



## **Influence of Innovation on Financial Performance of SACCOS in Mbeya, Tanzania, with the Mediation Effect of Corporate Governance**

**\*Stewart Mbegu**

ORCID: <https://orcid.org/0000-0003-0096-892X>

School of Business, Mzumbe University, Tanzania

Email: [smbegu@mzumbe.ac.tz](mailto:smbegu@mzumbe.ac.tz)

**Prof. Joseph Magali, PhD**

ORCID: <https://orcid.org/0000-0001-6736-2602>

Faculty of Business Management, The Open University of Tanzania

Email: [josephmagali@yahoo.com](mailto:josephmagali@yahoo.com)

**Nasra Kara, PhD**

ORCID: <https://orcid.org/0000-0003-0096-892X>

Faculty of Business Management, The Open University of Tanzania

Email: [nasrakara@yahoo.com](mailto:nasrakara@yahoo.com)

**\*Corresponding Email:** [smbegu@mzumbe.ac.tz](mailto:smbegu@mzumbe.ac.tz)

Copyright resides with the author(s) in terms of the Creative Commons Attribution CC BY-NC 4.0.  
The users may copy, distribute, transmit and adapt the work, but must recognize the author(s) and the East African Journal of Management and Business Studies

**Abstract:** The purpose of the study was to determine how innovation influences the financial performance of Savings and Credit Cooperative Societies (SACCOS) in Tanzania's Mbeya Region while accounting for the corporate governance mediation effect. The study used an explanatory design and positivist philosophy, testing the Social Innovation Theory hypotheses deductively. A total of 83 of the 105 SACCOS that are registered and running at the time of data collection were randomly selected as study sample. The study used a questionnaire to collect data. Data analysis involved the Structural Equation Modeling (SEM-Smart PLS e: 4.0.9.9). Based on the findings, the study concluded that corporate governance and financial performance are strongly and positively correlated. Corporate governance strongly correlates with innovation. Innovation and financial performance have a marginally positive relationship. Finally, corporate governance acts as a mediator in the relationship between financial performance and innovation. Based on the conclusions, the study recommends that companies ought to welcome innovation as a way to deal with long-term problems in financial performance. Businesses entities must ensure that corporate governance is strengthened in order to enhance the financial performance in a sustainable manner. They must also ensure that innovation and corporate governance go hand in hand in order to achieve financial success. Finally, companies need to make sure that they exhibit excellent corporate governance practices and principles in order to positively impact other aspects of the company's financial success.

**Keywords:** SACCOS; Innovation; corporate governance; financial performance.

**How to cite:** Mbegu, S., Magali, J. and Kara, N. (2023). Influence of Innovation on Financial Performance of SACCOS in Mbeya, Tanzania, with the Mediation Effect of Corporate Governance. East African Journal of Management and Business Studies 3(4), 69-80. DOI: <https://doi.org/10.46606/eajmbs2023v03i04.0035>.

### **Introduction**

Performance and survival of a company in today's fast-paced business environment heavily depend on innovation, based on the findings of some

theoretical and empirical researchers (Anning-Dorson, 2018; YuSheng & Ibrahim, 2020; Silwal, 2022; Fernández-Portillo et al., 2022). Therefore, in order for a company to succeed in the dynamic

business world, it must adopt an innovative culture that encourages creativity and research, giving it a competitive advantage and long-term performance (Anning-Dorson, 2018; Asiedu et al., 2020; YuSheng & Ibrahim, 2020). Innovation is an effort by a firm to become more competitive and improve performance by copying or inverting superior processes, procedures, behaviors, customs, approaches or systems (Morris et al., 2014; Nuruzzaman et al., 2019). Innovation can take many various forms in a firm; for example, product, process and marketing innovation (Rajapathirana & Hui, 2018; Nuruzzaman et al., 2019). Innovation can boost output through employee engagement, technology adoption and risk mitigation; it can also quicken market expansion through improved product design and customer satisfaction (Rajapathirana & Hui, 2018; Nuruzzaman et al., 2019; Asiedu et al., 2020). A company's performance is determined by how well it meets its financial and non-financial objectives, which enhances employee turnover, market share, customer satisfaction and long-term profitability (Rajapathirana & Hui, 2018; Arias-Pérez et al., 2022; Fernández-Portillo et al., 2022).

A key element of a company's performance is its financial performance, which is defined as its capacity to manage and control its resources, respond appropriately to opportunities and environmental threats, increase revenue, and grow profitably in a sustainable manner (Xue et al., 2020; Hutahayan, 2020). Financial performance of a company is typically assessed using ratios such as liquidity, capital adequacy, leverage, profitability and solvency (Xue et al., 2020).

Most of Tanzania's Savings and Credit Cooperative Societies (SACCOS) have not performed well financially, with average capital-to-asset ratios of 9% below the 10% required by SASR, an annual financial leverage ratio of 17% below the 25% required by Section 48 of the Tanzania SACCOS Regulation of 2019 and returns on equity (ROE) that are lower than Tanzania's Treasury Bill returns (Towo et al., 2022; Towo, 2023; Tanzania Cooperative Development Commission, 2023).

