Keywords: *Board Independence; Cooperative Performance; Institutional Factors; Corporate Governance; Tanzania.*

I. Introduction

Board independence refers to the extent to which board members can make objective decisions free from undue influence by management, political actors, or other external stakeholders. In cooperative institutions, this independence is not merely a governance best practice but a legal and institutional requirement embedded in cooperative laws, bylaws, and regulatory frameworks. Cooperative institutions are a vital component of socioeconomic development systems worldwide, particularly in developing economies, where they serve as vehicles for financial inclusion, job creation, and collective empowerment. Unlike investor-owned firms, cooperatives are member-driven, whose sustainability depends heavily on effective governance structures. Central to this governance architecture is the board of directors, which acts as the primary mechanism for strategic oversight, accountability, and representation of members' interests. Among board attributes, board independence has attracted growing attention as a determinant of performance, transparency, and long-term viability.

II. Literature Review

This section reviews the theoretical and empirical literature relevant to board independence and cooperative performance, with particular emphasis on the moderating role of institutional factors. The review is structured around two anchoring theories, agency theory and institutional theory, followed by empirical evidence from global, African, and Tanzanian contexts. Throughout, the discussion highlights unresolved debates, contextual limitations, and methodological gaps that motivate the present study.

2.1 Literature of the Global Perspective

Globally, cooperatives employ approximately 280 million people and contribute significantly to inclusive economic growth and social cohesion (ICA, 2022). The effectiveness of cooperative boards in fulfilling this mandate largely depends on their ability to exercise independent judgment, oversee management, and align activities with members' collective goals.

The relationship between board independence and performance has been widely examined within the corporate governance literature, predominantly in investor-owned firms. Empirical evidence from developed economies generally supports a positive association between board independence and firm performance, especially under conditions of market uncertainty or declining demand (Chancharat et al., 2019; Hu & Lin, 2023). Independent directors are found to enhance oversight quality, strengthen strategic decision-making, and mitigate agency problems between owners and managers.

In cooperative settings, however, the evidence is more fragmented. Studies conducted in Africa suggest that board independence can protect cooperatives from governance failures, financial mismanagement, and elite capture (ICA, 2024; Lennah & Bett, 2023). Nonetheless, findings across countries remain inconsistent, with some studies reporting weak or insignificant effects. These inconsistencies are often attributed to contextual differences, including variations in institutional quality, regulatory enforcement, and sociocultural norms.

2.2 Literature of the Regional Perspectives

African-based studies similarly report that board independence contributes positively to cooperative performance by enhancing accountability and reducing governance-related misconduct (ICA, 2024; Lennah & Bett, 2023). However, findings remain inconsistent, with some studies reporting weak or context-dependent effects, often attributed to differences in institutional environments and governance structures. Cooperative governance is guided by internationally cooperative principles, norms, and values promoted by the International Cooperative Alliance (ICA, 2024). These principles emphasize democratic member control, accountability, and autonomy. Prior studies highlight that independent boards enhance monitoring functions, reduce conflicts of interest, and improve performance (Ali, 2016). However, the realization of board independence in practice remains uneven, particularly in environments characterized by weak institutions, socio-political interference, and limited governance capacity.

2.3 Literature of the Local perspectives

In particular, in Tanzanian contexts, where institutional environments may exhibit regulatory gaps, governance structures act as substitutes for weak external enforcement, thereby enabling more effective collective action and resource sharing (World Bank, 2026). However, several studies link cooperatives' performance challenges to weaknesses in corporate governance mechanisms (Owuoth et al., 2025). Towo et al. (2023) highlighted the importance of board independence in strengthening corporate governance in cooperative institutions. However, the study did not clearly demonstrate in what theoretical perspectives on board independence can be applied to explain cooperative performance in the Tanzanian context. Similarly, Belated et al. (2023) observed that the boards of many cooperatives are predominantly male. However, the study did not specifically address gender equality or examine how board gender diversity may influence governance and performance. Furthermore, this gap underscores the need for further research to understand better how governance characteristics, particularly board independence, affect the performance of cooperatives in Tanzania.

