EFFECTS OF CORPORATE GOVERNANCE ON THE PERFORMANCE OF PUBLIC UNIVERSITIES IN NAKURU COUNTY, KENYA

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DECLARATION AND APPROVAL

Declaration

This research project is my original work and has not been presented for award of a degree in any other university/institution or for any other purpose.

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Approval

This research project has been submitted for examination with our approval as the University Supervisors

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DEDICATION

This research project is dedicated to my parents, Brothers, sisters, my husband Walter, Children; Caroline, Asneth, they have been source of encouragement. I will not forget my employer and colleagues for being understanding as well as supportive during the entire research period. May God Bless you abundantly.

ABSTRACT

Corporate governance involves the codes of practice that have been put in place to ensure that organizations are well managed and controlled. It entails accountability, authority, leadership, stewardship direction and control exercised by organizations. Corporate governance is one of the ideals in performance of public entities in Kenya globally. Corporate governance ensures that the stakeholders' interests are well taken care of. The study investigated the Effects of corporate governance on performance in public universities in Nakuru County, Kenya. In particular, it established how internal control, accountability and stewardship affect performance in public universities. The Resource dependency and stewardship theories guided the study. The researcher adopted a descriptive research design .The target population comprised of the 166 management and administrative staff working with the public universities in Nakuru County. Stratified random sampling was adopted to draw a sample size of 63 respondents from the study population. A structured questionnaire was employed to collect primary data from the respondents. Data analysis employed both descriptive and inferential statistics. The study found that an internal control does not have significant effect on performance of public universities. However, accountability and stewardship were found to have moderately strong and significant effect on performance of the Public. It was concluded that it is vital to ensure transparency and reliability of information for financial reporting. Accountability was concluded to be important in ensuring performance by providing a framework for managerial and financial accountability. Stewardship was inferred to be a focal point in ensuring performance in universities.

Key Words: *Accountability, Corporate Governance, Internal Controls, Public Universities, Stewardship*

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LIST OF ABBREVIATIONS AND ACRONYMS

CBK: Central Bank of Kenya

CCG: Centre for Corporate Governance

COSO: Committee of sponsoring organization of the tread way Commission

CUE: Commission for University Education

GAAP: Generally Accepted Accounting Principles

GCG: Good corporate Governance

ICPAK: Institute of Certified Public Accountants of Kenya

ISA: International Standards on Auditing

OECD: Organization for Economic Cooperation and Development

RBZ: Reserved Bank of Zimbabwe

SACCOs: Savings and Credit Cooperative Societies

SAS: Statistical Accounting Software

SPSS: Statistical Package for Social Sciences

UNESCO: United Nation Educational Scientific and Cultural Organization

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Corporate governance is a system by which organizations are directed and controlled. The concept of corporate governance encompasses organization of management and control. It involves how organizations are directed and controlled. It entails accountability, authority, leadership, stewardship direction and control exercised by organizations (Brown bridge, 2007). Classens (2003) argues that corporate governance definitions, although widely varied, can be categorized into two sets. The first set of definitions deals with a behavioral pattern set that comprises the corporation's actual behavior, namely, its efficiency, financial structure, performance, growth and treatment of shareholders and other stakeholders. The second set of definitions deals with the normative framework. Corporate governance is based on rules under which companies operate including judicial systems, financial markets, legal systems and labor or factor markets. According to Blair (1995), corporate governance is the whole set of cultural, institutional and legal arrangements that identify what public-trading corporations can perform, who controls corporations, how the control is being exercised and how the activities, risks and returns are allocated.

Corporate governance brings together various stakeholders of an organization. These include shareholders, employees, creditors, contractors, and suppliers. According to Bauer, Guenster and Otten (2004 corporate governance enhances corporate accountability through the laid down structure and processes. Corporate governance is aligned to the organization's objectives of achieving shareholders' value while simultaneously taking into account the interests of other stakeholders. Hermes (2008) asserts that corporate governance ensures that there is structured association between the management and shareholders in regard to corporate decision making and control in an organization.

Corporate governance is described by a number of indicators which include management duality, number of board committees, independence of supervisory committee, and disclosure (Kabaiya, 2011). Regarding the duality of management particularly chief executive officers (CEOs), it is indicated that the board of directors play a fundamental role in terms of governance and management of institutions. These directors are mandated to evaluate the top management. Nevertheless, it is argued that a challenge may

arise when the CEO happens to be the chair of the board and his performance is below the expectations. This is due to the fact that the board is the one that is tasked with evaluating the CEO (Hamisi, 2008). In the context of public universities the Senate and the Council are expected to spearhead the governance and management of these institutions of higher learning. Baragwe (2009) observes that CEO duality eases the process of decision making by contributing in reducing the red tape; an aspect that enables the CEO to work with speed for the betterment of the organization. The Vice Chancellors of public universities are the CEOs of those institutions and as such the CEO duality is anticipated to enable them spearhead the performance of these institutions.

The organization and the structure of the management determine the size of the management board (Nancy, 2004). Public universities have well-defined structure whereby the Senate and the Council are supervises the management of these institutions. The composition of the Senate and Council should be in the best interest of all the stakeholders. However, the issue of governance becomes a challenge especially when the Senate or Council constitute members from various backgrounds with vested interests. According to Shreetal (2002) supervisory committees play a crucial oversight role in corporate governance. They facilitate enhancement of professionalism and quality of corporate governance in an institution. The Commission for University Education (CUE) oversees the operations of institutions of higher education which include public universities. Whatever decisions and policies are made by the university's Senate must conform to the stipulations of the CUE.

One of the key indicator of corporate governance is disclosure. Disclosure describes the process through which an entity communicates with the outside world. It illustrates how an organization functions. Disclosure is viewed from the same perspective as transparency. Transparency enables organizations to clarify to stakeholders all that entails the administrative procedures, the internal working arrangements and also plays a part in reducing risk in an organization (Mellan, 2010).

Corporate governance is high on the European Commission's agenda (Brown & Caylor, 2004). Corporate governance is a fundamental issue which has become prevalent in developed world for several years. The trend has become entrenched in policy agenda in African countries (Brown & Caylor, 2004). Indeed according to the scholar, many

countries have embraced good corporate governance. Good corporate governance is beneficial to organizations in that it enhances financial accessibility, lower cost of capital, better performance and favourable treatment to all stakeholders. On the other hand, bad governance is blamed for poor organizational performance, risky financial patterns and also creates an ample environment for macroeconomic crises as was witnessed in East Asia in 1997 (Claessens et al., 2003).

Kenya public universities have gradually increased in less than a decade ago to twenty three (23) currently (Muchiri 2010). However, in the recent past there are a number of university constituent colleges that have been upgraded to fully-fledged public universities. The increment in the number of these institutions of higher education has resulted to increased enrollment in public universities. The foregoing coupled with limited finances from the government has amounted to serious challenges in these institutions of higher learning (Mulili & Wong, 2011).

Mutula (2002) examined some of the major challenges facing public universities in Kenya including rapid expansion of university education and reduced government funding. Mwiria and Ng'ethe (2006) emphasized that the increased demand for higher education as exemplified by the large number of education institutions and enrolment in the country has resulted in huge challenges touching on both financial and general management. As Muchiri (2010) further asserts, the public universities have made broad steps of complementing the limited funds from the government by initiating income-generating projects. The best examples of such projects include the introduction of self-sponsored degree programmes, farming on universities' land, provisions of payable short-term courses, renting out facilities such as halls for social functions during holidays amongst others.

1.2 The Concept of Corporate Governance in Kenya

Kenya's corporate governance system was influenced by two factors: after the government relaxed rules that governed issuance of licenses to banks in 1982 and by the privatization process that began in the 1980's and gained momentum in the 90's. This led to the growth of many banks that did not put into practice proper corporate governance

Structures resulting into poor governance and management culture in the industry (CCG, 2004). A case in point was it the year 1984 when the Rural Urban Credit Finance was placed in interim liquidation.

The Government of Kenya through the Central Bank made changes in the Central Bank act and the banking act to curb instability in the banking industry. This was for example, through raising the capital requirements and the creation of the Depositors Protection Fund. Regardless of efforts made to streamline the banking sector, many banks have been Liquidated or put under receivership. The collapse was due to weak internal controls, poor governance and management practices. For example, Continental Bank of Kenya and Continental Credit Finance Ltd collapsed in 1986. In 1987 Capital Finance went under. The Government then formed Consolidated Bank by merging seven banks that had Collapsed (Nambiro, 2007).

Various reasons were given that may have contributed to the collapse of banking institutions in Kenya. The Centre for Corporate Governance, (2004) outlined the following reasons as being major contributors to this phenomenon; insider lending and conflict of interest, weaknesses in regulatory and supervisory systems, poor risk management strategies, lack of internal controls and weak corporate governance practices. This followed by the Central Bank of Kenya to outline more bold and elaborate measures to curb these problems and also to strengthen its arm of supervisory role it plays in the industry.

Corporate governance in the banking sector in Kenya largely relates to the responsibility conferred to and discharged by the various entities and persons responsible for and concerned with the prudent management of the financial sector (Central Bank of Kenya, 2006). The corporate governance stakeholders in the banking sector include the board of Directors, management, shareholders, Central Bank of Kenya, external auditors and Capital markets Authority (CCG, 2004).

According to the guideline on corporate governance as stipulated in the Central Bank of Kenya (CBK) prudential guidelines of (2006) for institutions licensed under the banking act Cap 488, an institution is required to have non-executive director who is not involved in the day-to-day management and not a full-time salaried employee of a banking institution or of its subsidiaries. In addition, it is a requirement that it has an independent

non-executive director who is not employed by the institution in an executive capacity within the last five and does not have any conflicting interests with the institution. However, no shareholder with more than five percent (5%) shareholding in a banking Institution is supposed to be an executive director or form part of the management of the institution or institution's holding company. On the same note, no director and chief executive officer is required to take up a position before he/she is cleared by the central bank and that the directors of the institutions shall control the manner in which the Business is conducted i.e. corporate planning, effective functioning of board and management committees in key areas, set-up an effective internal audit department and compliance function, maintain adequate capital base among others (CBK Prudential Guidelines, 2006). As concerns the Board of Directors for each institution, the guidelines provides that the board is responsible for formulating policies, procedures and guidelines concerning duties, responsibilities and code of conduct of its officers.

Relevant board committees are constituted to assist the board and its directors in discharging the duties and responsibilities. In order to achieve the necessary balance, CBK requires all institutions' board to have at least five directors, three-fifths of whom should be non-executive Directors. This is because of banks special nature of Deposit-taking giving them an added responsibility of safeguarding the interests of the depositors. Similarly, independent non-executive directors comprise the majority of the non-executive directors serving on the board to ensure that the non-executive directors, who form the majority, render the necessary independence to the board from the executive arm of the banking institutions, and help mitigate any possible conflict of interest between the policy-making process and the day-to-day management of the institution.