SACCOS are democratic self-help cooperative enterprises voluntarily formed and governed by members with a common bond for the easy provision of financial services (Tanzania Cooperative Development Commission, 2023; Towo et al., 2022). These democratic self-help cooperative enterprises'

primary goal is to provide financial inclusion to social groups that are not part of the mainstream banking industry (Ozili, 2021). Only 2,034 of the 6,178 SACCOS that have been registered in Tanzania are now operating; the remaining SACCOS are dormant and untraceable (Tanzania Cooperative Development Commission, 2023). Since 2010, Tanzania's SACCOS growth has been slow; many SACCOS have closed (becoming dormant and untraceable) and over 60% of newly registered SACCOS fail, causing large losses to their members (Towo et al., 2022; Tanzania Cooperative Development Commission, 2022; 2023). Likewise, empirical evidence demonstrates the poor financial performance of Tanzanian SACCOS, with a financial leverage ratio of 17% below the 25% required by Section 48 of the Tanzania SACCOS Regulation of 2019, an average capital-to-asset ratio of 9% below the 10% mandated by SASR and a Return on Equity (ROE) below Tanzania's treasury bills return (Towo et al., 2022; Towo, 2023). Among the factors cited as contributing to SACCOS's inadequate financial performance in the majority of emerging economies are a lack of innovation and poor governance (Nyangarika & Bundala, 2020; Kumkit et al., 2023; Messabia et al., 2023; Otache et al., 2023).

Social innovation theory scholars suggest that innovation can lead to a company's long-term financial success and that there is a connection between financial performance and innovation in businesses (Anheier et al., 2019; Martins et al., 2022; Adro & Fernandes, 2022). Therefore, by integrating social innovation into their commercial plans, corporations can improve their financial performance (Anheier et al., 2019; Martins et al., 2022). Social innovations are new practices that are introduced into the business with the goal of enhancing existing practices to address issues or challenges; these practices may be technology-based or governance-based innovations (Anheier et al., 2019). According to Frontiers of Social Innovation Theory, there are not many empirical studies to back up the theoretical literature's suggestion that innovation, governance and financial performance in a firm are associated (Janik et al., 2021; Martins et al., 2022; Bataglin & Kruglianskas, 2022). Furthermore, there is a significant gap in the literature on social innovation theory in Africa. Therefore, more research is needed to build and broaden the theory with additional empirical work from this part of the globe

(Littlewood et al., 2022; Janik et al., 2021; Martins et al., 2022; Bataglin & Kruglianskas, 2022).

## **Theoretical Underpinnings**

Social Innovation Theory guided the study. This theory has its roots in the hypothetical sociology works of the early pioneer Gabriel Tarde in the 19th century (De Tarde 1899; Howaldt et al., 2015). Tarde defined social innovation as a shift in socio-cultural dimensions brought about by imitation from an individual or from a group of individuals; at this point in the theory's development, only socio-cultural variables (beliefs, language, regulations, values, norms, lifestyles and artifacts) were covered (Zapf, 1989; Howaldt et al., 2015). Throughout the 20th century, the theory has evolved to incorporate perspectives from various disciplines and fields, such as technology and economics (Flikkema et al., 2007; Westeren, 2012; Howaldt et al., 2015).

Recently, the theory of social innovation has become more widely accepted and studied in a wider range of areas, such as economics, governance, public-private partnerships, technology, environment, management, laws, social entrepreneurship, and social finance (Logue, 2019; Audretsch et al., 2022; Adro & Fernandes, 2022). Furthermore, the scope of the social innovation theory has broadened to encompass additional variables such as governance, public policy, institutional structure, innovation, the legal environment (laws and regulations) and socio-cultural factors (Logue, 2019; Audretsch et al., 2022; Adro & Fernandes, 2022). Scholars in the field of social innovation theory have proposed a relationship between corporate governance, innovation and a company's financial performance (Anheier et al., 2019; Martins et al., 2022; Adro & Fernandes, 2022). Consequently, this study has incorporated corporate governance and innovation as its variables.

The social innovation theory has the following strengths that can affect how well an organization performs: It can lower expenses, lower risks and improve products and services, which gives the business new revenue streams and improves its financial performance (Hermundsdottir & Aspelund, 2022). However, social innovation theory has weaknesses, such as the possibility that social innovation projects will need a huge initial investment and won't make immediate financial returns (Ab Rahman et al., 2021).

Less empirical research supports the theoretical literature's contention that a firm's financial performance, innovation and governance are related (Anheier, 2019; Janik et al., 2021; Martins et al., 2022). Furthermore, there is a significant gap in the literature on social innovation theory in Africa; further research is needed to build and broaden the theory with additional empirical work from this part of the globe (Littlewood et al., 2022).

## **Empirical Literature Review**

### **Innovation and Financial Performance**

When an enterprise is innovative, it may address market demands by offering sustainable solutions more readily and effectively, which leads to a strong financial performance (Hanaysha et al., 2022; Buccieri et al., 2023). Most businesses will innovate in order to boost their financial performance (Anning-Dorson, 2018; Silwal, 2022; Fernández-Portillo et al., 2022). An empirical study on the American pharmaceutical industry found that innovative firms have sustained superior profitability (Roberts, 1999; Xin et al., 2008). According to Jeong and Chung (2023), SMEs with marketing innovation have enjoyed competitive advantages, hence positive financial performance. Furthermore, companies with innovation capacity and innovative initiatives are more likely to address market needs and challenges and offer the most reliable solutions than their peers, resulting in better financial performance (Jeong & Chung, 2023; Anning-Dorson, 2018; Buccieri et al., 2023; Silwal, 2022; Fernández-Portillo et al., 2022). Overall, most studies suggest that companies that are successfully innovative tend to enjoy higher revenue growth, profit margins and return on investment than their counterparts (Jeong and Chung, 2023; Anning-Dorson, 2018; Buccieri et al., 2021; Silwal, 2022; Fernández-Portillo et al., 2022). Despite the reported significant positive relationship between innovation and SACCOS financial performance, there is a need for more empirical evidence on industry-specific effects. It is possible that the relationship reported in tech industries may not be the same in manufacturing industries, or the relationship explained in banking industries may not be the same in microfinance companies. Based on these arguments, the primary hypothesis states: There is a significant positive relationship between innovation and SACCOS financial performance in Tanzania.