2.4 Critique of the Reviewed Literature

Empirical studies generally suggest that board independence enhances performance by improving oversight, reducing agency problems, and strengthening strategic decision-making (Ali, 2016; Hu & Lin, 2023). In cooperative settings, independent boards are expected to protect members' interests. Evidence from developed economies indicates a positive association between board independence and firm performance, particularly under challenging market conditions (Chancharat et al., 2019; Hu & Lin, 2023). However, in Tanzania, empirical research on cooperative governance has largely focused on financial performance, board composition, and leverage, particularly among Savings and Credit Cooperative Societies (SACCOS). While some studies acknowledge the relevance of governance structures, board independence has rarely been examined as a distinct construct influencing cooperative performance. Moreover, existing studies often lack strong theoretical grounding or fail to explain how broader institutional environments, such as norms, rules, and organizational culture, shape board behavior and performance outcomes.

2.5 Theoretical Framework

The theoretical framework of the study previewed the Agency and institutional theories. The Agency theory provides a dominant framework for understanding corporate governance and the role of boards in mitigating conflicts of interest between principals and agents. In cooperative institutions, members act as principals who delegate decision-making authority to managers as agents. Boards of directors are expected to function as monitoring mechanisms that align managerial actions with members' interests. From an agency perspective, board independence enhances the board's capacity to monitor management objectively, reduce opportunistic behavior, and improve organizational performance (Ali, 2016).

Empirical governance research grounded in agency theory suggests that independent boards strengthen oversight, improve risk management, and enhance strategic decision-making, particularly in environments characterized by information asymmetry. However, the applicability of agency theory to cooperative institutions is not without controversy. Unlike investor-owned firms, cooperatives are characterized by democratic member control, multiple objectives, and diffuse ownership structures. These features may weaken traditional agency relationships and complicate the monitoring role of independent boards. Consequently, agency theory alone offers an incomplete explanation of board effectiveness in cooperative settings, especially in developing economies where governance practices are deeply embedded in institutional contexts.

Institutional Theory and the Governance–Performance Relationship: Institutional theory complements agency theory by the role of formal and informal institutions in shaping behavior and outcomes. According to institutional theory, organizational practices are influenced not only by efficiency considerations but also by rules and regulations, norms, cultural beliefs, and expectations of legitimacy (Lawrence et al., 2008). In cooperative institutions, these institutional elements shape how boards operate, how independence is exercised, and how governance mechanisms translate into performance outcomes. Formal rules and regulations provide the legal framework for board independence, defining board composition, roles, and accountability mechanisms. Informal norms influence boardroom behavior, ethical standards, and interpersonal relationships, while organizational culture shapes shared values, leadership styles, and decision-making processes. Institutional theory suggests that governance mechanisms, such as board independence, are more effective when supported by strong norms and cultures that reinforce accountability and transparency. Despite its relevance, institutional theory has been underutilized in empirical studies of cooperative governance, particularly as a moderating framework explaining variation in governance outcomes across contexts.

2.6 Conceptual Analysis

The conceptual basis of this study draws primarily on two perspectives. First, Agency Theory explains the relationship between principals (members) and agents (managers or board members). It highlights the need for governance mechanisms to reduce agency problems and align interests within organisations. Second, Institutional Theory emphasises how legal rules, cultural norms, and regulatory systems influence organisational structures and behaviour (Selznick, 1940). Although previous studies in Tanzania, such as those by Magali (2023) and Towo et al. (2023), have examined aspects of cooperative governance, they have not sufficiently integrated these theoretical perspectives into their analyses of governance mechanisms and their impact on cooperative performance.