In the increasingly complex banking environment, the presence of suitably qualified independent directors can contribute effectively towards achieving the main tasks of the board (CBK Prudential Guidelines, 2006). Further, independent directors are required to provide the necessary checks and balances on the board of the institution so as to ensure that the interests of minority shareholders and general public are given due consideration in the decision-making process. Independent directors are not supposed to be brought in as a mere formality as this would be tantamount to deceiving the minority shareholders and the public.

As concerns foreign banks, CBK Prudential Guidelines (2006) stipulate that formation of local Committees is a requirement. This specifically applies to their branches, which need to have at least five members in their local committees whose responsibilities are similar to those of the Board of Directors. On multiple directorships, an individual is not allowed to hold the position of a director in more than two institutions licensed under the Banking Act unless those institutions are subsidiaries or holding companies. However, government bodies represented in institutions' boards by virtue of their position as government bodies are exempted. The Chairman of the board is supposed to be a Non-executive director the guidelines state. On conflict of interest, directors, chief executive officers and management are not allowed to engage directly or indirectly in any business activity that competes or conflicts with the institution's interest such as outside financial interest, other business interests, employment and corporate directorship (CBK Prudential Guidelines, 2006).

1.3 Evolution of corporate Governance

The idea of corporate governance was quickly adopted in different parts of the world with some variations because circumstances vary from country to country. A variety of corporate governance frameworks were developed. Nevertheless, two main approaches of corporate governance can be identified, with distinctions arising from the different legal systems at work in different countries.

Countries that followed civil law (e.g. France, Germany, Italy and Netherlands) developed corporate governance frameworks that focused on stakeholders. In those countries, the role of corporate governance was to balance the interests of a variety of key groups such as employees, managers, creditors, suppliers, customers and the wider community (Solomon & Solomon, 2004). This approach was known as the insider model of corporate control as it recognized that the greatest control in a firm was held by those who were closest to its actual workings (Department of Treasury, 1997). On the other hand, countries that had a tradition of common law (e.g. Australia, United Kingdom, USA, Canada and New Zealand) developed corporate governance structures that focused on shareholders' returns or interests.

In their case corporate governance was supposed to ensure that corporations achieved the objectives set by their owners. Moreover, shareholders could hold a firm's management

responsible for attaining the firm's goals which include profits. This approach was known as the outsider model of corporate control as it recognized the distance between the management of a firm and its owners (Department of Treasury, 1997). Although the two approaches to corporate governance were different, they had a few similarities. For example, they held that the management boards of firms were to be elected by shareholders to set policies and then delegate to management the authority to manage the firms (Hilmer, 1998). In any case, most countries adopted corporate governance systems that were a mixture of the two extreme forms (Solomon & Solomon, 2004).

The adoption of the corporate governance philosophy does not necessarily prevent corporate failures and scandals. Examples of failed corporations include Enron and WorldCom in the United States and the Golden Quadrilateral in India (Kakabadse & Kakabadse, 2003). Consequently, there has been debate about what needs to be included in a comprehensive corporate governance framework. Some scholars argue that a comprehensive corporate governance framework should include greater use of independent directors, access to outside advice for boards, review of board and executive remuneration and limitations on the power of CEOs (Cutting & Kouzim, 2002; Monks, 2002).

Corporate governance is now an international topic due to globalization of businesses. It is acknowledged to play a major role in the management of organizations in both developed and developing countries. Nevertheless, Davies and Schnitzler (2008) note that corporate governance practices are not uniform across nations. In fact, the 0rganisation for Economic Cooperation and Development (1998) acknowledges the lack of a single model of corporate governance practice that is applicable to all organizations even within one country. Consequently, every country adopts a unique set of corporate governance procedures that are based on factors such as the country's legal and financial system, corporate ownership structures, and culture and economic circumstances.

1.4 Corporate governance of public universities in Kenya.

Higher education is one of the most effective instruments for economic, political, human resources and social development. Tadjudin (2003) Similarly, Ogom (2007) argues that higher education not only enables a state to maintain a competitive advantage but it also stimulates scientific research that results into modernization and social transformation. In

a number of developing countries in Africa, education per se is assumed to equalize opportunities among people of different social classes, distribute income more fairly and develop a more employable lab our force (Carnoy, 1986). Ogom (2007) proposes that governments should financially support their institutions of higher education. Altbach (1970) opines that universities are political forces and sources of social mobility while Van den Bor and James (1991) argue that governments should consider universities as symbolic assets in the process of nation building in the same way that national flags or airline carriers are considered symbolic assets.

On recognizing the connection between higher education, science, technology and sustainable human development, the United Nations Educational, Scientific, and Cultural Organization (UNESCO) made higher education one of its top priorities (Guedeghe, 1997). Nevertheless, Van den Bor and James (1991) caution that higher education, or education in general, is not a magic bullet for development but it is only one of the many actors in a country's development process. Proper governance of institutions of higher education is necessary because such institutions play a strategic role in any country.

Blake and Mouton (1985) indicated that monitoring by boards could deal with at least some problems of corporate governance. Johnson (1992) proposed that board of directors could solve agency problems if the company under performs in a health internal controls in ensuring good corporate governance in industry because under this situation boards would find it easier to evaluate performance of the management. Weibach (1998) tested hypothesis advanced by Fama (1980) and discovered that outside directors behave differently from inside directors and behave differently from inside directors and boards dominated by outside directors performed better that firms with boards dominated by insider directors to remove the chief executive officer.

RBZ (2004) critique the concept of multiple appointments, the reason being directors who hold such appointments are ineffective in discharging their function to monitor managers. Magaisa (2004) concurred with this view and highlighted that members who sit on multiple boards do not have enough time to think of ways of improving the institutions in which they lead and it is very difficult for one to have the level of commitment that is necessary for effective governance to all companies it on board. King Report (2002) recommended high frequency of board meetings per annum. This suggests

that meeting frequency is critical dimension of an effective board. French and Bell (1999) found that board meeting time is an important resource in improving the effectiveness of the board and most widely shared problem directors face is lack of time to carry out their duties.

Green (1997) suggested that the board and senior management of financial institutions are responsible of financial institutions are responsible for promoting high ethical and integrity standards and for establishing a culture within the organization that emphasis and demonstrated to all levels of personnel the importance of internal controls. Khan (1994) suggests that an effective internal control system requires that there are reliable information systems in place that cover all significant activities of that bank. The systems must be secured, monitored independently and support adequate contingency arrangements Deal and Kennedy (1982) argued that effective internal control systems require effective communication.

1.5 History of Higher Education in Kenya

Higher education in Kenya can be traced back to 1922 when the then Maker ere College in Uganda was established as a small technical college which was then expanded to meet the needs of the three East African countries i.e. Kenya, Uganda and Tanganyika and Zanzibar, as well as Zambia and Malawi. In the 1940s and early 50s it is only this college that was providing university education in East Africa. This lasted until 1956 when the Royal Technical College was established in Nairobi. In 1963, the Royal Technical College became the University College, Nairobi, following the establishment of the University of East Africa with three constituent colleges in Nairobi, Dares Salaam and Kampala (Makerere). The University of East Africa offered programmers' and degrees of the University of London till 1966. In 1970, the University of East Africa was dissolved to create three autonomous universities of Nairobi, Dares Salaam and Makerere.The University of Nairobi was thus established as the first university in Kenya.

1.6 Expansion of University Education

Kenya placed considerable importance on the role of education in promoting economic and social development after the achievement of independence in 1963 (Sifuna, 1998).

This resulted in the rapid expansion of the education system to provide qualified persons for the growing economic and administrative institutions, and to undertake some reforms

to reflect the aspirations of an independent state (Court and Ghai, 1974) Throughout the 1970s the government strengthened and expanded the University of Nairobi, the only one then, as a conscious effort to provide university education to all qualified Kenyans and as a mover to develop the necessary human resource for the private and public sectors. As years went by, the number of Kenyans seeking university education exceeded the capacity of the University of Nairobi. This led to the establishment of Moi University in 1984 as the second university in Kenya following the recommendations of the Presidential Working Commission – the Mackay Report – which collected views from many people and found an overwhelming support by Kenyans for the establishment of a second and technologically oriented university in the country. From then, university education in Kenya has expanded with a rise in student enrolments, Expansion of universities, diversity of programmer and setting up of new universities and Campuses. Kenyatta University which had operated as a constituent college of the University of Nairobi since 1972 became a full-fledged university in 1985. A previous agricultural college also gave way to Egerton University in 1988.

Over the last four decades, the social demands with respect to higher education in Kenya have clearly intensified. This has been exemplified by the rise in enrolments in public and private universities, the proliferation of more private universities and the establishment of private wings (self-sponsored programs) in the public universities. Student enrolment in public universities in Kenya increased very rapidly between 1964 to date, with the current student enrolment in Kenya's universities standing roughly at 55,200 (Sifuna, 1998). With the additional students in the parallel degree programmes, the numbers are now much higher.

1.7 Statement of the Problem

There is need for corporate governance practices to be implemented in the Public Universities in Kenya. The foregoing was underscored by Mwiria and Ng'ethe's (2006) assertion that the challenges facing public universities in Kenya necessitate reforms in the management of the mentioned educational institutions. In other words, the management of these institutions ought to implement broad policy changes given that change is

engraved on the life of every organization. Change and dynamism enable an organization to have a competitive edge. The authors further argued that enhanced corporate governance of public universities is likely to be beneficial to a wide range of stakeholders that include students and staff of these institutions.

In the recent past, On the other hand, poor governance is feared to result in financial mismanagement due to unaccountability, students and employees' strikes because of lack of effective stewardship, and even migration of both students and members of staff from these institutions to local private universities and possibly international universities. There was, therefore, a huge need to examine the effect of corporate governance on performance in public universities as one major way of equipping the management and relevant stakeholders with requisite knowledge of mitigating the on-going challenges and forestalling any calamitous challenges likely to befall the aforesaid institutions.

In the recent past, there has been significant growth in public universities. However, it is not clear whether the overall corporate governance principles are being implemented or not. There are few empirical studies on the theme of corporate governance and performance of public universities. The challenges facing public universities in Kenya necessitate reforms in their management. The ideals of corporate governance would go a long way in enhancing management performance of public universities; a reason that necessitated the present study.

1.8 Objectives of the Study

1.8.1 General Objective

The study investigated the effects of corporate governance on performance in public universities in Nakuru County, Kenya.

1.8.2 Specific Objectives

i. To examine the effect of internal controls on performance of public universities in Nakuru County, Kenya
ii. To determine how accountability affects the performance of public universities in Nakuru County, Kenya

iii. To evaluate how stewardship affects performance of public universities in Nakuru County, Kenya

1.9 Research Questions

i. What is the effect of internal control on performance of public universities in Nakuru County, Kenya?
ii. What is the effect of accountability on performance of public universities in Nakuru County, Kenya?
iii. How does stewardship affect performance of public universities in Nakuru County, Kenya?

