FACTORS AFFECTING CORPORATE GOVERNANCE IN MAKUENI COUNTY

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DECLARATION

Declaration by the Student

This dissertation is my original work and has not been presented to any other examination body. No part of this research should be reproduced without consent or that of the Kenya College of Accountancy University

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This dissertation has been submitted for examination with my approval as the KCA University

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ABSTRACT

Effective corporate governance in the public sector is imperative for better decision making, efficient resource use and strengthened accountability. It entails robust scrutiny aimed at the provision of necessary pressures for improving performance in the public sector as well as tackling corruption. If well implemented, corporate governance has the potential of improving management and subsequently results in the effective implementation of the chosen interventions, better service delivery, and, ultimately, better outcomes and in the process improving peoples' lives. The aim of decentralization and subsequent introduction of county level governance was basically focused on delivering good governance practices at the county level. Good corporate governance practices in Makueni County should assist and encourage the elected leadership, councils and management to institute and uphold a clear focus on performance, transparency and accountability. However, even where good systems, processes and organizational structures are instituted; there are potential pitfalls and problems that may arise in the day-to-day operations of County governments. Such pitfalls may include issues to do with ethics, corruption, politics and even resource availability. Matters of integrity combined with the right mix of skills and expertise amongst the individuals involved in County government management, including executive and non-executive board members and the management and employees in such organizations are also vital components of their overall success. This study therefore is aimed to explore the factors that affect corporate governance in Makueni County. The study focused on the effect that resource allocation, ethics, corruption and politics have on corporate governance. The study adopted a descriptive research design. The target population comprised of 76 individuals holding various leadership positions in the county who include, political leaders and county administrators. Given the small size of the population, the researcher carried out a census. Questionnaires were used for data collection and they were structured according to the objectives of the study. They were administered through drop and pick method. Data collected was coded, edited and finally analyzed using SPSS version 20 and Microsoft Excel spreadsheets. Results of the study revealed that there was a positive and significant relationship between resource availability, ethics, politics and corporate governance while corruption had a negative significance influence on corporate governance. There is need to sensitize on means of raising more resources, adherence to professional ethics and elimination of negative politics in the County. County administration ought to devise mechanisms to address corruption levels in the County and consequently reap the benefits of corporate governance.

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ACRONYMS AND ABBREVIATIONS

CEC – County Executive Committee

CEO – Chief Executive Officer

CMA – Capital Markets Authority

GoK – Government of Kenya

IMF – International Monetary Fund

KENAO – Kenya National Audit Office

MCAs – Members of County Assembly

OECD – Organization for Economic Cooperation and Development

PPOA – Public Procurement Oversight Authority

PPPs – Public Private Partnerships

SOE – State Owned Enterprises

SOX – Sarbanes Oxley Act

DEFINITION OF TERMS

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Corporate governance is a corporate management tool used to inculcate fair, efficient and transparent practices within an organization with the goal of meeting certain well-defined organizational objectives. OECD (2004) defines corporate governance as system of structuring, operating and controlling a company with a view to achieve long-term strategic goals to satisfy shareholders, creditors, employees, customers and suppliers, and the complying with the legal and regulatory requirements, apart from meeting environmental and local community needs. When it is practiced under a well-laid out system, it leads to the building of a legal, commercial and institutional framework and demarcates the borders within which these functions are carried out.

The concept of corporate governance has existed ever since the concept of company and separation of ownership was established. This is from as far as 3500 BC during the Sumerian revolution. Originally, corporate governance practices were popular within the private sector. With time however, institutions in the public sector are increasingly being held accountable for their performance and are therefore expected to operate efficiently and effectively.

According to ASX Principles of Good Corporate Governance (2003) corporate governance is the system by which companies are directed and managed and it influences the way in which the objectives of the company are set and achieved, risk monitoring and assessment, and performance optimization. Accordingly, good corporate governance structures encourage companies to create value through entrepreneurship, innovation, development and exploration whilst providing accountability and control systems commensurate with the risks involved.

In the context of decentralization, issues of corporate governance apply differently in the public sector. With decentralization, countries struggle to establish a balance between inclusive governance and accountability. It takes time before both the central government and the county governments can streamline their governance practices. According to Claessens Djankov and Lang, (2008) following the successful implementation of the constitution in Thailand in 1997, the country has struggled with governance issues in relation to decentralization in a bid to ensure that sub-national governments have adequate resources and financial management skills at their disposal to successfully perform their new responsibilities. Chen et al. (2013) notes that Indonesia has taken up initiatives to ensure that their decentralized governance improved efficiency and enhanced service delivery within the public sector. According to Eldon (2014) good corporate governance require effective systems of internal control. In such a structure, citizens expect that county management is in a position to manage the risks the county faces and to put controls in place to deal with such risks.

It has become increasingly clear in recent years that the effectiveness of efforts in developing countries to achieve human development goals hinges largely on the quality of governance in those countries and the zeal and commitment of governments' and civil society institutions. Concerns regarding central administrative capacity, fiscal constraints and the limited accountability at all levels of government have led African states to place increased emphasis on the importance of decentralization and developing capacity for effective local governance.

Globalization has altered issues of corporate governance into a global concern. Qudrat (2009) notes that there are several factors that affect corporate governance models adopted in various countries and in extent various organizations. Such factors include a country's financial and legal systems, culture, economic circumstances and corporate ownership. Mulili (2010) posits that corporate governance practices are instrumental in saving companies and institutions from breakdown or collapse. Normally, both developed and developing countries struggle with the implementation of corporate governance practices (Bhattacharya and Hodler 2010). One country that has been in the spotlight for its corporate governance struggles is Canada. Mohd-Fairuz (2009) recommends the adoption of practices from the private sector a remedy that has seen Malaysia makes bold improvements in her push for improved corporate governance.

There are also African countries that have decentralized their governance systems thereby necessitating the need for corporate governance mechanisms to be in place. Taking Nigeria for instance, given the volatile nature of their country, the central government has recognized the need to have frameworks in place aimed at resolving problems stemming from the separation of ownership and control (Ejuvbekpokpo and Esuike 2013). Senegal is also a decentralized African state that has also battled with corporate scandals. Typical of other African states with decentralized mechanisms, more often than not, even when corporate scandals are reported, no known deterrent sanctions have been meted out on the culprits(Abidin and Ahmaa 2007). African governments should establish institutes of Corporate Governance for training and promoting good corporate governance.

1.1.1 County Governments

In the Kenyan Context, County governments are systems of governance under the decentralized government. With devolution came decentralization of functions from the central government with the aim of attaining accountability and equal distribution of resources. Top leadership in county governments are elective in nature, meaning that holders of office have to be voted in by their constituents. Such offices that are recognized by the constitution include the governors, senators and MCAs. Thus, it is the citizens who are represented by these offices that are shareholders. Accordingly, the GoK has a responsibility to enhance the value of its assets through the efficient delivery of public services where the public socio-economic needs of its citizenry are required or through optimizing profits where profit motives are expected. However, according to Mulili (2010) conflicts usually arise between attaining set motives in the provision of affordable services to the underprivileged and the rational expectation on making return on invested capital. These objectives are within reach only through the establishment and enforcement of appropriate governance mechanisms. Therefore corporate governance in the county governments mitigates wastage, pilferage, technical abuses and financial immodesty in the financial and administrative management. Atieno (2009) notes that corporate governance induces accountability, transparency and financial probity in county management thereby enhancing their integrity, restoring public and investors' confidence, attaining policy objectives and commercial imperatives of effectively utilized assets.

1.1.2 Corporate Governance in Kenya

In a report by Transparency International, (2010), governance in publicly run institutions faces the monster vice of corruption. According to the report, good corporate governance is greatly hampered by corruption which is inherentwhere profit can be gained through financial transactions and policy outcomes. With decentralization and transfer of power and responsibilities to county governments, there is need for far-reaching public sector and corporate governance standards to tackle corruption among other vices that hamper effective running of county governments and the nation in entirety. The Company Act 1962 contains the statutory law governing corporate governance in public listed companies in Kenya. Other matters with respect to corporate governance in Kenya including director's duties and shareholder protection are dealt within the Company Act. The Capital Markets Authority (CMA) Act 2002, the Nairobi Stock Exchange Regulations and Penal Code c.63 are other regulations that govern Kenya's corporate governance practice (Mulili 2010).

Kenya adopted decentralization after a new constitution was adopted in 2010. The country which was once centralized transformed into a decentralized one as power functions and services were transferred from the central government to the county governments. Since their formation, County Governments in Kenya have been deeply implicated mostly in fiscal problems emanating from poor corporate governance practices (Mwabu and Kibua 2008). As a result administration of most county governments is characterized by inefficiency and budgetary burdens which more often than not justify their poor economic performance. One of the areas that counties have shown poor governance practices is in the area of human resourcing. Taking the instance of Kisumu, Mombasa and Nyeri Counties where county clerks have been accused of hiring county employees based on factors other than on merit (Matete 2015). Governors from Embu, Nandi, Narok, and Isiolo Counties have also been in the headlines for a long time following accusations over claims of misappropriation of county funds. However, there are counties that have put proper governance mechanisms in place in ways that have set apart their performance compared to many others (Institute of Economic Affairs,2012). Take the instance of Machakos County which despite the fact that there exist shortfalls in governance, the management in the county has been acknowledged as being efficient in resource allocation. Similarly, TaitaTaveta County and Kajiado Counties have been acknowledged for the effort that they put in running their counties.