2.7 Conceptual gaps

Several important gaps exist in the current literature on corporate governance and cooperative performance. **First,** there is a contextual gap. Previous studies provide limited empirical evidence on the relationship between board independence and cooperative performance, particularly in non-financial cooperatives across different countries. In addition, many studies fail to establish a clear linkage between board composition, such as professionalism and gender balance, and organisational performance. There is also insufficient assessment of board size and its effectiveness within African cooperatives, especially in Tanzania. Chancharat et al. (2019) examined corporate governance and board independence in Thailand; however, the study did not analyse cooperative board records or evaluate the relationship between them and cooperative performance. Similarly, Abhilash et al. (2020) investigated governance practices in India but did not assess their impact on cooperative performance. In Kenya, Lennah et al. (2023) reported mixed and inconsistent evidence regarding the effectiveness of boards in improving cooperative performance. In Sweden, Sterling et al. (2022) compared aspects of board representation and professionalism but did not specifically focus on how board composition influences cooperative performance. Further studies reveal similar limitations. Luddin et al. (2023) highlighted the lack of a clear analysis of board composition and its relationship to cooperative performance in Iran. Boshnack (2023) emphasised the importance of financial expertise among board members in Saudi Arabia, but did not provide conclusive evidence showing how such expertise directly affects cooperative performance. In Kenya, Luddin et al. (2023) also examined board size and board characteristics. However, the study did not clearly identify which specific characteristics influence cooperative performance, particularly whether smaller boards are effective in governance. In Tanzania, Lay et al. (2023) analysed the relationship between board gender representation and financial performance. However, the study did not provide sufficient evidence on how gender diversity on cooperative boards relates to cooperative performance outcomes.

Second, there is a theoretical gap. Many existing studies lack explicit grounding in established theoretical frameworks such as Agency Theory or Institutional Theory. Although these theories are widely used to explain governance structures and organisational behaviour, relatively few studies apply them to the examination of cooperative governance and performance. In particular, limited research has examined how institutional factors, such as regulatory frameworks, social norms, and organisational culture, moderate the relationship between governance mechanisms and cooperative performance. Previous studies in Tanzania, including those by Magali (2014) and Towo et al. (2023), have examined aspects of cooperative governance but have not adequately integrated theoretical perspectives to explain cooperative performance, particularly with respect to board independence.

Third, there is a methodological gap. Some earlier studies relied on limited or outdated research methods or lacked robust methodological approaches. Issues such as weak research design, insufficient data analysis, and inadequate testing of validity and reliability have been identified in several studies. Abhilash et al. (2020) noted methodological limitations in prior research, including the use of outdated analytical methods and limited reliability testing. In addition, few studies have applied moderation analysis to examine how institutional factors influence the relationship between governance mechanisms and cooperative performance. Other studies also demonstrate methodological limitations. Ahmed et al. (2021) examined audit transparency and cooperative performance in relation to members and stakeholders, while Babatunde et al. (2023) highlighted the importance of corporate governance as a mechanism for effective business management. In Tanzania, Towo et al. (2023) reported that many cooperative institutions underperform, yet their study did not comprehensively analyse the relationship between corporate governance mechanisms and cooperative performance. Similarly, Msuya et al. (2024) observed that many cooperatives in Tanzania face weaknesses in internal control and financial management challenges.

III. Research and Methodology

3.1 Research Philosophy

This study adopts a positivist research philosophy, which assumes that relationships among variables can be objectively measured and statistically tested. Guided by this philosophy, the study employs an explanatory research design to examine causal relationships between board independence and cooperative performance, as well as the moderating role of institutional factors. An explanatory design is appropriate given the study's objective of testing theory-driven hypotheses and establishing the direction and strength of relationships among variables. Research philosophy guides the nature of knowledge and the framework upon which a study is based. According to Saunders et al. (2019), research philosophy explores the origin of knowledge, its nature, and the processes through which it develops. Similarly, Cohen et al. (2005) define it as a broad framework of ideas, beliefs, and assumptions that shapes how research is conducted. A positivist research philosophy, originally articulated by Auguste Comte in 1844, underpins this study. This philosophy emphasises the scientific investigation of observable social phenomena and relies on measurable data to draw generalizable conclusions. The positivist approach aligns with the study's objectives by facilitating an objective, evidence-based examination of corporate governance, institutional factors, and cooperative performance.

3.2 Research Type

An explanatory research design was adopted to investigate the connections among various factors and to explain observed events (Creswell, 2009). Explanatory research examines relationships between variables and tests hypotheses to identify the underlying causes of specific outcomes (Saunders et al., 2019). The design was informed by existing theories and prior studies, which guided the development of hypotheses that predicted relationships between the independent and dependent variables. These hypotheses were evaluated through systematic data collection and analysis (Bryman, 2016). Quantitative methods were primarily utilised to ensure objective measurement and facilitate statistical testing of relationships. Data were collected using structured questionnaires to maintain consistency and reliability. Correlation and regression analyses were conducted to assess the strength and direction of relationships among variables (Creswell, 2014). This design enables testing theoretical predictions and provides evidence-based explanations that inform future research and practical decision-making.