1.10 Justification of the Study

The fact that universities are the epitome of intellectualism and the springboard of the labour market, then their importance to the society and economic development of the country can never be underestimated. The findings of this study are anticipated to shed more light on governance of public universities in Kenya. The implementation if the study recommendations will positively impact on performance of the afforested institutions. The study will further benefit other interested parties such as scholars, authors and practitioners in the fields of corporate governance and performanc**e.**

1.11 Limitations and Delimitations of the study

1.11.1 Limitations

According to Mugenda and Mugenda (2003) limitation are some aspect of the study that the researcher is aware that may negatively affect the research negatively and he has no control over them. The respondent has no control over the behavior, perception and the attitude of the respondent as the answer the questionnaire. There is also the tendency of the respondent to hide cultural data especially where human subject are involved. The research handled the challenge by ensuring that all the information obtained from the participants was kept private and responses to personal questions or information that might have identified the participants was protected. Moreover, the researcher ensured there was no deception in the study. The researcher was also guided by the empirical evidence when drawing the conclusions.

1.11.2 Delimitations

According to Mugenda and Mugenda (2003) delimitation means setting boundaries of the study so has to make it manageable. This study was delimited to Public University in Nakuru County. The study focused on the effect of corporate governance on the performance of public universities. The study did not focused on private universities due to the difference in the way they are governed. The researcher used stratified random sampling to arrive at the sample size and as such the findings may be generalized to other part of the country. The researcher suggested that further studies to include private public universities

1.12 Scope of the Study

The study was conducted in Nakuru County. The County is home to several campuses of public universities. They include Jomo Kenyatta University of Agriculture and Technology, Kenyatta University, University of Nairobi, Egerton University and Laikipia University. It targeted the management and Administrative staff of public universities in this County. These employees had information on issues touching on corporate governance and performance. The study was guided by a set of three independent variables (internal controls, accountability, and stewardship) and a dependent variable (performance). The study was conducted over a three months period.

1.13 Definitions of Terms

Accountability: It is the situation of being responsible and answerable for the Management of finances in an organization. Accountability entails measuring, reporting and transparency (Broadley, 2006).

Corporate Governance: It is the role of persons entrusted with the supervision, control, and direction of an organization (Broadley, 2006). It is a combination of corporate practices and policies which are adopted by an organization on order to achieve its objectives relative to its stakeholders (Mallin, 2007). It is a concept that encompasses organization of management and control. It entails accountability, authority, leadership, stewardship direction and control exercised by organizations (Brownbridge, 2007).

Internal Controls: These are measures put in place ensure an organization achieves

its goals in operational effectiveness and efficiency, reliable financial reporting and compliance with laws, regulations and policies (Mallin, 2007).

Performance: It is the measuring of the results of an organization (Kabaiya, 2012)

Public Universities: The highest public institutions of education in a country which are Charged with instilling academic prowess in students and advance research in diverse areas (Tusubira & Nkote, 2013).

Stewardship: It refers to the ethic that encompasses the responsible planning and Management of resources of an organization. It is one of the key elements of corporate governance and is closely associated with leadership and authority (Brownbridge, 2007).

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this chapter, both the empirical and the theoretical literature on corporate governance and performance were reviewed. The conceptual framework is then outlined with a view of illustrating how study variables interact.

2.2 Theoretical Framework

The study reviews the stewardship, resource dependency, agency and stakeholder's theories which are noted to be some of the key theories on corporate governance.

2.2.1 Stewardship Theory

Stewardship theory is founded on human relations perspective (Muth & Donaldson, 1998). The theory holds the assumption that managers of organizations are motivated by more than their own narrow economic interests. Interpretatively, managers will strive to do a good job and will act as effective and efficient stewards of an organization's resources. This tally with Davis, Schoorman and Donaldson's (1997) description of a steward as a person that protects and maximizes shareholders' wealth through enhanced firm performance. This implies that the core function of the board (Board of Directors) is not to ensure managerial compliance; rather it is to enhance organizational performance. This perspective could be applied to the public universities where the role of the governing body is majorly strategic, to work with the top management to set the direction of the institution and also add value to top management's decisions and as such improve performance.

Cornforth and Chambers (2010) argue that the performance dimension is in conformity with the stewardship theory of corporate governance. This theory emphasizes that stewards are satisfied and motivated by when organization's success is achieved. It underscores the importance of employee or management to act more independently in order to maximize the shareholders' returns (Davis *et al*, 1997). It is further noted that the stewardship theory is future-oriented. In other words, the theory's emphasis on strategic performance implies that the main role of the boards is to enhance long-term performance (Cornforth & Chambers, 2010). Therefore, instead of avoiding poor performance or

managerial failures, the theory emphasizes on improving future performance; performance or otherwise.

2.2.2 Resource Dependency Theory

Unlike the stakeholder theory whose focus is on relationships with many groups for individual benefits, resource dependency theory concentrates on the role of board directors in providing access to resources needed by the firm. Hillman, Canella and Paetzold (2000) contend that resource dependency theory focuses on the role that directors play in providing or securing essential resources to an organization through their linkages to the external environment. Indeed, Johnson et al (1996) concur that resource dependency theorists provide focus on the appointment of representatives of independent organizations as a means for gaining access in resources critical to firm success. For example, outside directors who are partners to a law firm provide legal advice, either in board meetings or in private communication with the firm executives that may otherwise be more costly for the firm to secure. It has been argued that the provision of resources enhances organizational functioning, firm's performance and its survival (Daily et al., 2003).

According to Hillman et al (2000) directors bring resources to the firm, such as information, skills, access to key constituents such as suppliers, buyers, public policy makers, social groups as well as legitimacy. Directors can be classified into four categories of insiders, business experts, support specialists and community influential's. First, the insiders are current and former executives of the firm and they provide expertise in specific areas such as finance and law on the firm itself as well as general strategy and direction. Second, the business experts are current, former senior executives and directors of other large for-profit firms and they provide expertise on business strategy, decision making and problem solving. Third, the support specialists are the lawyers, bankers, insurance company representatives and public relations experts and these specialists provide support in their individual specialized fields. Finally, the community influential's are the political leaders, university faculty, members of clergy, leaders of social or community organizations. In the context of public universities, the Senate and the management of these institutions are supposed to bring resources to these academic organizations. The role played by the Senate, for instance, is very important in facilitating access

2.2.3 Agency Theory

Agency theory is based on the principle of contract which exists between the principal and the agent. The theory was exposited by Alchian and Demaetz and further refined by Jensen and MecKling as postulated by (Abdullah and Valentine 2009). The agency theory is define as the relationship under which one or more person (the principal) and another person the (agent) to perform some service on their behalf and delegate some decision making authority to the agent. Within the framework of a corporation, agency relationship exists between the shareholders (principal) and the company executives and managers (agents). The agent is expected to act in the best interest of the principal, but on the contrary the agent may not make decision on the principal interest (Padilla 2000). This problem was highlighted by (Ross 1973) and further presented by (Jensen and Meckling 1976). In essence, the problem of agency theory arises from the separation of ownership and management and employee and managers in a corporation could be self-interested. The agency theory can be explored to explain the relationship between the ownership and management structure and where there are separations the agency model can be refined to include the goals of the management with that of the owners to resources needed by the universities.

2.2.4 Stakeholder Theory

The stakeholder theory focuses on variety of different group or individual whose interest is directly affected by the activities of a firm. These groups or individuals are referred to as stakeholders in the organization. Some of the stakeholders are the shareholders who provide the risk capital of the firm and their goal is to maximize their wealth; trade creditors supplied goods or services to the firm and have the objective of being paid the full amount for the goods and services supplied. The financial institutions provided both the short term and long term credit facilities and have the objective of receiving payment of the principal as well as interest. Employees, provided their skills in form of labour to the firm and expect a reward inform of salaries and other benefits; the governmentprovides the enable environment for business to operate but expect reward inform of taxation; the customers interest is to get quality products of the firm at avoidable price and must be available at the right time and place; the communities are also interested in the positive contribution of the firm to the environment in which it is located.

The important of the stakeholder theory is that managers in a corporation have network of relationship which is critical other than owners, managers and employee's relationship as in the case of agency theory (Freeman, 1999).In essence the stakeholders deserved and required management attention since all groups or individuals participate in a business to obtain benefits (Donaldson and Preston 1995).

2.2.5 Legitimacy Theory

Another theory reviewed in corporate governance literature is legitimacy theory.

Legitimacy theory is defined as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate with some socially constructed systems of norms, values, beliefs and definitions" (Suchman, 1995).

Legitimacy theory is based upon the notion that there is a social contract between the society and an organization. A firm receives permission to operate from the society and is ultimately accountable to the society for how it operates and what it does, because society provides the authority to own and use natural resources and to hire employees (Deegan, 2004). The emphasis of legitimacy theory is that an organization must consider the rights of the public at large, not merely the rights of the investors. Failure to comply with societal expectations may result in sanctions being imposed in the form of restrictions on firms operations, resources and demand for its products (Deegan, 2004).

Business operations face on-going change, as do the needs and expectations of Stakeholders and society. Therefore, corporations have to manage their strategies and practices in order to retain their perceived legitimacy. Problems arise when organizations become out-of-date with societal values and understandings, or are confronted by a multiplicity of stakeholders with ambiguous, conflicting and inconsistent demands and different interpretations of what are the most appropriate organizational structures and practices (Wilmshurt &Frost, 2000). The studies of Pattern (1992), Deegan (2002) and Ogden and Clarke (2005) identified a range of strategic postures employed by managers (involving assertive, tactic and defensive techniques) to manage stakeholders" perceptions.

2.2.6 Transaction cost Theory

The transaction cost theory is based on the premise that people have different views and objectives. Further, a firm's organization and structure can determine the costs of

transactions. Cyert and March (1963) as well as Williamson (1996), Therefore, the theory argues that managers are opportunists and that they use the firm's transactions as tools for maximizing their interests.

2.2.7 Political theory

The theory introduces the strong role of a country's government in determining the governance structure of firms or their mechanisms (Hawley & Williams, 1996).
This theory is based on the assumption that a government determines the allocation of Corporate power, profits and privileges However, some scholars, such as Pound (1988), are opposed to the idea of Governments influencing the governance structures of private firms

2.3 Empirical Literature Review

The empirical studies on corporate governance and performance were reviewed under themes commensurate to the study variables (Internal controls, accountability, stewardship, and performance).

2.3.1 Corporate Governance practice in Kenya

Broadley (2006) analyzed the role of auditing in corporate governance. The author observed that governance is described as the role of persons entrusted with the supervision, control, and direction of an organization. Mallin (2007) further defined it as a combination of corporate practices and policies which are adopted by an organization on order to achieve its objectives relative to its stakeholders. In addition, it is stated that depending on the jurisdiction various bodies may have responsibility for corporate governance. Such bodies include board of directors, audit committees, and other supervisory committees. The International Standards on Auditing (ISA) 260 require that the auditor should determine the persons that ought to be charged with governance. Effective corporate governance is asserted to accrue several benefits. Non-management shareholders are said to enjoy the most direct benefit. Ultimate benefit is indeed the more efficient allocation of capital to its most productive uses (Broadly, 2006).