1.1.3 Corporate Governance in Makueni County

The county of Makueni is one of the 47 counties in Kenya. Just like the other counties, the leadership is under pressure to ensure that all practices and transactions that are done within the confines of the county are equitable, just and fair and done in accordance to stipulated codes (Mulili 2010). Given the recent wrangles and developments that have put the county's leadership in the limelight, citizens await to see whether there are suitable mechanisms in place that will lead the county to development through authority, stewardship, accountability, leadership, direction and control exercised in running the county.

Although the governance failures in the county seem unique compared to other counties, it should be noted that nationally, institutions are poorly equipped to implement the type of corporate governance practices with the potential to steer economic development to the next level. Even with the presence of codes of corporate governance in counties, legal and judiciary systems are weak, interlocking relationships between governments and financial sectors and limited human resource capabilities that water down corporate governance efforts (Miringu and Muoria, 2011).

1.2 Problem Statement

Through the promulgation of the new constitution in Kenya two systems of government was adopted; national and county government. Through this system of governance county government was entitled with several roles as such to be in a position to provide services to its local. There is need to generate resources within the county though the national government must share some resources with county government in proportion to their resources endowment. In order, to effectively serve the locals there are various ethical issues which must be adhered with for example following the stipulated guidelines in the procurement act, adherence to professional standards when reporting financial matters. There has been persistent outcry on the inconsistency of financial reporting and audited reports from County government through the office of auditor general which portrays a negation from the professional ethics. The political regime is responsible to be the voice of the public through representation and participation in legislation in the county assemblies there are tendencies of forfeiting the oversight role and engagement in corruption related issues which denies the service delivery.

Corporate governance in Kenya is widely researched on especially in the private sector owing to the emergence of corporate scandals. In the public sector, mismanagement, bureaucracy, wastage, pilferage, incompetence and irresponsibility by individuals in leadership have been pointed out in the Sessional Paper 4 of Government of Kenya as the main problems that have made State Corporations (SC's) fail to achieve their objectives. According to Atieno (2009) Kenyan entities have had a history of poor governance system with about 70% of the scandals attributed to weak corporate governance practices, lack of internal controls, and weaknesses in regulatory and supervisory systems as well as conflict of interest.

Kosimbei (2009) points out that largely, politics has incapacitated the county's development potential as leaders have developed great resistance to oversight in their legislative roles a situation that has greatly compromised the independence of different departments in the county. Due to governance short falls, at some point, activities of the county have at some point been financially crippled due to bureaucracies. Appointments along tribal lines and political affiliations also greatly impact good governance efforts (Gachoki and Rotich 2013). Barely any research has been documented to show how these political misdeeds, lack of ethics and acts of corruption affect efficiency in the county government governance.

Issues of corporate governance in Makueni County are possibly intertwined in resource availability and optimal resource allocation. This is in view of capacity development in regards to human capital, financial capital, intellectual capital and social capital as illustrated in Qudrat (2009). The nature and direction of the relationship between resource availability has majorly been researched on in the context of the private sector but hardly much has been documented for the public sector more so in governance. This study therefore explored the relationship between the corporate governance practices in Makueni County and factors such as resource availability, corruption, politics and ethical values.

1.3 Objectives of the Study

The main objective of this study was to explore the factors affecting corporate governance in the Makueni County and the following were the specific research objectives:-

1. To find out the effect of resource availability on corporate governance
2. To determine the effect of ethics on corporate governance
3. To establish the effect of politics on corporate governance
4. To find out the effect of corruption on corporate governance

1.4 Research Questions

The study was guided by the following research questions.

1. What is the effect of resource availability on corporate governance?
2. How do ethics affect corporate governance?
3. What is the effect of politics on corporate governance?
4. What is the effect of corruption on corporate governance?

1.5 Significance of the Study

A study on the corporate governance issues in Makueni County provided insight to the central and county government policy makers on the need to streamline the corporate governance implementation requirements so as to retain the focus of the leadership on achieving the intended corporate governance targets, while achieving their main objective of steering the county towards prosperity.

The study was expected to be of benefit to donors and investors as they will find insight on the Governance issues. Citizens of Makueni County as well as every other citizen will get to know the status of corporate governance in county government and learn how different issues affect governance.

To the academicians, the study contributed to the existing body of knowledge of corporate governance in county governments in Kenya. It will also stimulate prospective researchers to replicate the study in other sectors of the economy.

1.6 Scope of the Study

This study was carried out in Makueni County to explore the factors that affect corporate governance in Makueni County. More specifically, the study focused on the role resource allocation has on corporate governance alongside the role played by ethics. This thesis also established how politics and corruption affect corporate governance in Makueni County. The study drew its population and subsequently the sample for the study from the administration at the county level, MCAs, CEC members and other individuals who were deemed to have significant contribution to this study.

1.7 Limitations of the Study

This study was limited to corporate governance issues in Makueni County. This is despite other counties that could be studies and other issues in county governments that need to be researched. At the same time, in the midst of other issues that may affect corporate government in the county set up, the study limits itself to the ethics, resource availability, politics and corruption and their effect on corporate governance in Makueni County.

1.8 Chapter Summary

This chapter introduces the topic under study. It underpins the concept of corporate governance and gives an overview of governance practices globally, regionally, nationally and down to the County of Makueni. The chapter also introduces the objectives of the study, research questions, and scope of the study, justification and finally the definition of terms. The next chapter is the literature review

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature relevant to corporate governance. The chapter reviews the origin of corporate governance, its principles and its application in the public sector. The chapter also looks at theories and models that underpin the corporate governance mechanisms. Finally, the chapter provides a conceptual framework of the issues under study.

2.2 Theoretical Review

In light of corporate governance, two theories come in handy to form the basis of this study. First is the agency theory which puts into context the relationship between shareholders and managers. In the context of corporate governance at the county government level, the shareholders are the electorate while the management are the elected leaders. The second theory is the stewardship theory which is the reverse of the agency theory and also brings to light the relationship between the citizens as the shareholders and the leaders as the stewards.

2.2.1 Agency Theory

The agency theory was put forth by Mitnick and Barry (1974). It is concerned with analyzing and resolving problems that occur in the relationship between principals (owners or shareholders) and their agents (top management). The theory rests on the assumption that the role of organizations is to maximize the wealth of their owners or shareholders (Blair, 1995). According to the agency theory, professional managers manage a firm on behalf of the firm's owners. Conflicts arise when a firm's owners perceive the managers not to be managing the firm in the best interests of the owners. This theory also hinges on the assumption of two agency problems namely adverse selection and moral hazard. The Agency Theory also advocates for the setting up of rules and incentives to ally the behavior of managers to the desires of owners (Hawley & Williams, 1996).

When it comes to comes to management and governance in the public sector, the citizens become the principles while the elected leaders are the agents. Through electoral processes, members of the public elect leaders who they believe will serve and represent their interests in decision making. The citizens expect that the leaders they have elected will represent their interest and conflicts arise when members of the public perceive their elected leaders not to be serving them but rather pushing their own social and political interests. In other words, corporate governance systems in the public sector should allow elected leaders scope for flexibility, accountability and performance and to make rapid change in relation to how they perceive the expectations of the members of the public in the management of ongoing operations (Weidenbaum, 2004).

2.2.2 Stewardship Theory

The Stewardship Theory, also known as the Stakeholders' Theory, adopts a different approach from the Agency Theory. It starts from the premise that organizations serve a broader social purpose than just maximizing the wealth of shareholders. The Stakeholders' Theory holds that corporations are social entities that affect the welfare of many stakeholders where stakeholders are groups or individuals that interact with a firm and that affect or are affected by the achievement of the firm's objectives (Donaldson & Preston, 1995; Freeman, 1984). Successful organizations are judged by their ability to add value for all their stakeholders. Some scholars consider the natural environment to be a key stakeholder (Starik&Rands, 1995; Dunphy et al., 2003).

Adoption of the Stewardship Theory in the context of corporate governance in the public sector is therefore based on a model that portrays an elected leader as a steward. The behavior of the leader, who is the steward, is ordered in a manner such that it is not only collectivistic but also pro- organizational. In this case, the he or she will not give up cooperative behaviors for self-serving behavior because he/she draws higher utilities through collectivistic behavior placing high value in cooperation and service.

The Stewardship Theory suggests that political leaders and other, acting as stewards, are more motivated to act in the best interests of the firm rather than for their own selfish interests. This is because, over time, senior executives tend to view a firm as an extension of themselves (Clarke, 2004; Wheelen & Hunger, 2002). Therefore, the Stewardship Theory argues that, compared to members of the public, political leaders care more about the people represent rather than their personal interests they long term success (Mallin, 2004).