3.3 Research Approach

A quantitative research approach was used to generalize the findings across cooperative institutions and to facilitate rigorous statistical analysis. Primary data were collected using structured questionnaires, enabling standardized measurement of governance and institutional constructs across respondents. The unit of analysis was the cooperative institution. In contrast, the unit of inquiry comprised board members, managers, and key cooperative stakeholders who are directly involved in governance and operational decision-making. A research approach establishes a structured plan for conducting a study (Saunders et al., 2019). This research employs a deductive approach, progressing from general concepts to specific predictions concerning corporate governance, cooperative performance, and institutional factors. The method enables the evaluation of whether established theories, such as Agency and Institutional Theories, are applicable within the context of cooperative governance and performance. The process commenced with a review of existing literature to identify key concepts and formulate testable hypotheses regarding relationships among variables. Quantitative data were collected using structured instruments, such as questionnaires, to ensure clarity and minimise bias. The data were analysed using statistical techniques to determine whether the findings supported or contradicted the hypotheses (Creswell, 2014). This approach prioritises objectivity, reliability, and replicability, making it particularly appropriate for studies aiming to demonstrate causal relationships and generalise findings to a broader population.

3.4 Data Collection Methods

The study used Primary Data Collection, in which structured questionnaires were utilised. These instruments were developed and adapted from Umbria (2021) and Pescali et al. (2020), with modifications to suit the study context. The questionnaires included both closed-ended and open-ended questions, organised from simple to complex, and incorporated sections for demographic information. A five-point Likert scale was employed to measure study variables, with 1 representing 'Strongly Disagree' and 5 representing 'Strongly Agree.' Primary data were collected through these structured questionnaires. Their cost-effectiveness justified the use of questionnaires, rapid data collection, maintenance of respondent privacy, administrative efficiency, and the ability to elicit objective responses (Saunders et al., 2019). Ethical considerations were observed, and equal opportunities were provided to all respondents in the selected sample.

Additionally, secondary data collection was used by various studies, journals, and books by other researchers, and the data were extracted into reports, internet sources, brochures, and online journals (Saunders et al., 2019). This study used Google Scholar and ResearchGate to conduct an empirical review of related studies on corporate governance and cooperative performance.

3.5 Data Analysis

Hierarchical (sequential) regression analysis was employed to examine the relationships between multiple independent variables and the dependent variable, cooperative performance. This analytical approach was informed by prior studies (Weedmark, 2018; Saunders *et al.,* 2019). Data analysis was conducted using SPSS version 26 and included descriptive, multiple regression, and hierarchical regression analyses to provide a comprehensive understanding of the data and the relationships among variables.

The Multiple regression analysis was applied to examine the relationship between a single dependent variable and two or more independent variables. This technique is particularly effective for understanding complex relationships where outcomes are influenced by multiple factors simultaneously. It enables the assessment of the combined effect of predictors on the outcome variable while controlling for other variables. Additionally, multiple regression enhances predictive accuracy by capturing a greater proportion of the variance in the dependent variable and by enabling the identification of each predictor's unique contribution.

The hierarchical regression analysis was utilised as a specialised form of multiple regression, allowing for the sequential entry of independent variables into the model based on theoretical and empirical considerations. At each step, changes in explained variance (ΔR^2) enabled control for covariates and isolation of the effects of key predictors. This method also facilitates the assessment of incremental predictive value through statistical tests, such as changes in the F-statistic, and enables the comparison of nested models. Hierarchical regression aligns with theory-driven research objectives and is particularly effective for determining whether specific factors provide explanatory value beyond basic or contextual variables.