A global internal audit control survey conducted in 2010 involved participants drawn from several countries. The survey involved 2,824 respondents drawn from the public sector around the world. The United States, Canada and Western Europe produced 48% of the participating employees. The survey revealed that the respondents were approximately twice (69%) as likely to have an ethical code as they were to have a

corporate governance code (38%). The study further underscored the importance of governance as exemplified by 78% of the respondents indicating that it is one of the five most vital behavioral skills requisite for the internal audit staff (MacRae & Gils, 2014).

Brown and Caylor (2004) asserted that global economic crisis and the relative poor performance of the corporate sector in Sub-Saharan Africa underscored the importance of corporate governance. Wasike (2012) argued that corporate governance in Kenya has not been effectively regulated and supervised. This notwithstanding, good corporate governance practices are imperative for organizations to effectively play a crucial role in the overall development in Kenya.

In a study on the relationship between corporate governance practices and performance, it is observed that the Institute of Certified Public Accountants – Kenya (ICPAK) purposes to instill corporate governance ethics and practices by requiring its members to report on corporate governance practices of the organizations they audit in order to ensure compliance (Kabaiya, 2012).

According to Jebet's (2009) study, it is argued that having strong and effective supervisory committees to execute the auditing function reflects positively on the capacity of the concerned organization to post good financial results.

2.3.2 Internal Controls and Performance

Good corporate governance cannot exist without internal control. This leads to considering the role of internal control in corporate governance. Internal control is the process implemented by the board of directors and management to provide reasonable assurance that the following objectives are achieved: safeguarding assets, compliance with applicable laws and regulations, reliability and transparency of financial reporting, and efficiency and effectiveness of operations (Romney & Steinbart, 2006). As described by Khan (1994), internal controls are designed to protect an institution from loss or misuse of its assets, as well as to ensure that all transactions are properly authorized and thus guarantee or foster good corporate governance.

Robbins (1992) indicated that the internal control system is the whole system of controls, financial and otherwise, established by management in order to carry out the business of the enterprise in an orderly and efficient manner, ensure adherence to management,

safeguard the assets and secure as far as possible the completeness and accuracy of the records.

According to The Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the year 1992, internal control systems have five primary elements (components) as listed below (Weygandt, Kimmel, & Kieso, 2011).

A control environment: It is the responsibility of top management to make it clear that the organization values integrity and that unethical activity will not be tolerated.

This component is often referred to as the “tone at the top”. Risk assessment Companies must identify and analyze the various factors that create risk for the business and must determine how to manage these risks.

Control activities: To reduce the occurrence of fraud, management must design policies and procedures to address the specific risks faced by the company.

Information and communication: The internal control system must capture and communicate all pertinent information both down and up the organization, as well as communicate information to appropriate external parties.

Monitoring: internal control systems must be monitored periodically for their adequacy. Significant deficiencies need to be reported to top management and/ or the board of directors.

There are three main types of internal controls: preventative, detective and corrective. Preventive controls deter problems before they arise. Detective controls are needed to discover problems as soon as they arise. Corrective controls remedy control problems that have been discovered. Also, internal controls are often segregated into two categories: general controls and application controls. General controls are designed to make sure an organization’s control environment is stable and well managed. Application controls prevent, detect, and correct transaction errors and fraud (Romney & Steinbart, 2006). Several studies stated that an effective internal control system is essential to achieve sound corporate governance practice. Mensah, Aboagye, Addo, and Buatsi (2003) found empirical evidence in Ghana that effective internal control improved good governance practices and decreased the corruptions. Steinthórsdóttir (2004) concluded that internal control is a very important element of corporate governance, and internal audit adds value to the organization by assessing the control systems and reporting that assessment to the board and management, which in turn use it as a measure of the

“health” of the organizational system. Ping and Wen-hua (2007) studied the reciprocal relationship between corporate governance and internal control. The results showed that the strengthening of internal control promotes the realization of corporate governance.

Viriyanti (2008) demonstrated that internal control had a positive link with good corporate governance at State Owned Enterprises in Indonesia. Bosetti (2008) argued that there is strong integration between corporate governance and management control; particularly, this latter helps reach the balance of effectiveness and efficiency in operational disclosures of material weaknesses in internal control over financial reporting. The study concluded that board and audit committee characteristics are associated with internal control quality.

Susanty (2009) investigated the relationship between internal functions of the organization and the successful implementation of good corporate.Governance principles (GCG). The study showed that internal function of the organization gives support to the successful implementation of GCG principles. Elhanan (2009) suggested that corporate governance strength is positively related to internal control quality in U.S. firms disclosing internal control weaknesses in their Securities and Exchange Commission filings.

The internal management and administrative environment of an organization determines the level of performance if the internal audit activity. In the same light, it is exemplified that a more mature firm with steadfast governance, accountability and control frameworks is more likely to support an internal audit activity of a higher capability level (MacRae & Gils, 2014). Broadley (2006) asserts that the auditors do not have direct corporate governance responsibility; however, they provide a check on the information aspects of the governance system. Auditors’ primary role is to ensure that the financial information given to investors is reliable. Audit seeks to fulfill two objectives. First, audit seeks to express expert opinion on the fairness with which financial statements present a firm’s financial position, results of operations, and cash flows in conformity with GAAP. Secondly and in support of the above objective, it examines the financial statements and supporting records using sound auditing techniques.

Despite the increasing focus on internal audit, there have been a limited number of prior reviews of the internal auditors' objectivity literature. Mutchler (2003) edited Chapter 7,

Independence and Objectivity: A framework for research opportunities in internal auditing, which was published by the IIA Research Foundation on research opportunities in internal auditing. The purpose of this chapter is to discuss the concepts of independence and objectivity within the perspective of internal auditing and to recommend ideas for future research. The framework discussed specific factors in the internal audit department which affect the objectivity of the internal auditors such as: rotation of employees on jobs, third party outsourcing, and reporting responsibilities.

Gramling et al. (2004) in his study examined the literature and future research opportunities relating to the role of the internal audit function in corporate governance. They focused on the relationship between internal audit and other cornerstones of governance (i.e. external auditors, the audit committee and management), they also evaluated the literature on internal audit quality including objectivity and independence. The reviewer(Coram et al.2008) found that the role if an internal audit function in corporate governance has been analyzed using the external auditors, evaluation of its quality , determinants of its reliance decision, the extent and nature of its work relied on by the external auditor and other aspects of the external audit.

On the other hand (Bariff, 2003) discussed the importance of the internal audit group in corporations. The Chicago Chapter member of the IIA conducted a survey including its member companies to determine what current practices, preferred practices and the gaps related to internal audit has been founded independent, scope, and Sarbanes-Oxley compliance monitoring. The study examined the question related to appointing and removing the CAE, and added that the independence of the internal audit function is at risk if e.g. The chief financial officer (CFO) has responsibility of hiring and firing the CAE. The study reveals that the internal auditors indicated that the audit committees need to be more proactive in internal audit reporting, and chief audit executive personal matters like(hiring and firing), and internal audit scope should include strategic issues, and confirming the review of internal controls. The results of the survey declared that internal auditors want to take position to participate in monitoring compliance with Sarbanes-Oxley act, and the results display that internal auditors are ready and already active in the challenge to restructure the confidence in financial reporting and markets.

A research published by (The American Accounting Association, 2007) investigates the Institute of Internal Auditors (IIA) recommendations (that internal audit report directly to the audit committee, rather than to upper management).

The study of (Coram et al. 2008) assessed whether organizations with an internal audit function are more likely to detect and self-report fraud than those without, they used a unique self-reported measure of misappropriation of assets fraud for the first time. The fraud data are from the 2004 KPMG fraud survey, which reported fraud from 491 organizations in both private and public sector in Australia and New Zealand. The internal audit data are gathered through a survey sent to the respondents of the KPMG fraud survey. The study revealed that organizations with an internal audit function are more likely than those without such a function to detect and self-report fraud, and organizations that rely solely on outsourcing for their internal audit function are less likely to detect and self-report fraud than those that undertake at least part of their internal audit function themselves.

The study findings suggests that internal audit adds value through improving the control and monitoring environment within organizations to detect and self-report fraud, also it suggests that keeping the internal audit function within the organization is more effective than completely outsourcing that function.

There is further evidence of the close relationship between audit committees and the head of internal audit in a recent South African study conducted by (Marx & Voogt, 2010) among 30 large listed companies. In this study, 93.3% of chief audit committee chairs revealed that their organizations chief audit executives report to the audit committee and 83.3% meet with the audit committee more than three times a year. This study also revealed that chief audit committee chairs were extremely satisfied with the contribution that internal audit makes to corporate governance.

The exploratory study of (Ahlawat, 2000) examines whether outsourcing of the internal audit function is susceptible to client advocacy vis-a-vis in-house auditing, which itself may be sensitive to an employer advocacy. Advocacy implies that an auditor will be partial to its client's interest, especially if these interests are specifically known. The study further examines whether advocacy is mitigated by the experience of internal auditors, and whether their judgments are influenced more by ethical or by economic concerns.

For this research, sixty-six practicing members of the Institute of Internal Auditing completed a case study involving a corporate acquisition scenario. Of the 66 participants, 35 were from corporations (in-house), while the remaining 31 were from the Big 5 accounting firms (outsource). Advocacy was manipulated by asking participants to assume the role of internal auditor for either the buyer or the seller of a target division. Results indicate that significant advocacy existed in the judgments of both in-house and outsource auditors. However, the extent of advocacy was less severe in the case of outsource auditors. Also, regardless of whether participants themselves made ethical or economical choices, they seemed to believe that most people, in general, are motivated by economic rather than ethical considerations

A global internal audit survey conducted in 2010 revealed that most public sector respondents argued that their organization have implemented management control tools such as internal control frameworks at 79% and a long-term corporate strategic plan at 67% (MacRae & Gils, 2014). The survey which included participants from the U.S. and Canada amongst other countries indicated that 60% of the participants had worked in the internal audit department for more than 11 years. In the same breadth, it showed that a whopping 77% of the respondents were of the view that internal auditing was a prerequisite by law or regulation where the organization was based. Indeed 96% of the respondents concurred or strongly concurred that objectivity was a crucial factor in adding value to the internal audit. It was further noted that auditing demands for professional staff with requisite qualifications and competencies to enable them "conduct the full range of audits within their mandate. Indeed, auditors ought to comply with minimum education requirements established by their relevant professional bodies and standards.

In Taiwan, an empirical study on effectiveness of internal auditing for listed firms was carried out (Hung & Han, 1994). The study was guided by the hypothesis that outside internal auditing department has influence on the internal auditing performance. The expectations of the study were that the performance of internal auditing department was positively influenced by evaluation of internal auditors' performance, their training and education factoring risk when making audit plan, and the competence of internal auditors. A questionnaire was mailed o respondents drawn from listed firms. The study established that most of the internal auditing departments at 62% belonged directly to the general

manager. More so, it was noted that most (86%) of the audit reports were sent to general manager. The study results indicated that, on average, regular performance evaluation of internal auditors, positive attitude of controller to internal auditing job, and well-designed education and training of internal auditors. The results led to failure to reject the null hypotheses to the fact that there were certain factors inside and outside internal auditing department that had significance influence on the performance of internal auditing department.