2.3 Empirical Review

2.3.1 Resource Availability and Corporate Governance

Entities in the public sector require various sources of capital if they are to remain fit for purpose (Xing et. al., 2015). This means that underlying governance and staffing structures should have the potential of enabling the delivery of planned services. Ulrich (2008) adds that the right mix of resources enables public entities to act in response to the shifting legal and policy demands, together with the economic, political, and environmental changes as well as the associated risks. All these factors influence both the intended outcomes of the services and projects the public body needs to deliver.

According to Timea (2011) for corporate governance to achieve its intended objectives successfully, there must be a variety of resources and relationships in place. He adds that these resources and relationships take different forms of capital that flow throughout the public sector entity. Accordingly, they can be categorized as financial capital; manufactured capital; intellectual capital; human capital; social capital; and natural capital. Martinez (2011) is of the opinion that capital assets that belong to the entity itself or to the society more should provide the required inputs aimed at achieving the public sector outcomes. Javed and Iqbal (2007) however warn in corporate governance it is mandatory for the entity's operations and outputs to be regularly reviewed for the sake of effectiveness and in light of internal and external alterations and challenges. They add that, public entities should strive to learn from each other through various avenues such as benchmarking amongst each other. The corporate governance decisions made as a result of the process of regular monitoring and reporting to a very large extent determine how resources are to be allocated and applied to realize the planned outcomes in an effective and efficient way (Goergen, 2012). This can be done by determining the levels of staffing and the types of skills an entity requires. This means that public sector entities have to strike a balance between the acquisition of new staff and development of existing staff (Lazarides, 2009)

On the part of manufactured and intellectual capital, Information Technology alongside the use of appropriate social media and other communication and consultation techniques can encourage corporate governance in by increasing information, transparency, and accountability (Kajola, 2008). Accordingly, these could facilitate accurate decision making while increasing public participation and enhancing the efficient delivery of public goods and services. However Lamport and Latone (2010) advise that the use of new technology poses serious risks and may result in undesirable outcomes in regards to technical or organizational aspects especially if the implementation and operation are not duly planned and managed. This reinforces Guzeh (2012) view that the right skills are required.

Human capital is a vital corporate governance capital for many public sector entities (Murage, 2010). Therefore, recruiting, motivating, and retaining staff are fundamental issues if public sector entities are to successfully practice corporate governance. According to Nana and Omorkope (2011) governing bodies and the management need to provide a favorable environment for staff to perform well and deliver effective services in creating a optimistic culture that responds to staff views, welcomes ideas and suggestions, and explains decisions made. For corporate governance, it is therefore imperative that staff have rational job descriptions in order to ensure that their core responsibilities are performed effectively. At the same time, Weimer and Pape (2009) advise that it is essential for senior managers responsible for performance to have the authority to make the necessary decisions, delegate tasks as appropriate, and have adequate team support to assist them in their roles. When it comes to appointing and remunerating senior managers, Said (2014) points out that it is good practice to establish committees made up of governing body members who are free of vested interests to guard against corruption for nominations and remunerations. This would ensure merit-based recommendations to the governing body are made especially given that it is essential that these processes are transparent.

2.3.2 Ethics and corporate governance

According to McNutt (2010) as far as corporate governance is concerned, members of the governing board of a public sector organization should make an effort to exemplify the personal qualities that are desirable. Accordingly, this takes into consideration simplicity, accountability and transparency. Ethical qualities are not completely detached and distinct from one another otherwise they cannot be compartmentalized. Mulili (2010) adds that ethics are interrelated essentials of a single mindset required to espouse proper conduct in the public sector. He adds that combined with other governance practices, ethics have the potential of underpinning governing board members' and other leaders' participation in all executive deliberation and decision-making.

Grosu (2011) opines that the governing body should culturally act in the public interest at all times is the norm. This is achievable by leading in establishing and living up to specific values for the entity and its staff. According to McNutt (2010) these values should be easy to communicate and understand and should exceed the basic legal requirements in order for them to create established principles for behavior in public life. Corporate Governance values can also be useful in promoting a culture of integrity and collaboration throughout the entity through a number of mechanisms such as codes of conduct, frequent staff consultation and communication, exemplary behavior, and performance assessment and reward processes (Macey, 2008).

Ethical values and standards should be entrenched right through an entity and should shape the basis for all its procedures, policies, and actions, as well as the personal behavior of its governing body members and other staff (Morck, 2009). According to (Goldman et. Al., 2009), having a code of conduct for governing body members and staff is a key element of good governance. This includes the development, review, and communication of a code that illustrates the values in specific circumstances with the aim of highlighting the operation of an entity, the embedded core values, such as by reflecting values in communications, processes, and behavior and finally the nature of relationship between the entity and its stakeholders. Codes are also helpful in reassuring stakeholders about the entity's integrity and its commitment to ethics (McNutt, 2010).

Where corporate governance is concerned, it is with noting that there may arise conflicts between the personal interests of individuals involved in making decisions and the decisions that the governing body or employees need to make in the public interest (Eldon, 2014). This means that in order to ensure continued integrity while avoiding public concern and/or loss of confidence, corporate governance mechanisms should be able to guide the way in dealing with any conflicts of interest, whether real or perceived. Whereas some public bodies have a separate ethics policy and code of conduct in place, the policy should typically set out values and principles while a code of conduct should outline standards of behavior and practices. According to Paccess (2012), it may prove difficult to measure impartially the factors that affect an entity's performance as far as leadership, ethics, and culture are concerned. This may affect the identification of ethical problems way before they can manifest in organizational performance. Teply and White (2012) however warn that, it is essential for entities to seek an understanding of the maintenance of performance in areas corporate governance. Brealy et.al (2009) lists the useful evaluative approaches to gauge performance to include staff surveys, performance appraisals, administrative reviews, and leadership self-assessments. At the same time, they advise that stakeholders can also provide essential feedback on how the performance of a public entity in leadership, ethics, and culture through formal solicitation or can be received through comments and complaints. Dessai and Olofsgard (2011) add that complaints form a vital part of feedback and have to be handled and resolved efficiently, effectively, and in a timely manner if the lessons learned are used to be used in improving the performance, both ethical and general, of the entity and its services.

According to Alnaser *et al*. (2014) public sector entities and the individuals working within them should, exhibit a strong commitment to the rule of law as well as conformity to all relevant laws if corporate governance is to be achieved. This means that they should endeavor to utilize their powers for the full benefit of their communities and other stakeholders. Ferguson and Voth (2008) point out that the rule of law also holds accountable public sector entities and individuals within them through compliance with constraints on resources voted by the legislature. This guides in demonstrating action in the public interest at all times and to maintain public trust and confidence, public sector entities should be as open as potential about all their decisions, actions, plans, resource use, forecasts, outputs, and outcomes.

2.3.3 Politics and Corporate Governance

Corporate governance mechanisms in the public sector are usually marred with political interference and serious agency problems and poor performance. According to Atieno (2009) there should be a clear distinction between the concepts of good governance and politics. Ideally, politics involves processes by which a group of people with initially divergent opinions or interests reach collective decisions. According to Ulrich (2008) these decisions are generally regarded as binding on the group and enforced as common policy; good governance in this context conveys the administrative and process-oriented elements of governing rather than its antagonistic ones. Such an argument as brought forth by Timea (2011) continues to assume the possibility of the traditional separation between politics and administration. This distinction is sometimes questioned in contemporary governance practice and theory, under the premise that both governance and politics involve aspects of power. Studies by Ferguson and Voth (2008) found a negative relationship between state ownership and corporate performance. This indicates that there is a negative relationship between political interference and the corporate performance.

Politics affect the running of affairs in government agencies. Elected official charged with the responsibility of representing people are alleged to be acting in partisan way to outwit perceived opponents from another party. In such political battles, they end up passing decisions favorable to the political group they belong instead of making decisions that benefit the county and its residents. Instances in which management of government agencies are notorious for driving their own needs are popular in procurement and employment. According to Kajola (2008) it is common for tenders to be awarded to individuals who supply sub standard goods and services when there were clearly other parties that would had have delivered according to the expectations. Promotions and employment from time to time are done on the basis of patriotism to a political party rather than on merit and performance. With such being the favors given to party patriots at any place they want, rather than to those with the capacity, with time practices change into paternalistic and political meddling in governance affairs that reduce government agencies to more or less extensions of party politics (Guzeh, 2012).

In the case of decentralized nations Nicolaescu (2012) notes that despite the fact that decentralized governments are active in financial matters such as planning, revenue collection and budgeting, politician always find ways to exercise controls in ways that favor them. This limits the politicians' autonomy to fully exercise their mandate. According to Nana and Omorkope (2011) it is clear that politics interferes with governance of any institution. Members of the public often feel completely helpless in situations where politicians have allowed corruption to proliferate and are unwilling to replace incompetent but well-connected officials (Mumvuma et al., 2006).