3.6 Study Population and Sample

The target population comprised 673 cooperative stakeholders, including board members, managers, and senior officers, drawn from registered cooperative institutions operating in the selected regions. The study was conducted in selected southern and coastal regions of Tanzania—namely, Mtwara, Lindi, Ruvuma, Tanga, and Coast. These regions were selected due to their active cooperative sectors and documented governance and performance challenges. Focusing on these regions addresses an important contextual gap in the cooperative governance literature, which has traditionally concentrated on other parts of the country. These stakeholders were considered appropriate respondents because of their direct involvement in governance processes and their familiarity with institutional practices affecting cooperative performance. Table 3.1 presents a summary of the study.

Table 3. 1: Target Population

No	INSTITUTIONS	REGION	UNION	COOPERATORS
1	TANECU and MAMCU LTD	Mtwara	2	362
2	RUNALI and LINDI MWAMBAO	Lindi	2	162
3	TAMCU LTD	Ruvuma	1	45
4	CORECU LTD	Coastal	1	74
5	TACACU LTD	Tanga	1	30
Grand Total			**7**	**673**

Source: TFC (2026).

3.7 Sampling Design

The study employed probability sampling to ensure that each individual had an equal chance of selection, thereby enhancing the representativeness and reliability of the sample (Saunders et al., 2019). Moreover, the Sampling Technique was implemented through a combination of stratified and simple random sampling. This approach ensured that all relevant subgroups within the population were adequately represented, thereby enhancing the accuracy and generalizability of the findings.

Stratified Sampling Technique:

In stratified sampling, the population is divided into distinct, non-overlapping groups, or strata, based on characteristics relevant to the study (Saunders et al., 2019). For this research, the population was first stratified by AMCOS membership within each cooperative union, recognising that each union represents a distinct group with potentially different characteristics. This approach helps reduce bias and enhances both the accuracy and representativeness of the results, especially in heterogeneous populations (Creswell, 2014). Compared with alternative methods such as cluster or convenience sampling, stratified sampling offers greater control over subgroup representation and improves the comparability of findings across different groups (Etikan & Bala, 2017).

Simple Random Technique:

The sampling design provides the overall framework for selecting participants, and the sampling procedure details the specific steps for implementing that plan (Bryman, 2016). Within each stratum, simple random sampling was applied to select participants, ensuring that every AMCOS member had an equal and known chance of being chosen. This approach helps maintain fairness and minimises potential researcher bias (Saunders et al., 2019).

Combination of Sampling Technique:

The combination of stratification and simple random selection enhances internal validity by ensuring that participants are selected at random. Consequently, this sampling strategy improves the reliability of the findings and supports their generalizability to the broader population.

3.8 Sample size

The sample size was determined using Taro Yamane's (1967) formula, with a 95% confidence level and a 5% margin of error. By applying this formula, the study calculated an appropriate sample size for data collection.

$$n = \frac{N}{1 + N(e)^2}$$

Where: -

n=Sample size to be determined

N=Total population, and N value 673. Confidence level value 95% and Margin of error (e) value 0.05.

$$\frac{673}{1+673\,(0.05)^2}$$

Sample size value 251 cooperators.

IV. Findings and Discussions

The study's key findings indicate that Board independence positively affects cooperative performance by promoting accountability, transparency, responsible management, and trust among members. Independent boards reduce the risk of mismanagement and ensure that decisions align with cooperative objectives, whereas political interference undermines the effectiveness of governance. The study confirmed that board independence strengthens corporate governance by enabling objective oversight, reducing mismanagement, and promoting responsible decision-making. Legal and institutional frameworks that safeguard board independence further enhance governance effectiveness, and strong corporate governance anchored in board independence is essential for improving corporate governance on cooperative performance.

Data analysis followed a systematic, multi-stage process. First, descriptive statistics were used to summarise respondent characteristics and examine the distributional properties of the variables. Second, reliability analysis was conducted using Cronbach’s alpha coefficients, with a threshold of $\alpha \geq 0.70$ considered acceptable for internal consistency.

Construct validity was assessed through convergent and discriminant validity tests, including examination of factor loadings and inter-construct correlations. To test the study hypotheses, hierarchical regression analysis was employed. This technique is appropriate for examining both direct effects and interaction effects, allowing institutional factors to be entered in successive steps to assess their moderating influence on the relationship between board independence and cooperative performance.