Tamak and Bindal (2013) carried out an empirical study on risk management and control. They established that management of risk involved a number of steps. These included planning, resourcing, controlling, and monitoring. More so, it was found to be vital to identify risks, analyze them and their exposure, analyze risk handling actions, and also track and control risks. The study deduced that risk management is a useful process particularly in larger projects. In the same breadth, it was found that effective planning is fundamental in controlling all types of risks.

In an analysis of the effect of corporate governance on performance of commercial state corporations in Kenya, it is recommended that the relevant authorities ought to be attentive to the supervisory role through the relevant committees. This is in order to ensure that all regulations are enforced as required, for instance, books of accounts are well-kept and audited as they should be (Ming'u & Muoria, 2011). Mbalwa, Kombo, Chepkoech, Koech and Shavulino (2014) examined how corporate governance affects the performance of sugar manufacturing firms in Kenya. The authors noted that audit committees were part of the aspects that are associated with corporate governance practices in sugar firms. According to the study findings, 44.5 per cent of the respondents concurred that indeed top management as characterized by audit committee, internal audit and fully transparent accounting in the financial statements review of external audit among other aspects significantly influenced organizational performance.

The audit committee is empowered to function on behalf of the board of directors by assuming an important oversight role in the corporate governance intended to protect investors and ensure corporate accountability. According to Jensen and Meckling (1976) the audit committee plays a significant role in the monitoring process carried out by the directors of the firm and auditing is used by firms to reduce agency costs.

In addition to that they revealed that most essential board decisions originate at the committee level, and this includes the audit committee. Audit committees thus, represent another internal governance mechanism whose impact is to improve the quality of financial management of a company and hence its performance. Lin (2006) found significant positive association between audit committee size and occurrence of earnings restatement. It was explained that a certain minimum number of audit committee members may be relevant to the quality of financial reporting. Kyereboah-Coleman (2007) reported a significant positive relation between size of the audit committee and firm performance. Kyereboah-Coleman (2007) describe that size of the audit committee could be an indication of the seriousness attached to issues of transparency by the organization. In addition, Aldamen (2011) reveals that smaller audit committees with more experience and better educational qualifications are more likely to be associated with positive firm performance.

2.3.3 Accountability and Performance

Corporate governance is concerned with the structures and processes associated with, for

Example, production, decision-making and control within an organization. Accountability, which is a sub-set of governance, involves the monitoring, evaluation and control of organizational agents to ensure that they behave in the interests of shareholders and other stakeholders (Keasey and Wright 1993).

Accountability is answerability to higher authorities who sit at the top level of institutional chains of command and to directly involved stakeholders, for performance that involves delegation of authority to act (Kearns, 1996). Accountability, however, involves surprisingly complex answers to apparently simple questions such as: who is accountable? To whom? For what? And how?

Transparency describes the increased flow of timely and reliable economic, social, and

Political information about the public universities use of public fund from the government, donors, and tuition fees paid by self-sponsored students and research grants. Alternatively, a lack of transparency may exist if access to information is denied, if the information given is irrelevant to the issue at hand; or if the information is misrepresented, inaccurate, or untimely. Thus, a working understanding of transparency

should encompass such attributes as access, comprehensiveness, relevance, quality, and reliability (Vishwanath, Kaufmann,2001).

Transparency and disclosure are integral to corporate governance. Higher transparency and better disclosure reduce the information asymmetry between a firm's management and financial stakeholders, equity and bond holders, mitigating the agency problem in corporate governance. The financial literature has analyzed the agency problems arising from the asymmetric information between a firm's management and financial stakeholders for well over 75 years, with an increasing focus over the last 25 years. The practitioners, large institutional equity investors in particular, have also demonstrated increasingly active participation in creating a level playing ground between the management and financial stakeholders. The focus on transparency and disclosure has increased in the wake of recent events beginning with the Asian crisis in the latter half of 1997 and continuing with the recent discussions in the USA equity markets. (Patel 2002).

The OECD emphasizes that a strong disclosure regime promoting real transparency is a

Pivotal feature of market-based monitoring of companies and is central to shareholders' ability to exercise their ownership rights on an informed basis. Shareholders and potential investors require access to regular, reliable and comparable information in sufficient detail for them to assess the stewardship of management and make informed decisions about the valuation, ownership and voting of shares. Insufficient or unclear information could hamper the ability of MarkBeeks and Brown (2005) found that firms with higher CG quality make more informative disclosures. Sadka (2004) provides both empirical and theoretical evidence that the public sharing of financial and market transparency has enhanced factor productivity and economic growth in 30 countries.

There is renewed interest in corporate governance practices of contemporary organizations which has been as a result of accountability, transparency, disclosures, fairness and effectiveness. Garba Sanda, Mukaila (2003), MacRae and Gils (2014) noted that an effective public sector audit activity strengthens governance by increasing materially citizens' ability to hold their entity accountable. They further argued that auditors perform a particularly crucial role regarding the issues of governance which are fundamental in the public sector for promoting credibility, equity, and appropriate

behavior of public sector personnel while simultaneously minimizing the risk of public corruption.

Broadley (2006) observed that no governance system irrespective of how well designed will absolutely prevent greedy, dishonest people from putting their personal interests ahead of those of the organizations they are entrusted to manage. However, he quips, there are many steps that can be taken to enhance corporate governance and as such minimize opportunities for accounting fraud. These include the involvement of auditors who partly ensure that corporate governance is upheld. It is further postulated that corporate governance involves decision making, accountability, and monitoring. In particular, accountability entails measuring, reporting and transparency.

Tusubira and Nkote (2013) conducted an empirical study on corporate governance in Uganda’s private universities from performance perspective. In the study, it is noted that corporate governance scandals and accounting failures dominating business debates in the last ten years recognized as failed corporate governance (Igor, 2004). Further, the study acknowledges that accountability cannot be disregarded when examining corporate governance. The authors agree that there are previous studies that have delved into the theme of accountability as a measure of corporate governance.

In a study on corporate governance in Elimu SACCO, Kenya, Wasike (2012) when citing Brown Bridge (2007) noted that corporate governance calls for accountability. This is in light of the argument that corporate governance describes the process by which organizations are directed, controlled and held accountable. In a Kenyan empirical study on the effects of corporate governance on firm performance, it is noted that the Board of Management besides advising the top management, defines and enforces accountability standards (Ongore & K’Obonyo, 2011). When examining the effects of corporate governance on performance of listed insurance firms in Kenya, Wanyama and Olweny (2013) observed that accountability and integrity are some of the fundamental elements of corporate governance. They further quipped that delivering a framework for managerial accountability constitute part of the main tasks on corporate governance.

2.3.4 Stewardship and Performance

Corporate governance encompasses among others, stewardship. Bauer, Guenster and Otten (2004) describe corporate governance as the stewardship responsibility of corporate

directors to provide oversight for the objectives, goals and strategies of a firm in order to ensure their implementation. Stewardship is discussed in light of leadership and authority. Without the two aspects, stewardship cannot exist (Brownbridge, 2007). Ethical stewardship ensures realization of long-term value for shareholders. In view of this, corporate governance is perceived as the set of interlocking rules by which corporations, shareholders and management govern their behaviour (Bauer et al., 2004).

It is posited that the context in which the supremacy of a firm is implemented in the stewardship of the organization's total portfolio of assets and resources with the aim of maintaining and increasing stakeholders' value (Gedajilovic, 2004 in Tusubira & Nkote, 2013). It is further stated that stewardship is one of the principles of good corporate governance (Meredith & Clough, 2005).

Studies indicate that the Board of Directors of an organization plays the role intermediaries between the principals and their agents, and is also charged with four key responsibilities which include stewardship, leadership, monitoring and reporting back to the principals (Ongore & K'Obonyo, 2011). The authors stated that the effectiveness of the Board is analyzed by aggregating the aforestated four elements. Wasike (2012) conducted a study on corporate governance practices and performance at Elimu SACCO, Kenya. The study findings indicated that stewardship is one of the elements encompassed in the organization's corporate governance. Wasike notes that those in the leadership act as the organization's stewards.

2.4 Roles and Responsibilities

The actors in corporate governance have different roles and responsibilities. The Main actors are the board of directors, management and stakeholders (specifically Shareholders and the government regulatory bodies. An effective system of corporate governance provides the framework within which the board and management address their respective responsibilities (Business Roundtable, 2005).

The Board of Directors

Boards of directors are part of the corporate structure. They are the link between the Providers of capital (the shareholders) for the case of public universities the act as a link between the government, top management and the students who are to benefit from the services offered by the institutions of higher learning. The boards act as an overlap

between the small, powerful group that runs the company and a huge, diffuse, and relatively powerless group that simply wishes to see the company run well (Business Roundtable, 2005). The single major challenge addressed by corporate governance is how to grant managers Enormous discretionary power over the conduct of the business while holding them accountable for the use of that power. Directors are representatives of owners (Government) whose purpose under law is to safeguard the assets of the corporation (Monks and Minow, 2004).

The CEO and Management

The roles and responsibilities of the CEO and management are summarized by Business Roundtable (2005) as it is the responsibility of the CEO and senior management, under the CEO's direction, to operate the corporation in an effective and ethical manner. As part of its operational responsibility, senior management is charged with Operating the corporation, Strategic planning, Annual operating plans and budgets. Selecting qualified management, and establishing an effective organizational structure, Identifying and managing risks accurately.

2.5 Relationships

Stakeholders

Corporations are often said to have obligations to stockholders (owners of the company) and to other stakeholder, who are employees, the communities in which they do business, suppliers, creditors, lenders who include the banks and non-bank financial institutions and the government. This is According to Business Roundtable (2002), but these aims at the objective of maximizing shareholder wealth. Stockholder value is maximized when a corporation treats its employees well, serves its customers well, maintains good relationships with suppliers, and has a good reputation for civic responsibility and legal compliance

Employees

It is the public universities responsibility to treat employees fairly and equitably. All the public institutions and private should have in place policies procedures and practices that provide employees with fair compensation, including fridge benefits; these are given depending on the nature of the corporation's business and employees' job responsibilities and their geographic locations.

Communities

All Corporations both public and private have obligations to be good citizens of the local, national and international Communities in which they carry on their business. In case they fail to meet these obligations can result in damage to the corporation image both in immediate economic terms and in the future longer-term reputation.

2.6 Leadership

Companies should be headed by an effective board whose responsibility is for the long-term success of the company. There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision. The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role. As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy.

2.7 Effectiveness

The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively, There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.

All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively; all directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge. The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties, committees and individual directors and all directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.