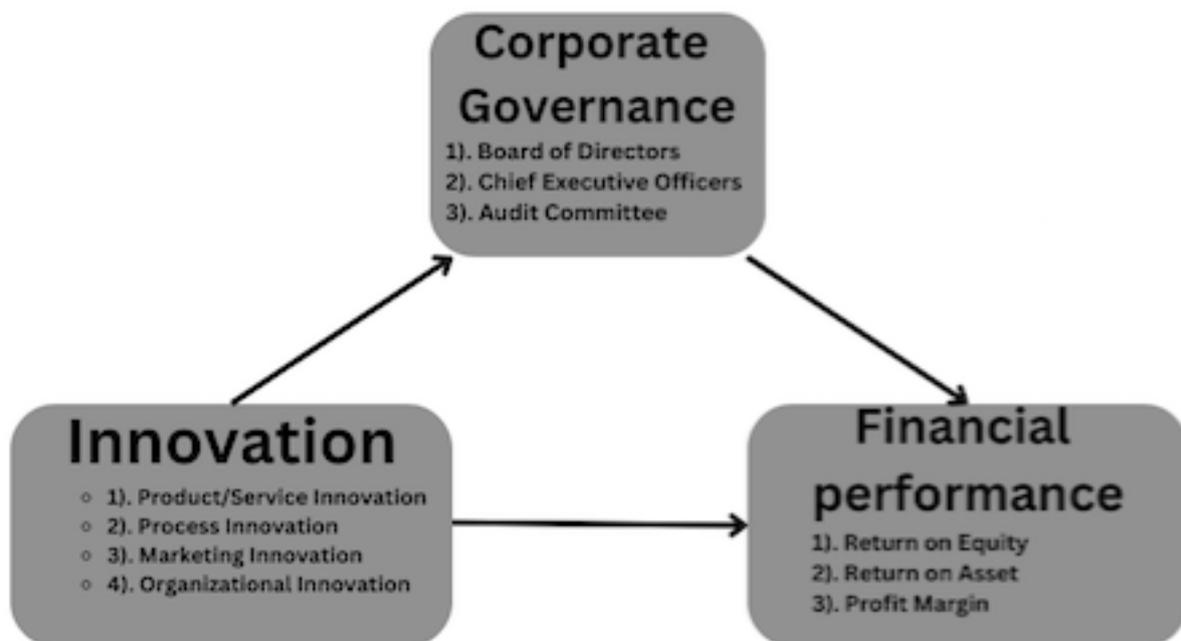
## Corporate Governance and Financial Performance

Corporate governance mechanisms can improve the organizational structure, increase motivation for innovation and better respond to the business environment, resulting in better profitability (Nasrallah & El Khoury, 2022; Abang'a et al., 2022). A study in India, including 88 SMEs listed on the Bombay Stock Exchange (BSE), concluded that a relationship exists between corporate governance and SMEs financial performance, where disclosures of information as indicators of corporate governance are inversely significant for SMEs financial performance (Singh & Rastogi, 2023). A study in 23 banks in Ghana relating corporate governance (audit independence, non-executive directors, chief executive officer) with banks' financial performance concluded that a positive relationship exists (Boachie, 2023). Based on the above arguments, the second hypothesis states: There is a relationship between corporate governance and SACCOS's financial performance in Tanzania.

## Corporate Governance as a Mediating Variable

Corporate governance is believed to have a mediating effect on the association between corporate financial performance and the factor of intellectual capital (Earnest & Sofian, 2013). An empirical study by Ngatno et al. (2021), examining the moderating effect of corporate governance on the association between firm performance and capital structure indicated that corporate governance has strengthened the relationship between capital structure and company financial performance. Likewise, a study in Ghana concluded that corporate governance has improved the association between market returns on stock and accounting information when assessing Ghanaian listed companies (Agyemang & Bardai, 2022). Therefore, corporate governance has possible mediation roles for other factors that influence financial performance in a firm. Therefore, the third hypothesis states: Corporate governance mediates the relationship between the innovation and SACCOS's financial performance in Tanzania.

### Conceptual Model



## Methodology

### Design

This study used an explanatory design. Explanatory research begins with a hypothesis or theory and then accumulates evidence to support or refute the theory or hypothesis. Explanatory design has provided comprehensive guidance on how to

conduct previous studies, gathered primary data, and let the researcher make predictions about a phenomenon in order to support or refute Social Innovation theory.

## Population and Sampling

There are 105 SACCOS that were registered and running during the time of data collection in the Mbeya region, which is the study's population. The targeted population was initially split up into districts and then probability-sampling techniques were used to randomly select respondents from the cluster. Based on the sample table created by Krejcie and Morgan, 83 out of 105 SACCOS were chosen as the study sample. This indicates that the sample of 83 SACCOS has a 98% confidence level that the real value is within  $\pm 5\%$  degree of accuracy expressed as a proportion (Krejcie & Morgan, 1970).