Interaction terms were created by multiplying the standardised scores of board independence and each institutional factor to reduce multicollinearity. Statistical significance of regression coefficients, changes in explained variance (ΔR^2), and effect sizes were used to evaluate the strength and significance of relationships. Diagnostic tests were conducted to ensure compliance with key regression assumptions, including normality, linearity, homoscedasticity, and absence of multicollinearity.

The statistical analysis of this study relied on measured reliability, and the R-squared computed the Goodness of Fit (GoF) index, confirming that the models had predictive power and that the empirical data fit the models sufficiently, implying that the models were better. The Output recommendable value is between 0 and 1, or 0% to 100%, indicating that the model fits the data well. Higher values indicate a better fit, as values above 1 or 100% indicate that the model perfectly fits the data. The Goodness of Fit (GoF) index for this study was 1.33 with normal variables and 1.45 with a moderation effect, as shown in Table 3.6.

Table 3.6: Goodness of Fit Computation

Variable	Item Value	R Square
Reliability of Board Independence	0.753	
Average Reliability of Institutional Factors	2.445	
(CN 0.755 + RR 0.846 +CC 0.844)		
Total Item Value (IV)	**3.198**	
R Square	**Model 1**	**Model 2**
Normal variables before R-squared -Double models	0.56	0.669
Moderation of variables and Norms with R-squared	0.56	0.669
Moderation of variables and Rules and Regulations with R-squared	**0.56**	0.669
Moderation of variables and Culture with R-squared	**0.56**	0.669
Total R Square	**2.24**	**2.676**
Average Variance Extracted (AVE) at R Square	**0.56**	**0.669**
AVE for IV = Total IV x AVE R^2	**1.79**	**2.139**
GoF=$\sqrt{}$AVE IV x AVER^2	**1.33**	**1.45**

Source: *Data Analysis (2026).*

4.1 Discussion of Findings

Objective 1: To assess the level of board independence in cooperative institutions operating in selected regions of Tanzania.

A substantial body of empirical literature examines the relationship between board independence and firm performance in investor-owned firms, predominantly in developed economies. Most studies report a positive association, arguing that independent directors enhance monitoring quality, reduce managerial entrenchment, and improve financial performance (Chancharat et al., 2019; Hu & Lin, 2023). However, even within this literature, findings are not uniform. Some studies report insignificant or conditional effects, suggesting that the impact of board independence depends on contextual factors such as market conditions, regulatory environments, and firm characteristics.

These mixed results highlight an important insight: board independence is not universally effective and may yield different outcomes depending on the institutional environment. This insight is particularly relevant for cooperative institutions, where governance structures and institutional conditions differ markedly from those of investor-owned firms.

Empirical studies focusing specifically on cooperative institutions are relatively limited and geographically concentrated. Evidence from Africa suggests that board independence can enhance accountability, reduce governance failures, and improve cooperative performance (Lennah & Bett, 2023; ICA, 2024). Independent boards are seen as critical in protecting members' interests and preventing elite capture, a common challenge in cooperative organizations.

However, findings across cooperative studies remain inconsistent. Some studies report weak or statistically insignificant relationships between board independence and performance, particularly in contexts characterized by political interference, weak enforcement of corporate laws, and limited governance capacity. These inconsistencies raise important questions about whether board independence alone is sufficient to improve performance or whether its effectiveness depends on complementary institutional conditions. Notably, many cooperative studies treat board independence as a standalone governance mechanism, without examining how it interacts with broader institutional environments.

The regression results reveal a positive and statistically significant relationship between board independence and cooperative performance. This finding confirms the study's primary hypothesis and indicates that cooperatives with more independent boards tend to perform better in both financial and non-financial dimensions.

This result aligns with agency theory, which posits that independent boards enhance monitoring effectiveness, reduce managerial opportunism, and improve decision-making quality. In the cooperative context, independent boards appear better positioned to safeguard members' interests, oversee management objectively, and ensure efficient use of cooperative resources. The finding is consistent with prior studies conducted in both developed and developing contexts, which report that board independence enhances organizational performance through improved accountability and strategic oversight (Ali, 2016; Hu & Lin, 2023).