Ideally, corporate governance is concerned with allocation of power privileges and economic benefits among investors, shareholders, managers and employees in any political system (Dessai and Olofsgard, 2011). The relative strength of claim made by these groups is often dictated by institutional factors such as party politics and the electoral system (Olson et al., 2014). Bhattacharya and Hodler (2010) add that politicians and government officials often have vested interests in the existing corporate governance structure as they derive various resources from the corporate sector. Qudrat (2009) advises that corporate governance reforms with the potential of altering the existing resource allocation are likely to face resistance in the political system. Even in instances where the alternative corporate governance structures may benefit firms in the long run, firms may not have incentives to change their current practices as these practices may represent the best response to the existing political environment (Ferguson and Voth, 2008).

An understanding of the linkage between political institutions and corporate governance has important implication in practice. According to Mohd-Fairuz (2009) a corporate governance reform agenda that leaves out the impacts of political institutions stimulate unrealistic expectations of what reform can attain. Qudrat (2009) explains that political institutions determine the formation and quality of the corporate governance and consequently changes in corporate governance are likely to take place slowly and outcome cluttered if the existing political institutions remain unaffected. Chen et al, (2013) add that understanding the role of political institutions in influencing the corporate governance really broaden the strategies and measures at the disposal of the government because the changes in political systems can effectively improve the prospects of corporate governance reforms. Thus, the intricacy between the corporate governance and political institutions mean governments need to have a corporate governance policy in dealing with the priority scheduling and options of various reform initiatives in areas such as privatization and deregulation.

2.3.4 Corruption and Corporate Governance

Claessens et al. (2008) argue that government officials can potentially affect corporate governance institutions if they are able to rent seek. This will result in executive corruption that negatively affects corporate governance institutions. Eldon (2014) refine this argument and suggest that developing societies sometimes face a trade-off between political disorder and dictatorship. He further explains that, in a situation of political disorder, there will be instances of stable institutions, low investment, and low economic growth. But in the case of dictatorship it may be possible to create political and social order.

The World Bank has identified corruption as the single greatest obstacle to economic and social development as it undermines development by distorting the rule of law and weakening the institutional foundation on which economic growth depends (Yu & Zheng, 2014). The harmful effects of corruption are especially severe on the poor, who are hardest hit by economic decline, are most reliant on the provision of public services, and are least capable of paying the extra costs associated with bribery, fraud, and misappropriation of economic privileges. According to Transparency International (2010) corruption has massive consequences on economic and social development since it deters investment and hinders growth. The vice continues to pose a serious challenge in the Kenya, undermining the legitimacy of institutions and the entire government, impeding investors and depriving citizens particularly women and the poor of the essential services. Whilst anti-corruption commission has been introduced, it lacks power to effectively trace and prosecute corrupt individuals at all levels of the society (Atieno, 2009). Consequently, many of the well-intended anti-corruption cases tend to fizzle out over time and the culture of impunity continue o persist.

The relationship between corruption and corporate governance has been a focus of attention. White (2009) argues that special interest groups can cause stagnation and decline of nations especially since corruption is a destructive force in developing countries which are characterized by weak institutions, and political connectedness of firms. This has been viewed as a fertile ground for political corruption, especially when there is evidence of abuse of public office for private gains. As a result, anti-corruption policies have become a central component of development strategies in many countries and the World Bank alone has supported more than 600 anti-corruption programs since 1996 (Banerjee et al, 2012).

Rampant corruption has seen widespread local resource wastage and inefficiency in devolved authorities in developing countries. According to Chen et al. (2013) corruption is the behavior which deviates from formal duties of public role because of private pecuniary gains. This selfish way of running affairs has become a cancer in the governance. Politicians are alleged to corruptly facilitate access to vehicles, stands and other resources at a lower price than the actual prices. In some instances, they have flouted tender procedures to buy vehicles, stands for personal gain. According to Said (2014) when people in a position of authority use public resources for personal gain it becomes corruption. From time to time, residents lament corruption by county government workers on the lack of transparency on how things should be done by different departments of the Council. This lack of transparency results in workers asking for bribes for services rendered to unsuspecting residents. It is therefore imperative that local governance system be reformed and related pieces of legislation be enacted so as to revive and enhance good corporate governance, management capacity and financial mobilization.

There are both short-term and long-term measures that are needed to eradicate corruption across all levels of the society. Improving the salaries of public officials is one immediate option for reducing the vulnerability (Qudrat, 2009). At the high levels of authority, leaders should be asked to declare their wealth upon assuming office. At international level, institutions such as development partners need to encourage best practices in the fight against corruption.

2.4 Knowledge Gap

Abidin and Ahmaa (2007) carried out a study on corporate governance in Senegal. More so on its effect on business relations. The results of the descriptive study revealed that in the absence of appropriate human capital and the relevant skill set at every management level, businesses fail in their corporate endeavors. This was attributed to the fact that it is necessary for businesses to carry out recruitment of personnel while keeping in mind the job description at hand. A similar study by Bhattacharya and Holder (2010) lays emphasis on the experience level of individuals chosen to act as stewards of corporate governance. Still on resources availability, Debbie (2009) in a study on government budgets established that governments should set aside funds for training and implementation of governance practices.

McNutt (2010) used interviews to get insight on ethics as far as governance is concerned. He established that in corporate governance, integrity, accountability and transparency lay the foundation for successful attainment of strategic objectives of an entity. Mulili (2010) on the other hand used secondary data to obtain information on the corporate governance practices in developing countries. The study findings pointed out that without proper support structures in place such as policies and regulatory framework, ethical standards in corporate governance cannot be met. Nicolaescu (2012) in his study on business environment and corporate governance in public entities emphasized on the need for whistle-blowing provisions to encourage ethical values amongst public officers

Mwabu and Kibua (2009) studied decentralization and devolution in Kenya. The findings of their qualitative study established that decentralization of power also decentralized corruption since the practices that were previously carried out at the national level and repeated at the county level. In another study by Pranikar et. al. (2014) on legal corruption and politically connected corporate governance in Columbia, it was established that corruption manifests itself in procurement and hiring decisions. Timea (2011) in his publication on the role and application of the principle of transparency laid emphasis on the importance of code of conduct to guide against acts of corruption in both the public and private sector.

Xing *et al.* (2015) reviewed corporate governance, political connections with evidence from corporate scandals in China and established that majority of business practices are carried out politically. The study placed managers as politicians who exploit the market for the benefits of the firm. Ferguson and Voth (2008) studied the value of political connections in Nazi Germany and found out that politicians seek elective posts not to lead but to attain power to exploit connections for their own wealth creation interests.

2.5 Conceptual Framework

The concept of this study is based on the fact that proper governance practices are imperative if institutions are to achieve their strategic goals. This study is founded on the premise that indeed there exist factors that operate within the county government that could impact corporate governance (Ejuvbekpoko&Esuike, 2013). These factors are characterized in management and coordination and in resource allocation and management, ethical factors which included integrity, openness and existence of code of conduct. Additionally, the concept of this study is founded on the assumption that politics also has the ability to support or frustrate corporate governance as far as practices and performance is concerned (Claessens et al, 2008). Finally, the concept of this study is premised on the idea that the presence of corruption also plays a huge role on corporate governance (Bhattacharya, 2010).

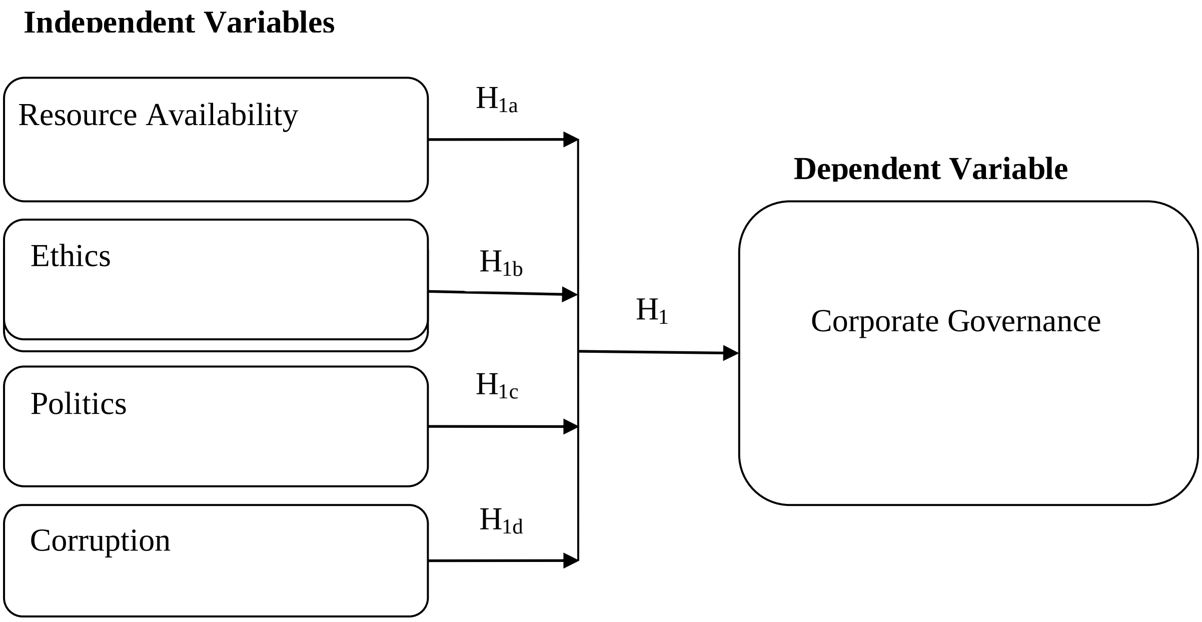

Figure 1: Conceptual Framework

The study proposes the following hypotheses:

H_{1a}: There is no relationship between resource availability and corporate governance in Makueni County

H_{1b}: There is no relationship between ethics and corporate governance in Makueni County

H_{1c}: There is no relationship between politics and corporate governance in Makueni County

H_{1d}: There is no relationship between corruption and corporate governance in Makueni County

2.6 Operationalization of Variables

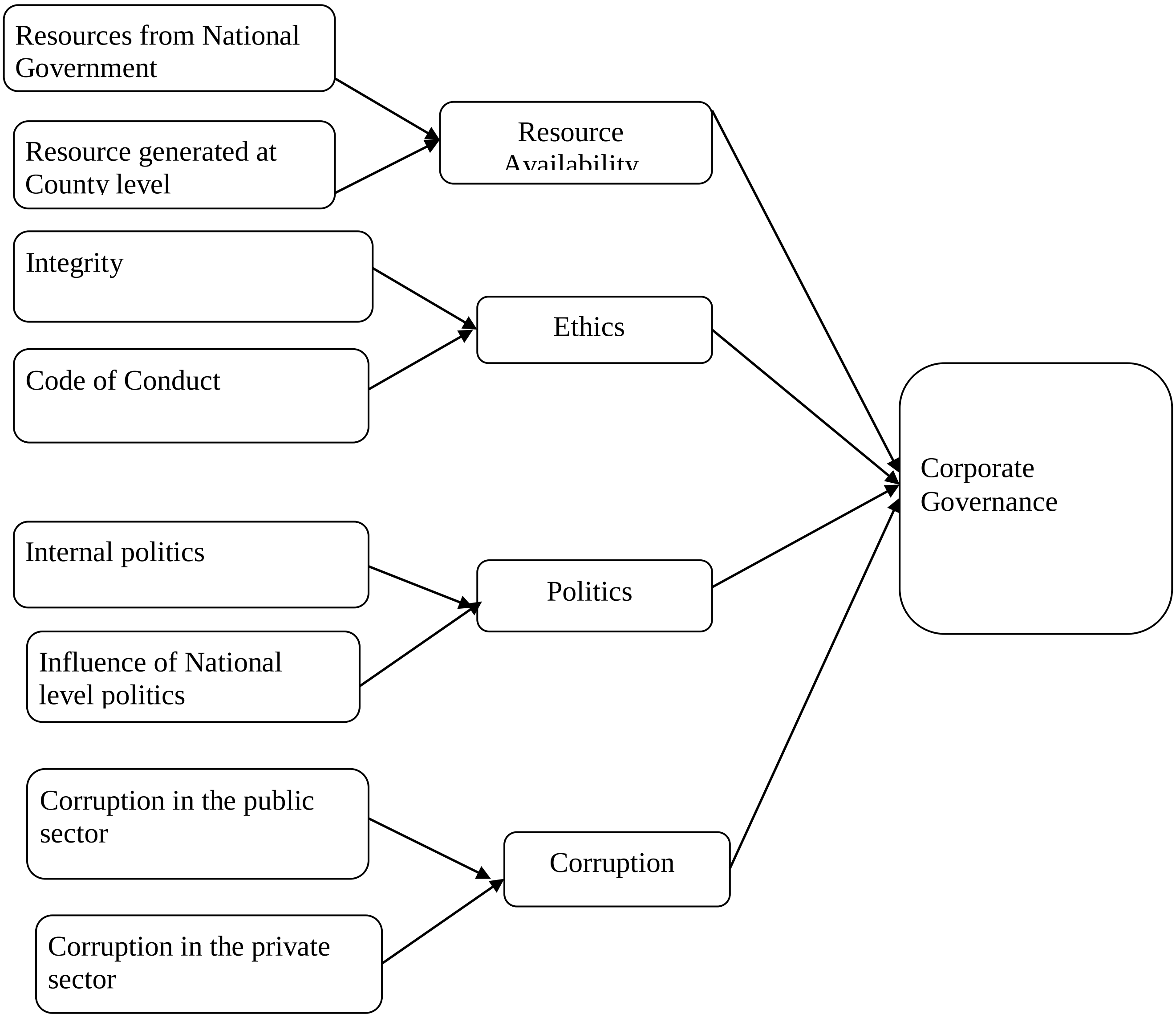

Figure 2: Operationalization of Variables

2.5 Chapter Summary

This chapter focuses on getting an understanding of the concept of corporate governance. It starts by reviewing the concept of corporate governance in theoretical perspectives narrowing it down to the agency and stewardship theory which offer differing but relevant connection to the study. The empirical review of literature in this chapter focuses more specifically on the objectives of this study while expounding on the role politics, ethics, corruption and resource availability on corporate governance in Makueni County.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology which was used to carry out the study. It further describes the type and source of data, the target population, sampling methods and technique that was used to select a sample size. It also describes how data was collected and analyzed.

3.2 Research Design

The study applied a descriptive research design as the researcher intends to describe a situation or a condition as it is and offers the opportunity for a logical structure of the inquiry into the problem of study. According to Creswell, (2010) descriptive research design attempts to describe, explains and interpret conditions of the present. In this case, the study aimed to explain the relationship between corporate governance and resource availability, ethics, politics and corruption.

3.3 Target Population

Hale, (2006) indicates that the target population is the group or the individuals to whom the study applies i.e. those groups or individuals who are in a position to answer the questions and to whom the results of the survey apply. The population of this study was drawn from political and non-political leaders of Makueni County as well as senior county administration officers as shown in table1.

Table 3.1 Target Population

Description	Population	Percentage
County cabinet secretaries	10	13.15%
Members of the County Assembly	6	7.89%
County assembly members of staff (chief officers, directors, human resource, procurement officers …	60	78.95%
Total	76	100%

3.4 Sample Size

According to Creswell (2010) a sample is statistically chosen representation of a population. Given the size of the target population in this study, the researcher will undertake a census. According to Hale (2006) a census is a complete enumeration of the subjects in a population. With this, no element of chance is left and the highest accuracy obtained. In this case the sample will be 76 Individuals.

3.5 Instrumentation and Data Collection

Data Collection is the planning for and obtaining useful information on key quality characteristics produced by your process (Francesca, 2005). This study utilized primary data which was collected using questionnaires as the mode of data collection. These questionnaires were characterized by close ended questions with the aim of collecting specific information in regards to corporate governance in Makueni County.

3.6 Reliability and Validity

Reliability, according to Eriksson and Kovalainen (2008), is the extent to which a measure, procedure or instrument yields the same result on repeated trials. Internal consistency method will be tested using Cronbach's Alpha. A "high" value of alpha is often used as evidence that the items measure an underlying (or latent) construct. Reliability with a predetermined threshold of 0.7 is considered acceptable. That is, values above 0.7 indicate presence of reliability while values below signified lack of reliability of the research instrument.

According to Bryman & Hardy, 2009), validity is the degree by which the sample of test items represents the content the test is designed to measure. To establish the validity of the research instrument, the researcher sought opinions of scholars and experts including the supervisor. This allowed modification of the instrument thereby enhancing validity.

3.7 Data Analysis Methods

Data analysis is the systematic application of statistical or logical techniques to turn raw data into information that can be used in making decisions (Hale, 2006). The data was coded to enable the responses to be grouped into various categories. Data collected was quantitative, analyzed by descriptive analysis. Research findings were presented using tables and charts. Data analysis was done using SPSS version 20 and Microsoft Excel. Tables were used to summarize responses for further analysis and facilitate comparison. The regression equation used in this study was indicated below:

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + €$

Y = Corporate Governance

β_0 – Constant

X_{1}-$_{4}$= Factors affecting Corporate Governance in County governments (resource allocation, politics, ethics and corruption)

β_1 - Coefficient for factors affecting Corporate Governance in County Governments

€ - Standard Error

3.8 Chapter Summary

This chapter covers the methodology that was used to conduct the research on the study. A quantitative research technique was utilized. The data collection methods used in this study included primary data collection techniques. Data analysis was done using SPSS and Microsoft Excel. Tables were used to summarize responses for further analysis and facilitate comparison.

CHAPTER FOUR

DATA ANALYSIS PRESENTATION AND INTERPRETATION

4.1 Introduction

In this chapter the primary collected data through the use of structured questionnaire will be presented and analysed using both descriptive and inferential statistics. The primary purpose for data analyses was to examine the factors influencing corporate governance in Makueni County. Specifically the study sought to find out the effect of resource availability on corporate governance, to determine the effect of ethics on corporate governance, to establish the effect of politics on corporate and to find out the effect of corruption on corporate governance. The study used primary data which was collected through use of closed ended questionnaires.