## Source of Data

In this study, the researchers adopted structured questionnaire (closed-ended questions), the best method of collecting primary data. The questionnaire is mostly used in surveys. A questionnaire is a set of questions that is used as a research tool to collect primary data from respondents for a statistical analysis or survey.

## Validity and Reliability

Discriminant validity, according to Hair and Alamer (2022), is the degree to which a variable differs from other variables in reality. By comparing Average Variance Extracted (AVE) with the square of the variable correlations, this study assessed the discriminant validity. As a general rule, the average

variance extracted (AVE) for corporate governance, innovation and financial performance are above 0.500; coefficients are 0.601, 0.619 and 0.794, respectively. Aburumman et al., 2022; Hair et al., 2019; Hair & Alamer, 2022) state that an average variance extracted (AVE) value greater than 0.5 denotes a high level of internal consistency and dependability. Loading in PLS-SEM model was evaluated to determine the convergent validity. Preferably, standardized factor loading values of at least 0.5 should be accepted (Hair & Alamer, 2022). All indicators of the exogenous constructs and the endogenous variable had factor loadings greater than the 0.7.

Regarding the questionnaire's internal consistency, the study computed the Cronbach's alpha as seen in table 1. Every construct has an acceptable level of reliability. The Cronbach's alpha values for corporate governance, innovation and financial performance are 0.889, 0.897 and 0.866, respectively. The measures' composite reliability is 0.896 for corporate governance, 0.901 for innovation and 0.894 for financial performance, above the expected minimum level of 0.700. Cronbach's Alpha above 0.7 but not higher than 0.95 is adequate (Hair et al., 2019; Hair & Alamer, 2022).

**Table 1: Construct reliability and validity**

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Corporate Governance (CG)	0.889	0.896	0.913	0.601
Financial Performance (FP)	0.866	0.894	0.920	0.794
Innovation (IN)	0.897	0.901	0.919	0.619

## Variables and Measurement

The study used the corporate governance as a mediating variable. It has been suggested by Abdullah et al. (2018); El-Abiad et al. (2023) that the Board of Directors, the Audit Committee, and Chief Executive Officers are good indicators of measuring corporate governance. The study used innovation as an independent variable. According to Hu et al. (2020), the metrics used for gauging innovation are process, product/service, organizational, and marketing innovation. Financial performance is the dependent variable in this study, according to

Mushafiq et al. (2023) and Diana & Maria (2020), is measured by return on equity and return on assets.

## Findings and Discussion

This section outlines the findings in terms of data analysis, model evaluation, discussion and demographic outcomes. To determine whether the Social Innovation Theory is correct, the researchers tested hypotheses.

The study used the corporate governance as a mediating variable. It has been suggested by Abdullah et al. (2018); El-Abiad et al. (2023) that the Board of Directors, the Audit Committee, and Chief

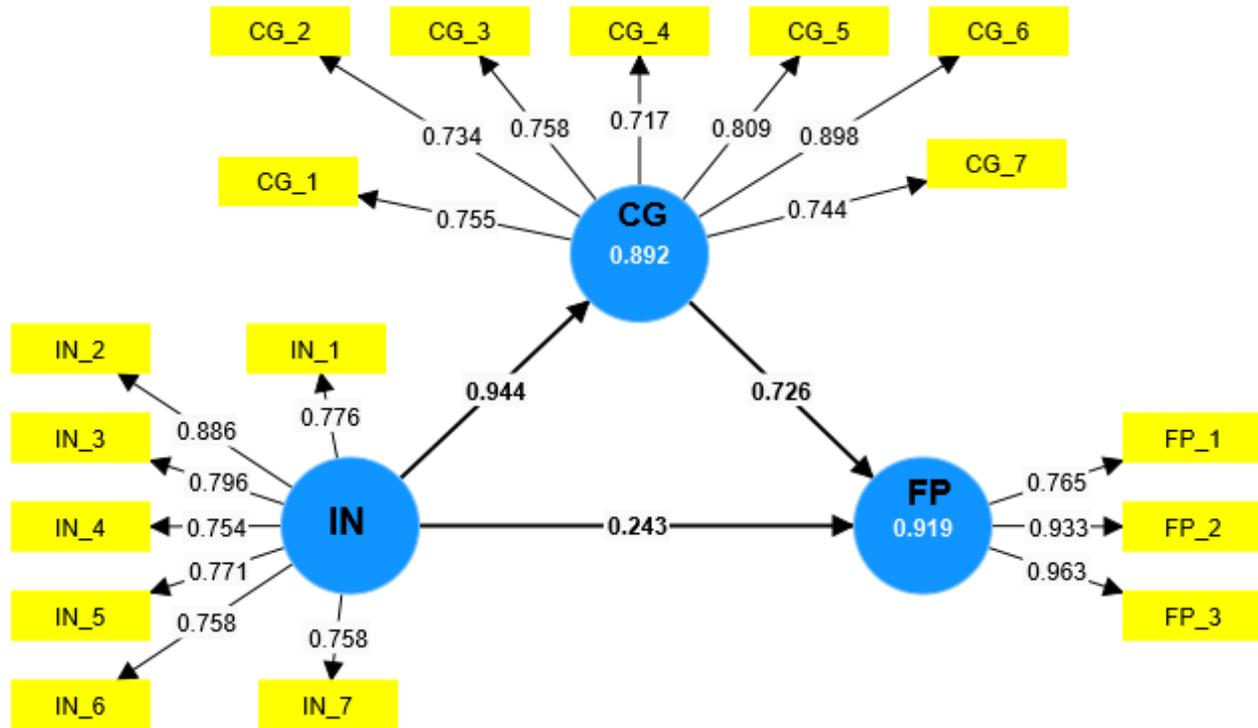
Executive Officers are good indicators of measuring corporate governance. The study used innovation as an independent variable. According to Hu et al. (2020), the metrics used for gauging innovation are process, product/service, organizational, and

marketing innovation. Financial performance is the dependent variable in this study, according to Mushafiq et al. (2023) and Diana & Maria (2020), is measured by return on equity and return on assets.