Within cooperative institutions, this result reinforces the argument that governance mechanisms traditionally associated with investor-owned firms can also be effective in member-based organizations, provided they are adapted to cooperative principles. The finding supports evidence from African studies indicating that independent boards can reduce governance failures, elite capture, and financial mismanagement (Lennah & Bett, 2023; ICA, 2024).

However, the magnitude of the relationship observed in this study suggests that board independence alone does not fully explain performance outcomes. This provides empirical support for the contention that governance mechanisms operate within broader institutional contexts, thereby justifying the examination of moderating factors.

Objective 2: To determine the moderating effect of institutional factors on the relationship between board independence and cooperative performance.

A substantial body of empirical literature examines the moderating effect of institutional factors and board independence on firm performance in investor-owned firms, predominantly in developed economies. Most studies report a positive association, arguing that independent directors enhance monitoring quality, reduce managerial entrenchment, and improve financial performance (Chancharat et al., 2019; Hu & Lin, 2023). However, even within this literature, findings are not uniform. Some studies report insignificant or conditional effects, suggesting that the impact of board independence depends on contextual factors such as market conditions, regulatory environments, and firm characteristics.

Recent governance literature increasingly recognizes that institutional factors shape the effectiveness of board mechanisms. Formal rules and regulations are expected to strengthen board independence by limiting managerial discretion and clarifying accountability. However, empirical evidence suggests that the mere existence of rules does not guarantee effective governance, particularly where enforcement is weak or compliance is symbolic.

Informal norms and organizational culture have received growing attention as critical drivers of governance effectiveness. Norms influence ethical behavior, trust, and cooperation among board members, while organizational culture shapes how power is exercised and how decisions are made. Studies indicate that supportive cultures and strong ethical norms enhance the effectiveness of independent boards by reinforcing accountability and reducing opportunistic behavior. Despite this recognition, few empirical studies have explicitly tested the moderating role of institutional norms and culture in the board independence–performance relationship, especially within cooperative institutions in developing economies.

Contrary to expectations, the findings show that formal rules and regulations do not significantly moderate the relationship between board independence and cooperative performance. While rules and regulations are positively associated with performance in a direct sense, their interaction with board independence does not significantly strengthen or weaken the governance–performance relationship.

This result challenges the assumption, common in governance reforms, that strengthening legal and regulatory frameworks automatically enhances board effectiveness. From an institutional theory perspective, this finding suggests that formal rules may be insufficient when enforcement mechanisms are weak or when compliance is largely symbolic. In the Tanzanian cooperative context, regulatory frameworks governing board independence are well established, yet their practical implementation often faces challenges related to limited supervisory capacity, political interference, and resource constraints.

Similar findings have been reported in studies from other developing economies, where formal governance rules exist but fail to translate into improved performance due to weak enforcement and low institutional capacity. The insignificant moderating effect observed in this study, therefore, contributes to the ongoing debate in the literature regarding the effectiveness of rule-based governance reforms in institutional environments characterized by regulatory gaps.

Moreover, the results indicate that institutional norms significantly and positively moderate the relationship between board independence and cooperative performance. This implies that the positive effect of board independence on performance is stronger in cooperatives where shared values, ethical standards, and informal governance norms are well developed.

This finding provides strong empirical support for institutional theory, which emphasizes the role of informal institutions in shaping organizational behavior. In cooperative institutions, norms related to integrity, accountability, and collective responsibility appear to reinforce the effectiveness of independent boards by guiding behavior beyond formal rules. Independent board members operating in normatively supportive environments are more likely to exercise objective judgment, resist undue influence, and priorities members' interests.

The result is consistent with African cooperative studies that highlight the importance of social norms and trust in sustaining effective governance. It also helps explain why some previous studies report weak or inconsistent effects of board independence: where supportive norms are absent, independence may exist in form but not in substance. By empirically demonstrating this moderating effect, the study addresses a critical gap in the cooperative governance literature.

Similarly, organizational culture has been found to strengthen the relationship between board independence and cooperative performance significantly. Cooperatives characterized by cultures of trust, participation, transparency, and open communication experience greater performance gains from board independence than those with weak or hierarchical cultures.