2.8 Summary of the Reviewed Literature and Research Gaps

The reviewed studies have comprehensively described corporate governance. In addition, the various themes associated with corporate governance have also been reviewed (Broadley, 2006; Mallin, 2007). The persons and bodies responsible for corporate governance have been pinpointed to be managers, board of directors, audit committees,

and other supervisory committees. Most of the local studies on corporate governance have hitherto focused on financial entities such as SACCOs and banks and state corporations such as sugar firms (Wasike, 2012; Mbalwa *et al*, 2014). Despite the emphasis on the importance of corporate governance practices by the ICPAK (Kabaiya, 2012), very little attention, if any, has been focused on the implication of corporate governance on public universities.

Corporate governance has hugely been associated with auditing. Essentially, autonomous auditing upholds ethics of corporate governance. Indeed, it has been argued that a firm with steadfast governance, accountability and control frameworks is more likely to support an internal audit activity of a higher capability level (MacRae & Gils, 2014). In the Kenyan context, as a way of ensuring adherence to good corporate governance, institutions ought to have in place well-kept and audited books of accounts (Ming'u & Muoria, 2011). It remains unclear, however, how auditing influences performance of public universities in the country.Good corporate governance demands that institutional agents be transparent and accountable to the stakeholders (MacRae & Gils, 2014). Accountability mitigates advancing of personal interests by managers of organizations (Broadley, 2006). Shareholders stand to reap more benefits from organizations whose management is both transparent and accountable. The subject of accountability has been addressed in an empirical study on corporate governance in Uganda's private universities (Tusubira & Nkote, 2013). In Kenya accountability and integrity have been observed to be as key elements in corporate governance. Against this backdrop, however, none of the reviewed studies has brought to the fore how accountability relates to financial management particularly of public universities in Kenya.

Stewardship has been linked to leadership with the argument that those persons in leadership positions such as managers and directors ought to be stewards in an organization. Indeed, Brown Bridge (2007) opined that stewardship is discussed in light of leadership and authority. Ethical stewardship ensures realization of long-term value for shareholders. It is further stated that stewardship is one of the principles of good corporate governance (Meredith & Clough, 2005). The scholars who have addressed the aspect of stewardship have failed to link the same to public universities particularly in Kenya.

2.9 Conceptual Framework

The study variables are summarized in a conceptual framework that illustrates the relationship amongst them. This is shown in Figure 2.1. The conceptual framework indicates that there are three independent variables namely: internal controls, accountability and stewardship. On the other hand, performance is the dependent variable. The intervening variable is Commission of University Education (CUE) requirements. Corporate governance as a whole and also the performance of universities is influenced by the CUE requirements. The framework illustrates that the independent variables affect performance in one way or the other. Given this proposition, the framework guided the study whereby the objective was to examine the relationship between the study variables.

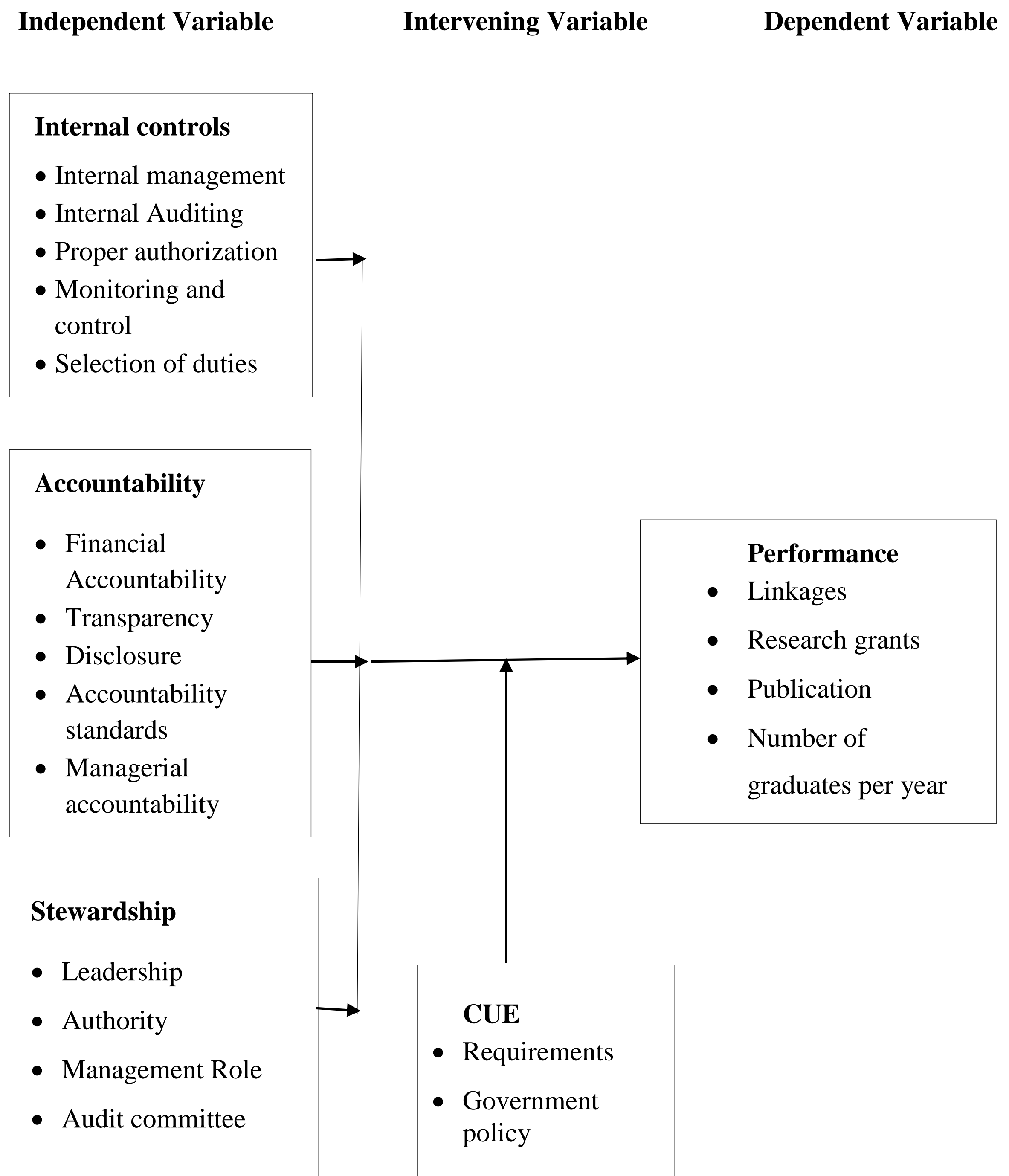

Figure 2: Conceptual Frame work

Source: Researcher (2015)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter addresses the methodology that was used to achieve the research objectives. It outlines the step-by-step procedure that was followed to arrive at findings that tallied with study objectives. It is divided into various sections. These include research design, target population, sampling frame, sample and sampling technique, data collection instrument, data collection procedure, pilot testing and data processing and analysis.

3.2 Research Design

The researcher adopted a descriptive research design to examine the effects of corporate Governance on the performance of Public universities in Nakuru County. These stemmed from the argument that descriptive study aims at providing precise and valid representation of variables that pertains the research objectives.

3.3 Target Population

The target population comprised of the 166 management and administrative staff of the 5 public universities in Nakuru County. The targeted respondents included campus administrators, directors, and heads of departments, deans, deputy vice-chancellors and chancellors.

3.4 Sample Size and Sampling Technique

The study adopted the Naissiuma's (2000) formula to arrive at the size of the sample. The calculation of the sample size is outlined hereunder.

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

Where: n = Sample

N = Population

C = coefficient of variation (0.2)

e = Error Term (0.05)

Nassiuma,(2000) asserts that in most surveys, a coefficient of variation is in the range of 21% -<e<5% is usually acceptable. The higher the value of coefficient of variation and standard error to selected the lower the variability in the sample and also minimizes the error.

C was taken 22%

E was taken as 0.0219%

Substituting

$$n = \frac{166\ (0.22)^2}{0.22^2 + (166-1)0.0.219^2}$$

$n = 63$

$n = 52$ respondents

The study employed stratified random sampling method to obtain the members of the sample from the target population. This was due to the reasoning that there existed five distinct groups (strata) that represented the 5 public universities in Nakuru County. Table 3.1 illustrates the distribution of the sampled respondents.

Table 3.1: Sample Distribution

University	Target Population	Ratio	Sample
Egerton University	113	0.68	43
Jomo Kenyatta University of Agriculture and Technology	14	0.08	5
University of Nairobi	6	0.04	3
Kenyatta University	16	0.10	6
Laikipia University	17	0.10	6
Total	**166**	**1**	**63**

Source: Field Data (2015)

3.5 Data Collection Instrument

A structured questionnaire was employed to collect primary data from the respondents. The questionnaire consisted of close-ended questions with the aim of restricting the scope of responses. The questions were rated using the Likert scale of five response category The instrument captured data pertinent to respondents' demographics and more importantly, it was structured in such a way that it facilitated collection of data on all study variables (Internal controls, accountability, stewardship and performance).

3.6 Pilot Testing

The pilot test was executed on a small number of management and administrative staff of public universities in Eldoret town, Uasin Gishu County. The participants of the pilot study did not take part in the main study to mitigate compromising the study findings. The rationale of pilot testing the research instrument was to detect any probable weaknesses in the instrument, that is, it ensured that the structured questionnaire was not only reliable but also valid to effectively cover the objectives of the study.

3.6.1 Reliability and Validity of the Research Instrument

Reliability implies that the findings conformed to the objectives of the study. This is a measure of consistency of the research instrument. There are various approaches of assessing an instrument's reliability. However, in regard to this study, the Cronbach alpha was used given that it is the most recommended and widely used method of reliability testing. It was established that all the four study constructs returned alpha values greater than 0.7 and were as such deemed reliable.

Validity refers to the degree to which a test actually measures the variables it is meant to measure. The content validity of the research instrument was determined through expert opinion of the assigned Kabarak university supervisors. Expert opinion was preferred due to the argument that content validity could not statistically be determined (Kimberlin & Winter stein, 2008). For the instrument to be valid it must have attained the reliability threshold. Therefore, once the validity of the instrument was determined then it was effectively employed to collect data from the respondents.

3.7 Data Collection Procedure

Procedurally, the researcher obtained a formal letter of introduction from Kabarak University. In addition due permits from the management of the public universities in Nakuru County were sought. The researcher employed drop-and-pick-later method when collecting data from the respondents. The foregoing procedure entailed administering the questionnaires on the respondents and allowing them sufficient time to fill them, after which the filled questionnaires were collected.

3.8 Data Analysis

Data analysis is a process of creating order, structure and meaning to the collected data (Mugenda & Mugenda, 2009). The collected questionnaires were edited in order to address the incompletely and inappropriately filled questionnaires. Only the questionnaires filled according to instructions were used in the analysis. The collected data were analyzed electronically using the Statistical Analysis System (SAS) Version 8 Data capture software, Statistical Package for Social Sciences (SPSS) software's. Data analysis employed both descriptive and inferential statistics to analyze the data.

Multiple regression analysis was used to make predictions about the population from the observation. This aim at determining whether exist a significant relationship between the dependent variable (Performance) and the Independent Variable (Internal controls, Accountability and Stewardship of Public Universities).