4.1.1 Response Rate

The study sample size was 76 out of which of which 68 were correctly filled and returned. The response rate formed 89.5% which was appropriate for the study. This response rate was adequate since Mugenda and Mugenda (2008) argued that if the response rate exceeds 70% then it is deemed adequate for the study.

Table 4.1 Response Rate

Sample size	Number	Percent
Correctly filled and returned	68	89.5
Not returned	8	10.5
Total	**76**	**100**

4.2 Back ground Information

The study sought the demographic information, specifically gender, age, number of years of public administration and the highest level of education were summarized using frequencies and percentage as shown in Table 4.2.

Regarding the gender composition in the public administration 60.3% of the respondents were male while 39.7% were female. This implies that there was gender skewness towards male though it met the third gender rule as stipulated in the constitution. The age of distribution of the respondents indicated that 52.9% aged between 20-30 years, followed by 25% who aged between 41-50 years. This implies that there is skewed age distribution towards young people which is an indication of newly recruited employees and there are possibilities of huge employee turnover. It was important to note that 50% of the employees had served the County government for a period of between 1-5 years which is an indication of newly recruited employee especially after the change of Kenyan governance system. 45.6% of the respondents had attained undergraduate qualification as their level of qualification, followed by 25% who had post graduate qualification and only 4.4% who had secondary school certificate qualification. This implies that most of County government employees.

Table 4.2 Back ground Information

Variable		Frequency	Percent
Gender	Male	41	60.3
	Female	27	39.7
	Total	**68**	**100**
Age	20-30	36	52.9
	31-40	9	13.2
	41-50	17	25
	Above 50	6	8.8
	Total	**68**	**100**
Number of years serving in government	Less than 6 months	12	17.6
	6- 12 months	6	8.8
	1- 5 years	34	50
	5-10 years	4	5.9
	More than 10 years	12	17.6
	Total	**68**	**100**
Highest level of education completed	Secondary	3	4.4
	Certificate	4	5.9
	Diploma	13	19.1
	Undergraduate	31	45.6
	Post graduate	17	25
	Total	**68**	**100**

4.3 Effect of Resources Availability and Corporate Governance

The first objective of the study sought to find out the effects of resources availability on corporate governance in Makueni County. To achieve this, the respondents were requested to indicate their level of agreement on a five point Lickert scale. Data was summarized using frequencies and percentages.

There was no sufficient amount of resources in Makueni County since 33.8% of the respondents disagreed that Makueni County had sufficient financial capital for service delivery in accordance with corporate governance practices. 52.9% agreed that Makueni County has enough intellectual capital in terms of expertise to drive performance. This implies that there are skilled employees who are serving in the County government. 61.8% agreed that Makueni County has enough social capital which can be used to spur growth through corporate governance. Although majority 42.6% agreed that Makueni County had enough human capital which can assist to serve according to corporate governance guidelines, 30.9% disagreed on the IT capability in order to support corporate governance practices.

Table 4.4 Effect of Resources Availability on Corporate Governance

	Strongly disagree		**Disagree**		**Not sure**		**Agree**		**Strongly agree**	
	f	%	f	%	f	%	f	%	f	%
Makueni county has sufficient financial capital for service delivery in accordance to corporate governance practices	11	16.2	23	33.8	10	14.7	16	23.5	8	11.8
Makueni County has enough intellectual capital in terms of expertise to drive performance	10	14.7	11	16.2	1	1.5	36	52.9	10	14.7
Makueni County has enough social capital to spur growth through corporate governance	4	5.9	6	8.8	11	16.2	42	61.8	5	7.4
Makueni county has sufficient human capital for service delivery in accordance to corporate governance practices	16	23.5	10	14.7	4	5.9	29	42.6	9	13.2
There are sufficient and up to date infrastructure and IT in the county to support corporate governance	15	22.1	21	30.9	16	23.5	13	19.1	3	4.4

Key f=Frequency %=Percentage

The pictorial presentation in Figure 4.1 shows the extent of resources availability in Makueni

County, 33.8% of the respondents argued reported that there moderate resources in the County while 32.4% perceived the County to be endowed to a great extent.

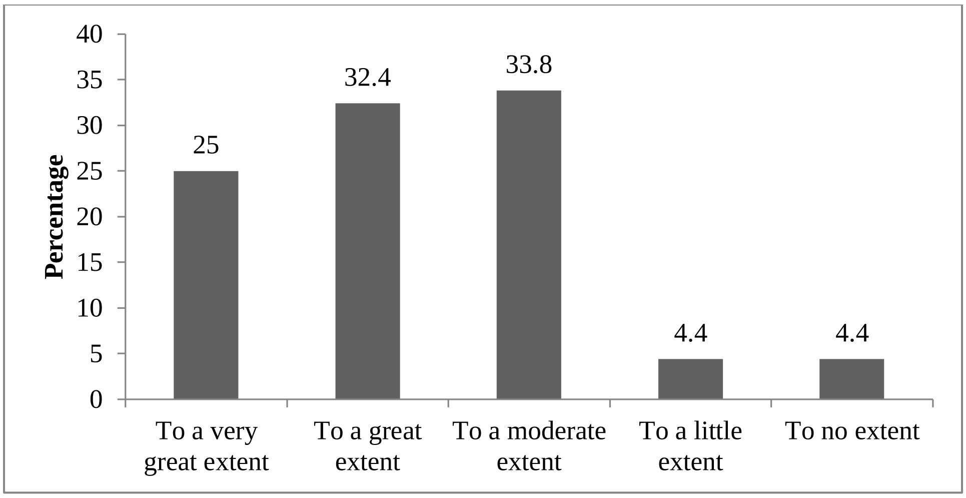

Figure 4.1 Extent of Resources Availability in Makueni County

4.3.1 Effect of Ethics on Corporate Governance

The second objective of the study sought to determine the effect of ethics on corporate governance in Makueni County. The respondents were requested to indicate their level of agreement on a five point Lickert Scale. Results in Table 4.5 show that 32.4% agreed that the code of ethics has greatly affected corporate governance in Makueni County. Although, 27.5% strongly disagreed that emphasis on integrity has no impact on corporate governance, 20.6% were either unsure or agreed on the same. There is need to devise measures to promote corporate governances through the establishment of whistle blowing avenues which were currently unavailable as indicated by 30.9% who agreed on the absence whistle blowing opportunities in the County. 33.8% were not sure on whether the embedment of ethical values on leadership which could impact leadership positively within the County government. The currently available regulatory framework intended to promote corporate governance ought to adhere to since 30.9% agreed that there were sufficient enough to promote corporate governance.

Table 4.5 Effect of Ethics on Corporate Governance

		Strongly disagree	Disagree	Not sure	Agree	Strongly agree
The code of ethics for Makueni County has greatly affected corporate governance	f	8	10	19	22	9
	%	11.8	14.7	27.9	32.4	13.2
Emphasis on integrity has had no effect on corporate governance	f	19	16	14	14	5
	%	27.9	23.5	20.6	20.6	7.4
There is no provision for whistle-blowing on matters of integrity and this has affected corporate governance	f	8	13	15	21	11
	%	11.8	19.1	22.1	30.9	16.2
Ethical values and standards have been embedded in the leaders and this has impacted corporate governance	f	6	12	23	20	7
	%	8.8	17.6	33.8	29.4	10.3
There are sufficient regulatory frameworks in the county to support corporate governance	f	15	19	7	21	6
	%	22.1	27.9	10.3	30.9	8.8

Results in Figure 4.2 depicted that 32.3% argued that ethics has a very great extent on corporate governance while 30.6% reported it to have moderate extent. Since almost 50% rated ethical practices to have an effect on corporate governance there is need to sensitize and promote ethical practices within an organization.