This finding underscores the importance of internal organizational dynamics in shaping governance outcomes. A participatory culture enables independent boards to function effectively by encouraging information sharing, constructive debate, and collective problem-solving. In contrast, cultures marked by fear, patronage, or excessive managerial dominance may constrain independent boards' ability to perform their oversight role.

The finding aligns with recent governance studies that argue organizational culture is a critical mechanism by which governance structures influence performance. In the Tanzanian context, where cooperatives are deeply embedded in local communities, cultural factors play a particularly influential role. This result extends the cooperative governance literature by providing empirical evidence that organizational culture is not merely a background condition but an active moderator of governance effectiveness.

V. General Recommendations

5.1 Enhancing Board Independence;

The study recommends that cooperative institutions should ensure that boards operate independently to minimise political interference and strengthen accountability. Independent boards foster transparent communication with members and support corporate social responsibility initiatives aligned with cooperative principles.

5.2 Leveraging Institutional Support:

The study recommends that the Cooperatives institution should comply with existing regulations and leverage supportive institutional frameworks to enhance governance and performance. This includes investing in board member training on best governance practices and facilitating the exchange of context-specific best practices across cooperative networks.

VI. Conclusion and Implications

This study examined the effect of board independence on the performance of cooperative institutions in selected regions of Tanzania. It assessed the moderating role of institutional factors, namely rules and regulations, norms, and organisational culture. The findings provide robust empirical evidence that board independence positively influences cooperative performance, confirming that autonomous and impartial boards are critical for effective governance. Independent boards enhance accountability, reduce conflicts of interest, and improve strategic decision-making, contributing to both financial and non-financial outcomes in cooperatives.

Importantly, the study demonstrates that the effectiveness of board independence is context-dependent. While formal rules and regulations were found to have an insignificant moderating effect, institutional norms and organizational culture significantly strengthened the governance–performance relationship. This highlights that informal institutions shared values, ethical conduct, participatory culture, and trust play a crucial role in enabling independent boards to function effectively. These findings extend existing corporate governance literature by integrating agency and institutional perspectives, illustrating that formal compliance alone is insufficient to enhance cooperative performance in developing economies.

6.1 Implications for Policy

The study has several policy implications for cooperative governance in Tanzania. First, regulatory authorities should complement legal and statutory provisions with initiatives that promote ethical norms and a culture of governance within cooperatives. Enforcement mechanisms should be strengthened, but policies must also incentivize adherence to cooperative principles, member accountability, and board integrity. Capacity-building programs, training workshops, and certification schemes for cooperative board members can enhance their ability to exercise independent judgment and strategic oversight. However, the results underscore the need for context-sensitive governance reforms. Policymakers should recognize that cooperative boards operate within socio-cultural and institutional environments that influence their effectiveness. Policies that neglect the role of norms and culture are unlikely to yield substantial performance improvements, suggesting a shift from purely rule-based approaches toward holistic institutional strengthening.

6.2 Implications for Practice

The implication for the cooperative practitioners, the findings highlight the importance of nurturing participatory, transparent organizational cultures that support independent decision-making. Board independence should be operationalized not just as a legal requirement but as a practical governance tool. Managers and board members should foster environments where information flows freely, ethical standards are upheld, and collective accountability is embedded in daily operations. Enhancing board autonomy, coupled with a supportive culture, is likely to improve strategic oversight, reduce governance failures, and enhance member confidence.

6.3 Directions for Future Research

While this study provides empirical evidence on board independence in Tanzania, further research could explore additional dimensions of governance. Future studies might examine the interaction between board–management diversity, gender representation, and regulatory compliance in shaping cooperative performance. Longitudinal studies could track changes over time to establish causal relationships, and comparative analyses across regions or countries could identify contextual factors that enable or constrain board effectiveness. Additionally, qualitative research could provide deeper insights into how informal norms and organizational culture are internalized and operationalized in cooperative decision-making.

In conclusion, this study confirms that board independence is a critical driver of cooperative performance, but its impact is contingent upon the surrounding institutional context. By integrating agency and institutional perspectives, the research offers actionable insights for scholars, policymakers, and practitioners seeking to enhance governance effectiveness and foster sustainable cooperative development in Tanzania and similar developing economies.

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