The researcher employed the following regression model.

$$Y= \beta_0 + \beta_1X_1+ \beta_2X_2+ \beta_3X_3+\varepsilon$$

Where: The variables represented weights from

Y	=	Performance of Public Universities
β_0	=	constant
X_1	=	Internal Controls
X_2	=	Accountability
X_3	=	Stewardship
ε	=	Error term which is normally distributed
β_1, $\beta 2$, β_3	=	Régression slope coefficients

3.9 Ethical Considerations

Requisite permission to carry out the research was sought from the administration of the various universities from which respondents were drawn. This consent meant participants participated in the study voluntarily. Understanding the nature and obligations involved were sought by presenting an introductory letter from the university and then informing the respondents on what the whole study was all about. The researcher ensured participation was voluntarily and that respondents had exclusive right to pull out of the study at any time they deemed fit. Confidentiality of respondents was assured by ensuring that the information remained only between them and the researcher. To accomplish this, the respondents were made anonymous. Other people's data were duly acknowledged with care in order to avoid plagiarism.

CHAPTER FOUR

RESULTS, INTERPRETATION AND DISCUSSION

4.1 Introduction

This chapter outlines the findings obtained from data analysis and pertinent discussions. The results are presented in form of descriptive and inferential statistics. The chapter starts with an outline of response rate and background information. This is followed by descriptive and inferential findings in that order.

4.2 Response Rate

A total of 63 questionnaires were issued to the sampled respondents. The filled questionnaires were collected from the respondents where it was found that 52 of them had been successfully filled. This represented 82.54% response rate as shown in Table 4.1.

Table 4.1: Response Rate

Questionnaires Issued	Questionnaires Successfully Filled	Response Rate
63	52	82.54%

Source: Field Data (2015)

4.3 Background Information

This section presents the research findings in respect of the respondents' background information. The respondents' work experience is outlined as shown in Table 4.2.

Table 4.2: Distribution of Respondents by Working Experience

Experience	Frequency	Percent
1-5 years	16	30.77
6-10 years	13	25.00
Above 10 years	11	21.15
Less than 1 year	12	23.08

Source: Field Data (2015)

It was found that majority (30.77%) of the respondents had worked for a period of between 1 and 5 years while those with over 10 years working experience were only 21.15%. The findings implied that the majority of the management and administrative staff had worked with their respective universities for a period not exceeding 10 years. This had potential limitations in that most of these respondents probably lacked requisite knowledge on corporate governance issues touching on their institutions. As shown in Table 4.3, the chi-square statistic is not significant at the 0.05 level (Pr>ChiSq = 0.7826).

Table 4.3: Chi-Square Test for Equal Proportions

Chi-Square	1.0769
DF	3
Pr > ChiSq	0.7826

Source: Field Data (2015)

4.4 Descriptive Analysis and Presentation

This section presents the results of descriptive analysis in relation to internal controls, accountability, stewardship and performance. The former three constructs (internal controls, accountability, and stewardship) are components of corporate governance that were investigated. Importantly, this section presents results on a five-point Likert scale where integers 1 to 5 represent strongly disagree, disagree, neutral, agree, and strongly agree, in that order. The descriptive statistics captured are the mean and standard deviation.

4.4.1 Descriptive Analysis for Internal Controls

The study examined the opinions of the respondents in respect to the internal controls in their university. Their views on the subject are presented in Table 4.4.

Table 4.4: Respondents' Views regarding Internal Controls

	SA %	A %	N %	D %	SD %	χ^2	pr> χ^2
Internal management determines the level of internal control activity in public universities	50	50	0	0	0	0	1.00
Internal auditing is enshrined in the law governing public universities.	28.9	51.9	7.7	11.5	0	25.4	0.00
Our university supports internal audit activity.	38.5	34.6	0	26.9	0	1.1	0.58
Internal controls are defined by audit committee in our university.	48.1	51.9	0	0	0	0.1	0.78
Auditors provide a check on the information aspects of the governance system.	53.9	44.2	0	1.9	0	23.8	0.00
Auditors ensure that the financial information given to university stakeholders is reliable.	63.5	36.5	0	0	0	3.8	0.05
Our university ensures that books of accounts are well-kept and audited.	50	34.62	0	15.38	0	9.38	0.01

Source: Field Data (2015)

Indicated in Table 4.4 all managers at least agreed that internal management determines the level of internal control activity in public universities in Nakuru County; internal

controls are defined by audit committee in universities and auditors ensure that the financial information given to university stakeholders is reliable. This was in line with a previous study by MacRae and Gils (2014) which noted that internal management and administrative environment of an organization determines the level of performance of the internal audit activity Slightly more than half (51.9%) agreed that internal auditing is enshrined in the law governing public universities, while 38.5% at least concurred that their universities support internal audit activity. In addition, it was revealed that majority of the respondents strongly agreed (53.9%) or agreed (44.2%) that auditors provide a check on the information aspects of the governance system. This partly agreed with Mbalwa et al.'s (2014) findings that audit committees were part of the aspects that are associated with corporate governance practices in sugar firms in Kenya. 50% of the respondents were found to strongly concur that universities ensure that books of accounts are well-kept and audited. Majority of the issues touching internal controls return chi-square statistic significant at 0.05 levels which reflected their importance in internal controls.

4.4.2 Descriptive Analysis for Accountability

The study further sought to evaluate how the management and administrative staff of public universities in Nakuru County perceived the theme of accountability in their respective institutions. Table 4.5 outlines the pertinent findings.

Table 4.5: Respondents' Views regarding Accountability

	SA %	A %	N %	D %	SD %	χ^2	pr> χ^2
The management demands for financial accountability.	32.7	55.8	0	11.5	0	15.3	0.00
Accountability reduces the risk of corruption in public universities.	40.5	51.9	0	7.7	0	16.4	0.00
Accountability requires that there must be effective financial reporting and transparency.	55.8	44.2	0	0	0	0.7	0.41
Accountability is a measure of corporate governance.	55.8	36.5	0	7.6	0	18.3	0.00
The university's governing council defines and enforces accountability standards.	38.5	42.3	1.9	17.3	0	22.3	0.00
There exists a framework for managerial accountability in our university.	34.6	61.5	0	3.9	0	26	0.00
Accountability is enhanced by internal controls.	32.7	50	0	17.3	0	8.4	0.02

Source: Field Data (2015)

It was found that all respondents at least agreed that accountability reduces the risk of corruption in public universities. 92.4% either agreed or strongly agreed that accountability reduces the risk of corruption in public universities while 55.8% admitted that the management demands for financial accountability. This tallied with Broadley's (2006) observation that no governance system irrespective of how well designed will absolutely prevent greedy, dishonest people from putting their personal interests ahead of those of the organizations they are entrusted to manage. In other words, there will often exist a window for corruption. 92.1% at least opined that accountability is a measure of corporate governance; above 90% believed that the university's governing council

defines and enforces accountability standards; 61.5% agreed that there exists a framework for managerial accountability in our university; while half (50%) of the respondents held the view that accountability is enhanced by internal controls. These study results agreed with the findings of a study carried amongst private universities in Uganda that acknowledged that accountability cannot be disregarded when examining corporate governance (Tusubira & Nkote, 2013). Almost all issues touching on accountability were found to have significant value in corporate governance given that they returned chi-square statistic value significant at 0.05 levels.

4.4.3 Descriptive Analysis for Stewardship

Moreover, the views of respondents regarding stewardship in public universities in Nakuru County were sought. These views are as shown in Table 4.6.

Table 4.6: Respondents' Views regarding Stewardship

	SA %	A %	N %	D %	SD %	χ^2	pr> χ^2
Stewardship is part of corporate governance in public universities.	26.9	73.1	0	0	0	11.1	0.00
Corporate governance is the stewardship responsibility of the university's management.	50	50	0	0	0	0	1
Stewardship is linked to leadership and authority.	50	50	0	0	0	0	1
Our university requires balancing skills from the persons in leadership positions.	34.6	46.2	0	19.2	0	5.7	0.58
Ethical stewardship ensures realization of long-term value for university's stakeholders.	5.8	65.4	21.2	7.7	0	48.2	0.00
The governing council, senate and management are the university's stewards.	42.3	50	0	7.7	0	15.9	0.00
The time allocated to discharge duties is determined by the university's senate.	38.5	51.9	3.9	5.8	0	35.9	0.00
Reporting in our university follows a strict chain of command.	32.7	53.9	0	13.5	0	12.7	0.00
There is a well-laid down procedure for appointment in our university.	50	46.15	0	3.85	0	20.46	0.00
There is performance evaluation in our institution.	53.9	42.31	0	3.85	0	21.38	0.00

Source: Field Data (2015)

It was found that all respondents either agreed (73.1%) or strongly agreed (26.9%) that stewardship is part of corporate governance in public universities. This was in agreement

with Bauer et al.'s (2004) assertion that corporate governance encompasses among others, stewardship. Respondents also at least admitted that corporate governance is the stewardship responsibility of the university's management; and that stewardship is linked to leadership and authority. Majority of the respondents admitted that universities require balancing skills from the persons in leadership positions (46.2%); ethical stewardship ensures realization of long-term value for university's stakeholders (65.4%); the governing council, senate and management are the university's stewards (50%); the time allocated to discharge duties is determined by the university's senate (51.9%); and that reporting in universities follows a strict chain of command (53.9%). It was strongly believed by majority of respondents (53.9%) that there is performance evaluation in public universities. The importance of stewardship in public universities is underpinned by the fact that most of the variables touching on this theme returned chi-square results that were statistically significant ($p < 0.05$).

4.4.4 Descriptive Analysis for Performance

Lastly, the study analyzed the opinions of the sampled respondents in respect of performance in public universities surveyed. Table 4.7 summarizes the descriptive results.

Table 4.7: Respondents' Views regarding Performance

	SA %	A %	N %	D %	SD %	χ^2	pr> χ^2
Our university has witnessed increased linkages over the past one year.	57.7	34.6	0	7.7	0	19.5	0.00
Compared to other universities, our institution records high number of graduates every year.	50	36.5	0	13.5	0	10.7	0.00
Our university receives many grants for research.	42.3	42.3	9.6	0	0	25.1	0.00
Our institution requires post-graduate students to publish their research works.	25	67.3	0	7.7	0	29.4	0.00
Every year our institution publishes many research papers.	42.3	57.7	0	0	0	1.2	0.27

Source: Field Data (2015)

Most of the sampled respondents at 57.7% strongly believed that public universities in Nakuru County have witnessed increased linkages over the past one year. Half of the respondents strongly agreed that compared to other universities, these institutions recorded high number of graduates every year. Cumulatively, 84.6% of the respondents either agreed or strongly agreed that public universities received many grants for research. 67.3% admitted that their institutions require post-graduate students to publish their research works while all respondents at least agreed that every year public universities publish many research papers. Beside the latter statement, all other propositions returned relatively high chi-square values and were statistically significant ($p < 0.05$). This shows the high degree of agreement amongst respondents regarding the performance of public universities in Nakuru County.