**Table.2: Variables, indicators, detectors with measures of internal reliability**

Variables & Sub-variables	Code	Detectors	Code	Outer loadings	Cronbach's alpha	AVE
Corporate governance	CG					
Board of directors	BoD	Our company appoints new board members in transparent manner.	CG_1	0.755		
		Our board of directors allocates sufficient time for their responsibilities	CG_2	0.734		
Chief Executives	CEO	Our chief executive officers held regular meeting with company employees.	CG_3	0.758		
		Our internal audit section performs its tasks independently.	CG_4	0.717	0.889	0.601
3Audit	AuD	We have enough risk assurance from our internal audit unit.	CG_5	0.809		
		Our company has a clear process in place for reporting conflicts of interest.	CG_6	0.898		
Transparency	TPC	Information about our company's operations is openly disclosed to shareholders.	CG_7	0.744		
Innovation	IN		IN			
Services/Product innovation	S-IN	Our company offers new products as result of innovation.	IN_1	0.886		
		Innovation has led to improvements in our business operation strategies.	IN_2	0.796		
Process innovation	P-IN	Our company has been tapping new inventions in its process.	IN_3	0.754		
		Innovation has enhanced our business's marketing strategies.	IN_4	0.771	0.897	0.619
Marketing innovation	M-IN	Our business's market share is growing as a result of innovation.	IN_5	0.758		
		Our company's administration has been enhanced by innovation.	IN_6	0.758		
Organizational innovation	O-IN	Our business has been employing innovative ideas in its management	IN_7	0.886		
Financial performance	FP		FP			
Return on Equity (ROE)	ROE	Return on Equity (ROE)	FP_1	0.765		
Return on Assets (ROA)	ROA	Return on Assets (ROA)	FP_2	0.933	0.866	0.794
Profit margin (PM)	PM	Profit Margin (PM)	FP_3	0.963		

Figure 1: PLS-SEM path model



In accordance with the social innovation theory scholars' hypothesis—which was supported by Anheier et al., 2019; Hu et al., 2020; Martins et al., 2022; Adro & Fernandes, 2022—that there is a relationship between corporate governance, innovation, and a company's financial performance—the model "Figure: 1" above was created to connect latent variables. The dependent latent variable (financial performance) is located on the right side of the route model, the mediating latent variable (corporate governance) is in the middle, and the independent latent variables (innovation) are located on the left. Path model outer-loading is a regression coefficient that measures how strongly latent variables (IN\_1 to 7, CG\_1 to 7, and PF\_1 to 7) and indicators (IN, CG, and FP) are related.

### Model Assessment

With loading regression coefficients, over 0.700 thresholds, all observable indicators were well-loaded into the PLS-SEM model (Figure 1). In accordance with Aburumman et al. (2022, indicator loading over 0.700 thresholds has a reasonable level of reliability. The model's Cronbach's alpha values are 0.889 for corporate governance, 0.897 for innovation, and 0.866 for financial performance, with acceptable coefficients ranging from 0.700 to 0.900 (Table 3). The measures' composite reliability

is 0.901 for corporate governance, 0.894 for innovation, and 0.896 for financial performance, above the expected minimum level of 0.700 (Table 3). The average variance extracted (AVE) is 0.601 for corporate governance, 0.619 for innovation, and 0.794 for financial performance above 0.500 coefficients, which is a rule of thumb (Table 3). In light of Aburumman et al. (2022) and Hair et al. (2019), this metrics demonstrates a high degree of internal consistency and dependability, meaning that the observable indicators in the route model in "Figure 1" effectively represented the latent variables.

The PLS-SEM Path Model (Figure 1) illustrates a diagrammatic representation of an algorithm designed to test conceptual myths regarding the relationship between innovation, corporate governance and financial performance. A number of empirical studies (Anheier et al., 2019; Hu et al., 2020; Martins et al., 2022; Adro & Fernandes, 2022) provide evidence that support this relationship. By applying PLS-SEM, the study established a link between the indicators of the exogenous construct components (IN\_1 to 7 and CG\_1 to 7) and the endogenous construct components (PF\_1, PF\_2, & PF\_3). The relationship between the exogenous constructs innovation and corporate governance (IN & CG) and the endogenous construct financial

performance (FP) was measured using the PLS-SEM standardized regression coefficients (R2 values and Q2). Numbers on the routes represents Q2 values, while R2 values are displayed in the circles of the endogenous latent variables on the diagram in Figure 1.

**Hypothesis 1:** There is no significant relationship between corporate governance and financial performance.

In response to the first hypothesis, regression results indicate a positive and strong relationship between corporate governance and financial performance (0.726,  $p = 0.000$ ) as seen in Figure 1

and table 3. Thus, the null hypothesis is rejected while maintaining that there is a significant relationship between corporate governance and financial performance. The study's results align with those by an Indian study (Singh & Rastogi, 2023) that examined 88 SMEs listed on the Bombay Stock Exchange and discovered a strong relationship between corporate governance and financial performance. The results are also in line with findings in a study that examined the relationship between corporate governance and the financial performance of 23 Ghanaian banks and established a strong and positive correlation between the two variables (Boachie, 2023).