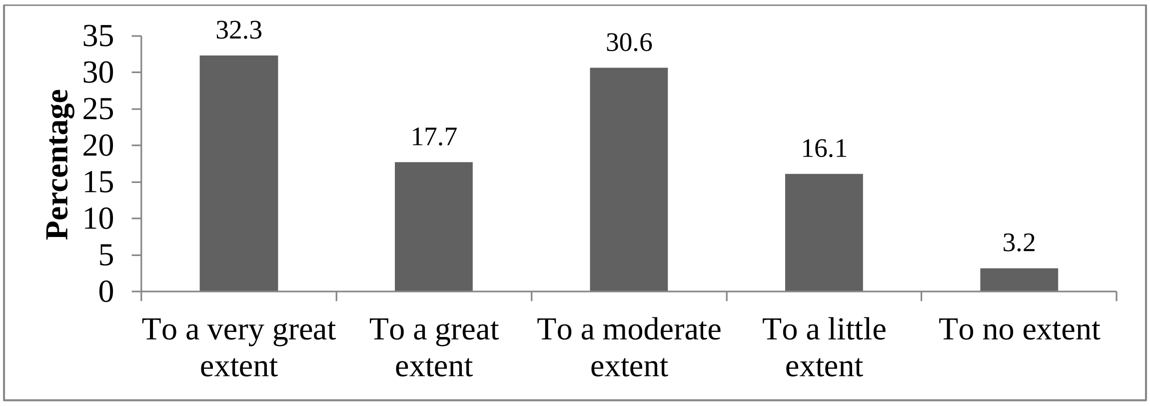

Figure 4.2 Rating on Effect of Ethics on Corporate Governance

4.3.2 Effect of Politics on Corporate Governance

The third objective of the study sought to establish the effects of politics on corporate governance in Makueni County. 63.2% strongly agreed that the governance in Makueni County is marred by political interference. 52.9% of the respondents agreed that there is no distinction between corporate governance and politics. Although, 30.8% agreed that leaders both elected and non-elected drive their own needs especially on procurement 26.2% were not sure of its effects. It was important to note that 39.7% agreed that politicians always find ways to exercise controls in ways that favour them and their political aspirations and 42.6% were not sure whether there was no linkage between political institutions and corporate governance.

Table 4.6 Effect of Politics on Corporate Governance

		Strongly disagree	**Disagree**	**Not sure**	**Agree**	**Strongly agree**
Governance in Makueni County is marred with political interference	f	7	2	2	14	43
	%	10.3	2.9	2.9	20.6	63.2
There is no distinction between corporate governance and politics	f	5	11	2	36	14
	%	7.4	16.2	2.9	52.9	20.6
Leaders both elected and non-elected drive their own needs especially in procurement and employment	f	9	3	17	20	16
	%	13.8	4.6	26.2	30.8	24.6
Politicians always find ways to exercise controls in ways that favour them and their political aspirations	f	3	7	11	27	20
	%	4.4	10.3	16.2	39.7	29.4
There is no linkage between political institutions and corporate governance	f	17	13	29	3	6
	%	25	19.1	42.6	4.4	8.8

Figure 4.3 show that 55.9% agreed that politics have a very large great extent on corporate governance, 35.5% it had a great extent. There is need to minimize the level of political influence as such to ensure that there is total adherence to corporate governance.

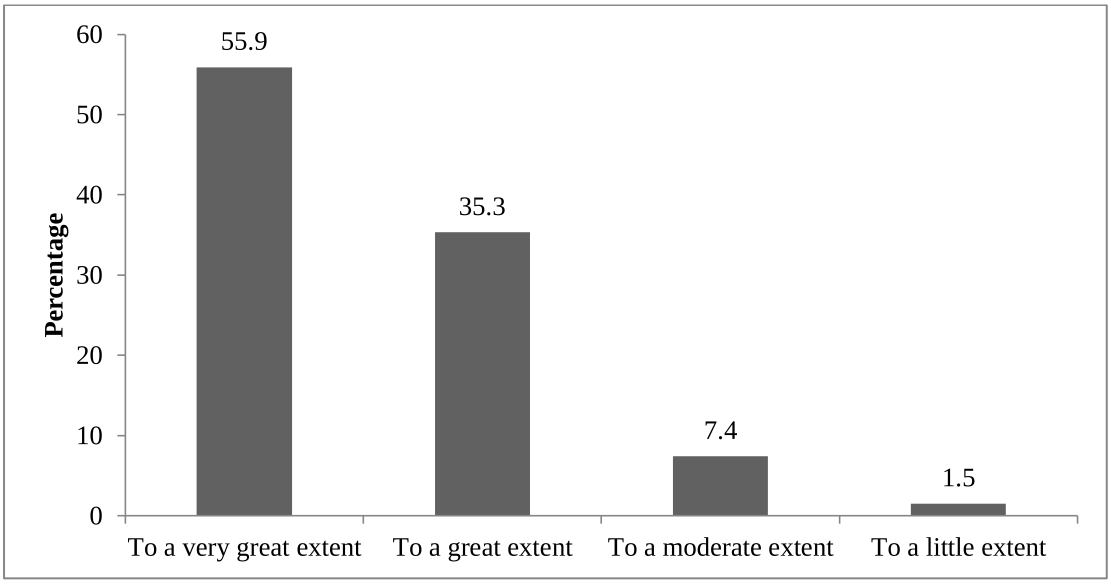

Figure 4.3 Effects of Politics on Corporate Governance

4.3.3 Effect of Corruption on Corporate Governance

The fourth objective of the study sought to find out the effects of corruption on corporate governance. The study findings were summarised using frequencies and percentage as tabulated in Table 4.7. 33.8% of the respondents disagreed that corruption was wide spread in the Makueni County and its effect affected corporate governance. This implies that though there were levels of corruption in the County it was controlled. Although, there were institutions to be deal with corruption 29.4% strongly agreed on their weak capability to fight corruption. 33.8% strongly disagreed that there was great abuse of office which hampered the expected economic development. 23.9% strongly disagreed that there were short term and long term operations while 23.9% agreed on the same. This implies that these short and long terms should be intensified to curb the corruption levels in the County.

Table 4.7 Effects of Corruption on Corporate Governance

		Strongly disagree	Disagree	Not sure	Agree	Strongly agree
Corruption is wide spread in the county and this has affected corporate governance	f	9	23	4	19	13
	%	13.2	33.8	5.9	27.9	19.1
Supportive institutions in place are weak to deal with corruption	f	9	17	13	9	20
	%	13.2	25	19.1	13.2	29.4
There is great abuse of public office hence delayed development	f	23	10	12	6	17
	%	33.8	14.7	17.6	8.8	25
As part of corporate governance, there are both short term and long term measures to eradicate corruption	f	16	6	16	16	13
	%	23.9	9	23.9	23.9	19.4

Majority 43.3% reported that corruption had a very great extent on corporate governance, followed by 25% who reported that it had a little extent.

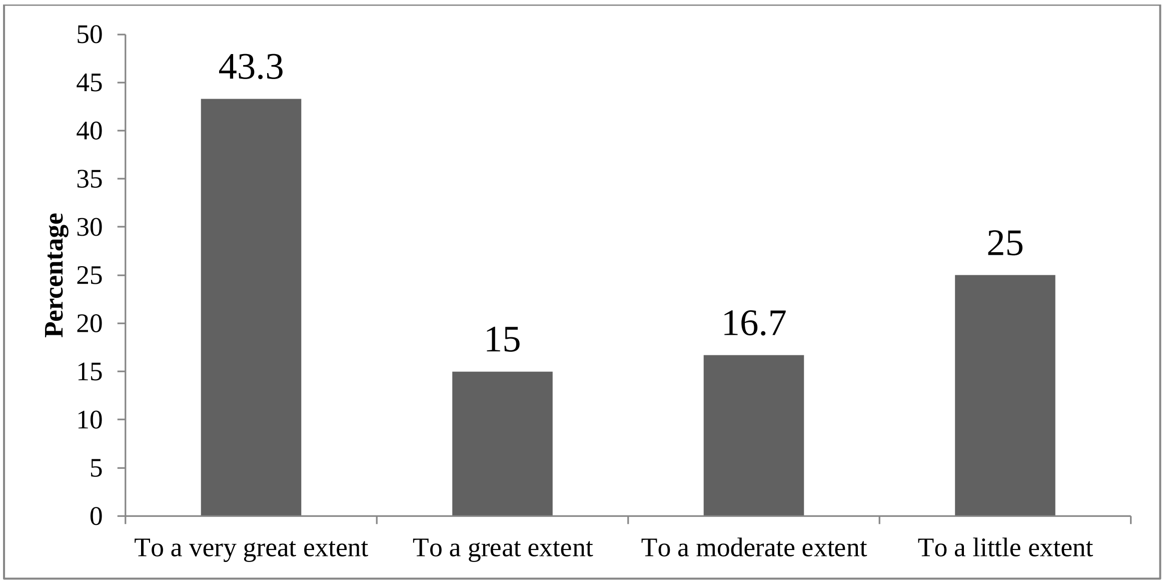

Figure 4.4 Effects of Corruption on Corporate Governance

4.3.4 Corporate Governance

The study examined the corporate governance attributes in Makueni County. 36.8% of the respondents agreed that Makueni County used its website to provide information on time. This implies that the County had embraced ICT to reach to more members of the County. There was use of both print and broad cast media to communicate important public information since 44.4% agreed on use of both platforms. 37.3% disagreed that Makueni County has set up risk control mechanism to protect the public interest. There 58.8% agreed that there are meetings held frequently to discuss matters of public interest. 45.6% agreed that they participate in county activities through public forums.