4.5 Inferential Analysis and Presentation

This section presents the results for regression analysis, analysis of variance, parameter estimates in relation to each of the elements of corporate governance (internal controls, accountability, and stewardship) related to performance of public universities in Nakuru County.

Table 4.8 Regression Analysis

Root MSE	1.70248	**R-Square**	0.2451
Dependent Mean	8.61538	**Adj R-Sq.**	0.198
Coeff Var	19.76097		

Source: Field Data (2015)

The results shown in Table 4.8 indicates that $R^2 = 0.198$. $R^2 = 0.198$ implying that 19.8% of the variations in performance is explained uniquely or jointly by the independent variable (Internal controls, Accountability and stewardship) .This shows that the model has a good fit given that data used in this study was cross sectional data. This means that the difference which is 81.2% of the changes in the dependent variable (performance) is explained by other factors not considered in the study.

4.5.1 Analysis of Variance and Parameter Estimates

The results of analysis of variance and parameter estimates are summarized and illustrated in table 4.9 and 4.10

Table 4.9 Analysis of Variance

Analysis of Variance					
Source	**DF**	**Sum of Squares**	**Mean Square**	**F Value**	**Pr > F**
Model	3	45.18204	15.06068	5.2	0.0034
Error	48	139.12565	2.89845		
Corrected Total	51	184.30769			

Source: Field Data (2015)

Results illustrated in Table 4.9 Analysis of variance (ANOVA) above were used to investigate the degree of relationship between the variables of the study indicating the strength and the direction of association of each variable. The probability of 0.0034 indicates that the regression relationship was highly significant in predicting the effect of corporate governance on the performance of Public universities .As per SAS generated table above, the equation; the F-critical at 5% level of significance was 5.2 since F calculated is greater than F critical (Value= 2.242) this shows that the overall model was significant.

Table 4.10 Parameter Estimate

Parameter Estimates							
Variable	**Label**	**DF**	**Parameter**	**Standard**	**t Value**	**Pr > |t|**	**Variance**
			Estimate	**Error**			**Inflation**
Constant	Intercept	1	2.10952	2.8853	0.73	0.4683	0
Internal control	internal control	1	-0.1323	0.0954	-1.39	0.172	1.04915
Accountability	accountability	1	-0.0219	0.1118	-0.2	0.8455	1.06308
Stewardship 1	stewardship1	1	0.47337	0.1271	3.72	0.0005	1.09284

Source: Field Data (2015)

The results illustrated in Table 4.21 shows an overall significance of P = 0.0034 corporate governance is positively related to performance of public universities. This means when Internal controls are decreased by ($\beta_{1,}$ = -0.1323) performance decreases by one unit, when accountability is decreased by ($\beta 2_{,}$ = -0.0219) performance decreases by one unit and when stewardship are increased by (= ($\beta 3_{,}$ 0.47337) performance increases by one unit .The results also show a variance inflation factor (VIF) of less than ten For all the independent the independent variable with internal controls (1.04915) accountability (1.06308) and Stewardship (1.09284). There was no concern for Multi-co linearity.

As per the SAS generated in table 4.10. The equation ($Y= \beta_{0+}\ \beta_{1X1+}\beta 2x2+\ \beta 3x3+\ \varepsilon$) becomes ; $Y=-0.1323X1+-0.0219X2+0.47337X3$.The equation above was established through taking into considerations all factors in account (Internal control, Accounting and stewardship).

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter concerns with the summary of the findings of the study, the conclusions are drawn from them in respect to the empirical evidence and discussion recommendations are made and also suggestion for further studies. The three are presented in accordance with the study objectives and the findings.

5.2 Summary of the Findings

This section addresses the summary of the major study findings, the finding showed that that R^2 = 0.198. R^2 = 0.198 implying that 19.8% of the variations in performance is explained jointly by the independent variable .This shows that the model has a good fit given that data used in this study was cross sectional data. This means that the difference which is 81.2% of the changes in the dependent variable (performance) is explained by other factors not considered in the study.

According to the first research objective the researcher aimed at examining the effect of internal controls on the performance of public universities in Nakuru County, Research finding revealed that (β_1, =-0.1323 and $P > 0.172$) internal control does not significantly affect the performance of public universities. This partly agreed with Mbalwa et al.'s (2014) findings that audit committees were part of the aspects that are associated with corporate governance practices in sugar firms in Kenya.

The second research objective is to examine the effects of accountability on the performance of Public universities in Nakuru County, the findings revealed that with (β_2, = -0.0219 and P=0.8455) accountability does not significantly affect the performance of public universities**.**

This study results agreed with the findings of a study carried amongst private universities in Uganda that acknowledged that accountability cannot be disregarded when examining corporate governance (Tusubira & Nkote, 2013).

The third research objective was to examine the effect of corporate governance on the performance of public universities in Nakuru county, the research findings revealed that with ($\beta_{2,}$ =0.47337 and $P<0.0001$) stewardship has a significant effect on the performance of public universities.

5.3 Conclusions of the study

The study drew conclusions from the findings. The conclusions are categorized according to each study variable that were internal controls, accountability, stewardship and, performance. The study inferred that internal management determined the level of internal control activity in public universities and that it was defined at audit committee level in their university. In addition, it was concluded that internal auditing was enshrined in the law governing public universities and that the auditors provided a check on the information aspects of the governance system. Moreover, auditors ensured that the financial information given to university stakeholders was reliable and the university itself ensured that the books of accounts were well kept and audited.

The study concluded that accountability was a measure of corporate governance and that the university governing council defined and enforced accountability standards. The study further inferred that management demanded for financial accountability which reduced the risk of corruption in the universities. In addition, it was concluded that there existed a framework for managerial accountability in the university and that accountability was enhanced by internal controls. Accountability was noted to have a significant value in corporate governance.

The study concluded that corporate governance was the stewardship responsibility of the university's management and that the governing council, senate and the management were the university's stewards. In addition, stewardship was part of corporate governance in public universities and it was linked to leadership and authority. The study further concluded that the university required performance evaluation, balancing skills from the persons in leadership positions and that reporting in the university followed a strict chain of command coupled with a well laid down procedure for appointment. Stewardship was noted a focal point in ensuring performance in the universities.

5.4 Recommendations

The study recommend that the government should enforce the measures that are laid down in corporate governance to ensure that all public institution such as parastatals and all government ministries are following the corporate governance principles and structures. All the public institution should also be keen in their supervision roles through their relevant bodies to ensure that all the regulations are enforced.

5.5 Suggestion areas For Further Studies

The study affirms that good performance is influenced by corporate governance. Various studies that should be conducted in respect to corporate governance and performance. The studies are; the role of accountability on performance of public universities; the effect of corporate governance on performance of industrial training colleges; the effectiveness of internal controls on performance of selected private universities.

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LETTER OF INTRODUCTION

To whom it may concern

RE: REQUEST FOR DATA COLLECTION

My name is Agnes Jerop Bowen a student at Kabarak University undertaking Masters in Business Administration {finance option}. As part of my course, I am required to carry out a research on a topic of concern. I have chosen to study Effects of corporate governance on the performance of Public Universities.

Having selected several Management and administrative staff as participants in the research, I will require them to fill out questionnaires. Kindly allow me to collect data from the employees at this station. This is purely an academic study and note that all information given by you shall be treated with utmost confidentiality.

Attached is a copy of the questionnaire

Kind regards,

Agnes Jerop Bowen

APPENDIX II

RESEARCH QUESTIONNAIRE FOR THE MANAGEMENT AND ADMINISTRATIVE STAFF

The purpose of this questionnaire is to collect data required for the study titled "Influence of corporate governance on performance of public universities in Nakuru County, Kenya". The questionnaire is an integral part of the study and the respondents are kindly requested to complete it objectively. Kindly tick (√) against the correct choice.

Section One: Respondents' Profile

1. Working experience in the current university

Less than 1 year	☐	6 – 10 years	☐
1 – 5 years	☐	above 10 years	☐

The questions or statements in the following sections seek responses on a 5-point Likert scale as follows:

SD: Strongly Disagree, D: Disagree, N: Neutral, A: Agree, SA: Strongly Agree

Section Two: Internal Controls

	SA	A	N	D	SD
2. Internal management determines the level of internal control activity in public universities					
3. Internal auditing is enshrined in the law governing public universities.					
4. Our university supports internal audit activity.					
5. Internal controls are defined by audit committee in our university.					
6. Auditors provide a check on the information aspects of the governance system.					
7. Auditors ensure that the financial information given to university stakeholders is reliable.					
8. Our university ensures that books of accounts are well-kept and audited.					

Section Three: Accountability

	SA	A	N	D	SD
9. The management demands for financial accountability.					
10. Accountability reduces the risk of corruption in public universities.					
11. Accountability requires that there must be effective financial reporting and transparency.					
12. Accountability is a measure of corporate governance.					
13. The university's governing council defines and enforces accountability standards.					
14. There exists a framework for managerial accountability in our university.					
15. Accountability is enhanced by internal controls.					

Section Four: Stewardship

	SA	A	N	D	SD
16. Stewardship is part of corporate governance in public universities.					
17. Corporate governance is the stewardship responsibility of the university's management.					
18. Stewardship is linked to leadership and authority.					
19. Our university requires balancing skills from the persons in leadership positions.					
20. Ethical stewardship ensures realization of long-term value for university's stakeholders.					
21. The governing council, senate and management are the university's stewards.					
22. The time allocated to discharge duties is determined b the university's senate.					
23. Reporting in our university follows a strict chain of command.					
24. There is a well-laid down procedure for appointment in our university.					
25. There is performance evaluation in our institution.					

Section Five: Performance

	SA	A	N	D	SD
26. Our university has witnessed increased linkages over the past one year.					
27. Compared to other universities, our institution records high number of graduates every year.					
28. Our university receives many grants for research.					
29. Our institution requires post-graduate students to publish their research works.					
30. Every year out institution publishes many research papers.					

Thank you for your time and cooperation.

APPENDIX III

LIST OF PUBLIC UNIVERSITIES IN KENYA

1. University of Nairobi (UoN)
2. Moi University
3. Kenyatta University (K.U)
4. Jomo Kenyatta University of Agriculture and Technology (JKUAT)
5. Egerton University
6. Maseno University
7. Masinde Muliro University of Science and Technology
8. Dedan Kimathi University of Technology
9. Chuka University
10. Technical University of Kenya
11. Technical University of Mombasa
12. Pwani University
13. Kisii University
14. University of Eldoret
15. Masai Mara University
16. Jaramogi Oginga Odinga University of Science and Technology
17. Laikipia University
18. South Eastern Kenya University
19. Multimedia University of Kenya
20. University of Kabianga
21. Karatina University
22. Meru University of Science and Technology

APPENDIX IV

LIST OF PUBLIC UNIVERSITY CONSTITUENT COLLEGES

1. Murang'a University College
2. Machakos University College
3. The Co-operative University College of Kenya
4. Embu University College
5. Kirinyaga University College
6. Rongo University College
7. Kibabii University College
8. Garissa University College
9. Taita Taveta University College