**Table 3: Direct relation Hypothesis Test Results**

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ( O/STDEV )	P values
CG -> FP	0.726	0.721	0.093	7.809	0.000
IN -> CG	0.944	0.946	0.008	114.595	0.000
IN -> FP	0.243	0.248	0.094	2.584	0.010

**Table 4: Moderation hypothesis Test Results**

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ( O/STDEV )	P values
I IN -> CG -> FP	0.686	0.682	0.089	7.723	0.000

**Table 5: Hypothesis Test Results Summary**

Hypothesis	Path	R2 value (Path coefficients)	Comment	P (Q2) value	Comment
H1 There is no significant relationship between corporate governance and financial performance.	CG -> FP	0.726	Path rejected	0.000	Hypothesis rejected
H2 There is no significant relationship between innovation and corporate governance.	IN -> CG	0.944	Path rejected	0.000	Hypothesis rejected
H3 There is no significant relationship between innovation and financial performance.	IN -> FP	0.243	Path not rejected	0.010	Hypothesis rejected
H4 Corporate governance does not mediate the relationship between innovation and financial performance.	IN -> CG -> FP	0.686	Path rejected	0.000	Hypothesis rejected

**Hypothesis 2:** There is no significant relationship between innovation and corporate governance.

In response to the second hypothesis, regression results indicate a positive and strong relationship between innovation and corporate governance (0.944,  $p= 0.000$ ) as seen in Figure 1 and table 3. Thus, the null hypothesis is rejected while maintaining that there is a significant relationship between innovation and corporate governance. The results are consistent with the analysis of ARIFIN et al. (2022) in Indonesian, which concluded that innovation and corporate governance are associated. However, the findings conflict with those by Valencia (2018) who examined 197 domestically held public traded Australian companies between 1994 and 2003 and came to the conclusion that there was no relationship.

**Hypothesis 3:** There no significant relationship between innovation and financial performance.

In response to the third hypothesis, regression results indicate a positive and weak relationship between innovation and financial performance (0.243,  $p= 0.000$ ) as seen in Figure 1 and table 3. Thus, the null hypothesis is rejected while maintaining that there is a significant relationship between innovation and financial performance. The findings are in line with those by Cho and Pucik (2005) which engaged 1000 Fortune businesses and established a positive connection between financial performance and innovation.

**Hypothesis 4:** Corporate governance does not mediate the relationship between innovation and financial performance.

In response to the forth hypothesis, regression results indicate a positive and moderate relationship (0.686,  $p=.000$ ) between innovation and financial performance through the moderation of corporate governance as seen in Figure 1 and table 4, which improved from 0.243 to 0.686 as opposed to the direct association. Therefore, the null hypothesis is rejected while maintaining that corporate governance mediates the relationship between innovation and financial performance. This suggests that corporate governance has mediated the relationship between innovation and financial performance. The results align with empirical research by Ngatno et al. (2021), which investigated the mediating role of corporate governance on the relationship between capital structure and firm performance. The findings revealed that corporate

governance reinforced the correlation between capital structure and financial performance of companies.

## Conclusion and Recommendation

The study comes to the conclusion that corporate governance and a firm's financial performance are strongly and positively correlated. In light of this, businesses must ensure that corporate governance is strengthened in order to enhance the financial performance in a sustainable manner.

Secondly, the study concludes that corporate governance strongly correlates with innovation. Because of this relationship, businesses must ensure that innovation and corporate governance go hand in hand in order to achieve financial success.

The study concludes that innovation and financial performance have a marginally positive relationship. Given this, companies ought to welcome innovation as a way to deal with their long-term problems in financial performance.

The study comes to a conclusion that corporate governance acts as a mediator in the relationship between financial performance and innovation. Because of this relationship, companies need to make sure that they exhibit excellent corporate governance practices and principles in order to positively impact other aspects of the company's financial success.

## Reference

- Ab Rahman, S. M., Setapa, M., Abdul Wahab, M. H. A. A., Mohd Yasin, A. B., Tengku Yahya, T. B., & Sazali, N. A. (2021). The strengths and weaknesses of social innovation: a comparison between Malaysia and Thailand. *Advances in Business Research International Journal*, 7(2), 88-100.
- Abang'a, A. O. G., Tauringana, V., Wang'ombe, D., & Achiro, L. O. (2022). Corporate governance and financial performance of state-owned enterprises in Kenya. *Corporate Governance: The International Journal of Business in Society*, 22(4), 798-820.
- Abdullah, R., Ismail, Z., & Smith, M. (2018). Audit committees' involvement and the effects of quality in the internal audit function on corporate governance. *International Journal of Auditing*, 22(3), 385-403.
- Aburumman, O. J., Omar, K., Al Shbail, M., & Aldoghan, M. (2022, March). How to Deal with the Results of PLS-SEM?. In *International Conference on*

- Business and Technology (pp. 1196-1206). Cham: Springer International Publishing.
- Adro, F. D., & Fernandes, C. (2022). Social entrepreneurship and social innovation: Looking inside the box and moving out of it. *Innovation: The European Journal of Social Science Research*, 35(4), 704-730.
- Agyemang, J. K., & Bardai, B. B. (2022). The mediating effect of corporate governance on the relationship between accounting information and stock market return of listed entities in Ghana. *Journal of Modern Accounting and Auditing*, 18(2), 60-89.
- Anheier, H., Krlev, G., & Mildemberger, G. (2019). Social innovation: Comparative perspectives (p. 318). Taylor & Francis.
- Anning-Dorson, T. (2018). Innovation and competitive advantage creation: The role of organisational leadership in service firms from emerging markets. *International Marketing Review*, 35(4), 580-600.
- Arias-Pérez, J., Coronado-Medina, A., & Perdomo-Charry, G. (2022). Big data analytics capability as a mediator in the impact of open innovation on firm performance. *Journal of Strategy and Management*, 15(1), 1-15.
- ARIFIN, M. R., RAHARJA, B. S., NUGROHO, A., & ALIGARH, F. (2022). The relationship between corporate innovation and corporate governance: Empirical evidence from Indonesia. *The Journal of Asian Finance, Economics and Business*, 9(3), 105-112.
- Asiedu, M. A., Anyigba, H., Ofori, K. S., Ampong, G. O. A., & Addae, J. A. (2020). Factors influencing innovation performance in higher education institutions. *The Learning Organization*, 27(4), 365-378.
- Audretsch, D. B., Eichler, G. M., & Schwarz, E. J. (2022). Emerging needs of social innovators and social innovation ecosystems. *International Entrepreneurship and Management Journal*, 1-38.
- Bataglin, J. C., & Kruglianskas, I. (2022). Social innovation: Field analysis and gaps for future research. *Sustainability*, 14(3), 1153.
- Boachie, C. (2023). Corporate governance and financial performance of banks in Ghana: the moderating role of ownership structure. *International Journal of Emerging Markets*, 18(3), 607-632.
- Buccieri, D., Javalgi, R. R. G., & Gross, A. (2023). Innovation and differentiation of emerging market international new ventures the role of entrepreneurial marketing. *Journal of Strategic Marketing*, 31(3), 549-577.
- Cho, H. J., & Pucik, V. (2005). Relationship between innovativeness, quality, growth, profitability, and market value. *Strategic management journal*, 26(6), 555-575.
- De Tarde, G. (1899). *Social laws: An outline of sociology*. Macmillan.
- Diana, H. I., & Maria, M. M. (2020). The importance Of profitability indicators In assessing The financial performance Of economic entities. *THE ANNALS OF THE UNIVERSITY OF ORADEA*, 29(2020), 219.
- Earnest, D. F., & Sofian, S. (2013). The mediating role of corporate governance on intellectual capital and corporate performance. *Journal of Economics, Business and Management*, 1(4), 339-342.
- El-Abiad, Z., Braendle, U., & El-Chaarani, H. (2023). Formulation of a corporate governance index for banking sector: The GIB. X62. *Heliyon*, 9(4).
- Fernández-Portillo, A., Almodóvar-González, M., Sánchez-Escobedo, M. C., & Coca-Pérez, J. L. (2022). The role of innovation in the relationship between digitalisation and economic and financial performance. A company-level research. *European Research on Management and Business Economics*, 28(3), 100190.
- Flikkema, M., Jansen, P., & Van Der Sluis, L. (2007). Identifying neo-Schumpeterian innovation in service firms: A conceptual essay with a novel classification. *Economics of Innovation and New Technology*, 16(7), 541-558.
- Hair, J. F., Risher, J. J., Sarstedt, M., & Ringle, C. M. (2019).. When to use and how to report the results of PLS-SEM. *European business review*, 31(1), 2-24.
- Hair, J., & Alamer, A. (2022). Partial Least Squares Structural Equation Modeling (PLS-SEM) in second language and education research: Guidelines using an applied example. *Research Methods in Applied Linguistics*, 1(3), 100027.
- Hanaysha, J. R., Al-Shaikh, M. E., Joghee, S., & Alzoubi, H. M. (2022). Impact of innovation capabilities on business sustainability in small and

- medium enterprises. *FIIB Business Review*, 11(1), 67-78.
- Hermundsdottir, F., & Aspelund, A. (2022). Competitive sustainable manufacturing-Sustainability strategies, environmental and social innovations, and their effects on firm performance. *Journal of Cleaner Production*, 370, 133474.
- Howaldt, J., Kopp, R., & Schwarz, M. (2015). On the theory of social innovations: Tarde's neglected contribution to the development of a sociological innovation theory.
- Hu, X., Danso, B. A., Mensah, I. A., & Addai, M. (2020). Does innovation type influence firm performance? A dilemma of star-rated hotels in Ghana. *Sustainability*, 12(23), 9912.
- Hutahayan, B. (2020). The mediating role of human capital and management accounting information system in the relationship between innovation strategy and internal process performance and the impact on corporate financial performance. *Benchmarking: An International Journal*, 27(4), 1289-1318.
- Janik, A., Ryszko, A., & Szafraniec, M. (2021). Exploring the social innovation research field based on a comprehensive bibliometric analysis. *Journal of Open Innovation: Technology, Market, and Complexity*, 7(4), 226.
- Jeong, S. W., & Chung, J. E. (2023). Enhancing competitive advantage and financial performance of consumer-goods SMEs in export markets: how do social capital and marketing innovation matter?. *Asia Pacific Journal of Marketing and Logistics*, 35(1), 74-89.
- Krejcie, R. V., & Morgan, D. W. (1970). Determining sample size for research activities. *Educational and psychological measurement*, 30(3), 607-610.
- Kumkit, T., Anh, D. L. T., Gan, C., & Hu, B. (2023). Members' perspectives of good governance practice of Thailand's credit union cooperatives. *Journal of Asian Business and Economic Studies*.
- Littlewood, D., Ciambotti, G., Holt, D., & Steinfield, L. (2022). Special issue editorial: Social innovation and entrepreneurship in Africa. *Africa Journal of Management*, 8(3), 259-270.
- Logue, D. (2019). Social innovation and its contemporary evolution. In *Theories of social innovation* (pp. 6-26). Edward Elgar Publishing.
- Martins, T., Braga, A., Ferreira, M. R., & Braga, V. (2022). Diving into social innovation: a bibliometric analysis. *Administrative Sciences*, 12(2), 56.
- Messabia, N., Beauvoir, E., & Kooli, C. (2023). Governance and management of a savings and credit cooperative: The successful example of a Haitian SACCO. *Vision*, 27(3), 397-409.
- Morris, L., Ma, M., & Wu, P. C. (2014). Agile innovation: The revolutionary approach to accelerate success, inspire engagement, and ignite creativity. John Wiley & Sons.
- Mushafiq, M., Sindhu, M. I., & Sohail, M. K. (2023). Financial performance under influence of credit risk in non-financial firms: evidence from Pakistan. *Journal of Economic and Administrative Sciences*, 39(1), 25-42.
- Nasrallah, N., & El Khoury, R. (2022). Is corporate governance a good predictor of SMEs financial performance? Evidence from developing countries (the case of Lebanon). *Journal of Sustainable Finance & Investment*, 12(1), 13-43.
- Ngatno, Apriatni, E. P., & Youlianto, A. (2021). Moderating effects of corporate governance mechanism on the relation between capital structure and firm performance. *Cogent Business & Management*, 8(1), 1866822.
- Nuruzzaman, N., Singh, D., & Pattnaik, C. (2019). Competing to be innovative: Foreign competition and imitative innovation of emerging economy firms. *International Business Review*, 28(5), 101490.
- Nyngarika, A., & Bundala, F. S. (2020). Socio-economic factors affecting deposits growth in sacco's development case of geita tanzania. *International Journal of Advance Research and Innovative Ideas in Education*, 6(2), 1273-1288.
- Otache, I., Echukwu, I. J., Umar, K., Yunusa, A., & Audu, S. (2023). Internal factors affecting the performance of employee-based savings and credit cooperatives: evidence from Nigeria. *Journal of Enterprising Communities: People and Places in the Global Economy*, 17(6), 1154-1170.
- Ozili, P. K. (2021). Financial inclusion-exclusion paradox: how banked adults become unbanked again. *Financial Internet Quarterly*, 17(2), 44-50.
- Rajapathirana, R. J., & Hui, Y. (2018). Relationship between innovation capability, innovation type, and

- firm performance. *Journal of Innovation & Knowledge*, 3(1), 44-55.
- Roberts, P. W. (1999). Product innovation, product-market competition and persistent profitability in the US pharmaceutical industry. *Strategic management journal*, 20(7), 655-670.
- Silwal, P. P. (2022). Corporate cultures and financial performance: The mediating role of firm innovation. *Cogent Business & Management*, 9(1), 2010480.
- Singh, K., & Rastogi, S. (2023). Corporate governance, configurational approach and financial performance: some evidence from Indian listed SMEs. *Benchmarking: An International Journal*.
- Tanzania Cooperative Development Commission (TCDC). (2022). *The annual report on operations, performance and supervision of saccos in Tanzania, Second Edition*,
- Tanzania cooperative development commission (TCDC). (2023). *Statistical cooperative report from July 2022 to January 2023* avail., @[https://www.ushirika.go.tz/uploads/Statistical\\_Cooperative\\_Report\\_July\\_%E2%80%93\\_January\\_2023\\_FY\\_2022-2023.pdf](https://www.ushirika.go.tz/uploads/Statistical_Cooperative_Report_July_%E2%80%93_January_2023_FY_2022-2023.pdf),
- Towo, N. N. (2023). Financial Leverage and Financial Performance of Savings and Credit Co-operative Societies in Tanzania. *International Journal of Rural Management*, 19(2), 214-233.
- Towo, N. N., Ishengoma, E., & Mori, N. (2022). Relationship lending and financial performance of Savings and Credit Co-operative Societies in Tanzania. *African Journal of Economic and Management Studies*, 13(4), 614-635.
- Valencia, V. S. (2018). Corporate governance and CEO innovation. *Atlantic Economic Journal*, 46, 43-58.
- Westeren, K. I. (2012). Innovation: from Schumpeter to the knowledge economy. Chapter in *Foundations of the Knowledge Economy*. London: Edward Elgar Publishing Ltd, 57-74.
- Xin, J. Y., Yeung, A. C., & Cheng, T. C. E. (2008). Radical innovations in new product development and their financial performance implications: An event study of US manufacturing firms. *Operations Management Research*, 1, 119-128.
- Xue, W., Li, H., Ali, R., & Rehman, R. U. (2020). Knowledge mapping of corporate financial performance research: a visual analysis using cite space and ucinet. *Sustainability*, 12(9), 3554.
- YuSheng, K., & Ibrahim, M. (2020). Innovation capabilities, innovation types, and firm performance: evidence from the banking sector of Ghana. *Sage Open*, 10(2), 2158244020920892.
- Zapf, W. (1989). Über soziale innovationen. *Soziale Welt*, 40(H. 1/2), 170-183.