Table 4.8 Corporate Governance

		Strongly disagree	Disagree	Not sure	Agree	Strongly agree
Makueni County uses its website to provide public information on time.	f	6	14	7	25	16
	%	8.8	20.6	10.3	36.8	23.5
Makueni County uses print and broadcast media to communicate important public information.	f	9	8	5	28	13
	%	14.3	12.7	7.9	44.4	20.6
Makueni County has set up risk control mechanism to protect the public interest.	f	13	25	14	11	4
	%	19.4	37.3	20.9	16.4	6
Makueni County holds meets regularly or urgently to discuss matters of public interest.	f	19	6	3	40	
	%	27.9	8.8	4.4	58.8	
Makueni County who has personal interest which can impair County operations adheres to rule of law while discussing matters of public interest.	f	14	16	12	26	
	%	20.6	23.5	17.6	38.2	
Makueni County adheres to employee rights and interest to ensure there is harmonious existence among all parties.	f	20	19	6	21	2
	%	29.4	27.9	8.8	30.9	2.9
Makueni County ensures there is transparency on its operations through public participation on all County matters.	f	15	11	4	31	7
	%	22.1	16.2	5.9	45.6	10.3

4.5 Inferential Statistics

Inferential statistics which included correlation and regression analysis were carried out to answer the research questions. Correlation analysis was carried out to establish the strength of the relationship while regression analysis was carried out to establish the nature of the relationship.

4.5.1 Correlation Analysis

Results in Table 4.9 shows that there was a positive and significant effect of resources availability on corporate governance (rho= 0.368, p value <0.05). This implies a unit increase in resources availability increases corporate governance by 36.8%. Secondly, the study showed ethics had a significant effect on corporate governance. Therefore, it can be implied that a unit increase in ethical practices increased corporate governance by 58.2%. There was a negative and insignificant influence of politics on corporate governance. Corruption had a significant influence on corporate governance. There was no multi-collinearity since all the independent variables had no influence on each other exceeding 0.7.

Table 4.9 Correlation Analysis

	1	2	3	4	5
Corporate governance	1				
Resources availability	.368**	1			
	0.002				
Ethical	.582**	.380**	1		
	0.000	0.001			
Politics	-0.06	-.323**	-0.055	1	
	0.626	0.007	0.658		
Corruption	-0.227**	-0.005	-0.023	.346**	1
	0.02	0.966	0.854	0.004	

** Correlation is significant at the 0.01 level (2-tailed).

Key

1- Corporate governance
2- Resources availability
3- Ethical
4- Political
5- Corruption

4.5.2 Regression Analysis

The model summary shows R depicts the correlation coefficient, R squared shows the coefficient of determination, adjusted R squared shows the coefficient of determination when the constant variable is excluded in the model and standard error of estimates shows the average deviation from the line of best fit. An R squared of 42.3% shows that 42.3% of the changes in corporate governance in Makueni County can be explained by resources availability, ethics, politics and corruptions jointly. The remaining percentage can be explained by other factors which were excluded in the model.

Table 4.10 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.650a	0.423	0.386	0.783501

a Predictors: (Constant), Corruption , Resources availability , Ethical , Politics

Results in Table 4.10 shows that corruption, resources availability, ethics and politics (F=11.536, p value =0.000) shows that there is a significant influence corruption, resources availability, ethics and politics and at least one of the slope is not zero.

Table 4.11 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	28.326	4	7.081	11.536	.000b
	Residual	38.674	63	0.614		
	Total	67	67			

a Dependent Variable: Corporate governance
b Predictors: (Constant), Corruption , Resources availability , Ethical , Politics

Results in Table 4.12 revealed that resources availability has a positive significant effect on corporate governance (β= 0.218, p value <0.05). This implies that an increase in resource availability increases corporate governance by 0.218 units. Secondly, an ethics has a significant influence on corporate governance (β= 0.501, p value <0.05). Thus, it can be implied that an increase in ethical compliance increase corporate governance by 0.501 units.

Thirdly, there was a positive though insignificant influence of politics on corporate governance. Finally, corruption had a negative and significant influence on corporate governance. This implies that a unit increase in corruption decreased corporate governance by 0.259 units.

Table 4.12 Regression Coefficients

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	-5.59E-17	0.095		0.000	1
	Resources availability	0.218	0.11	0.218	1.969	0.053
	Ethical	0.501	0.104	0.501	4.816	0.000
	Politics	0.127	0.109	0.127	1.165	0.248
	Corruption	-0.259	0.103	-0.259	-2.515	0.014

a Dependent Variable: Corporate governance

CHAPTER FIVE

SUMMARY CONCLUSION AND RECOMMENDATION

5.1 Introduction

The current chapter presents the summary of the study based on specific objectives, and research questions, conclusions reached based on the findings and recommendations on the factors affecting corporate governance in Makueni County. To achieve this, the study specifically sought independent influence of resources availability, ethics, politics and corruption on corporate governance in Makueni County. To achieve this descriptive research design was applied while primary data was collected through the use closed ended questionnaires among 76 Makueni County employees who were directly involved on service delivery in Makueni County. Frequencies, percentage, correlation and regression analysis were used to analyse the data.

5.2 Summary

The back ground information revealed that most of the respondents were males aged below 30 years and had attained undergraduate university qualifications. In addition, most of the respondents had served in Makueni County for less than five years. This implies that these employees were newly recruitment since the change of Kenyan governance system. Regression analysis showed that 42.3% of the changes in corporate governance is effected by resources availability, ethics, politics and corruptions.

Generally most of the respondents agreed that resources availability influences corporate governance in Makueni County. Moreover, both regression and correlation analysis revealed that resources availability had a significant influence on corporate governance in Makueni County.

The second research question revealed that ethics had a positive significant influence on corporate governance. Thirdly, there was a positive though insignificant influence from politics on corporate governance.

The fourth research questions revealed that corruption had a negative though significant influence on corporate governance.

5.3 Conclusion

From the foregoing discussion it can be concluded that the resources available in Makueni County were promoting corporate governance. There is need to increase the level of resources endowment in Makueni County since this will increase the level of corporate governance. There is need to add more IT resources since there will increase the chances of enhancing corporate governance.

Secondly there was a positive significant influence of ethics on corporate governance. There is need to sensitize and promote the adherence of the ethical practices which will ensure the success of corporate governance.

Thirdly, there is need to sensitize and encourage the members of the public to understand the role of politicians in success implementation of the corporate governance in Makueni County. Although, the relationship was not significant the politicians should be used for successful implementation of corporate governance in the County administration.

There is need to sensitize on how to eradicate corruption within the County administration since it influences corporate negatively. The County administrators should sensitize the members of the public on how to can receive government services corruption free.

5.4 Recommendations

The county administration should devise measures of generating more resources which are geared towards attainment of corporate governance. More seminars and workshops should be organized which are geared towards building the human capital resources in the County. There is need to pursue means of increasing the financial resources within the County, these can be attained through opening of recreational facilities which can promote both local and international tourism. The social capital can be increased through symposiums and forums aimed at encouraging public participation from which they can provide checks and controls on the County government.

The political regime in Makueni County ought to be the best ambassadors for corporate governance. They should use the command they have with the local to hold forum and barazas to sensitize the residents on the need for good corporate governance and how to maintain it.

An increase in corruption eradicates the gains which have been made in relation to corporate governance there is need to have banners and poster condemning corruption practices within the County. Members of the public should be informed that it is their constitutional right to be served by the County government and they ought not to bribe as such to gain favor.

5.5 Suggestion for Further Studies

Since the current study was carried out in Makueni County a similar study should be carried out in other 46 Counties in Kenya from which similarities and differences on the factors influencing corporate governance can be drawn. In Kenya there are two systems of governance central and county governance there is need to carry out a similar study on the influencers of corporate governance in central government. Since the current study sought the response from the employees in the County government, future scholars should examine the perception of locals in Makueni County on the influencers of corporate governance.

There is need to professional ethics through sensitization on the need to adhere to integrity as all players participate on County affairs. All the parties in Makueni County ought to be informed on their expected level of adherence to professional ethics through they will promote the levels of corporate governance.

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APPENDICES

Appendix I: Introduction Letter

Dear Sir/Madam,

RE: <u>REQUEST TO COLLECT DATA FOR MBA PROJECT</u>

I am a post-graduate student at KCA University pursuing a Master of Business Administration (MBA) degree.

Pursuant to the pre-requisite course work, I am currently conducting a research project on **FACTORS THAT AFFECT CORPORATE GOVERNANCE IN COUNTY GOVERNMENTS OF KENYA: A CASE STUDY OF MAKUENI COUNTY**. This will involve use of questionnaires administered county government officials and various levels of administrators at the county.

I kindly request you to participate in this study by assisting in filling the questionnaires and providing with any other relevant information. The information collected will be treated with utmost confidentiality and is for academic purpose only. The findings and recommendations of the research will be availed to you upon completion of the research

Thank you in advance.

Yours faithfully,

Lizer Mbinya Mwangangi
MBA
KCA University

Appendix II: Research Questionnaire

This research is in partial fulfillment of requirements for a degree in Masters of Business Administration from KCA University; and I will be most grateful if you could kindly complete this questionnaire. Kindly provide the information as required by the questionnaire. The findings will be used solely for the purposes of the research and no individual shall be intimidated based on their response. The study results shall be availed to the interested parties upon request.

SECTION A: DEMOGRAPHICS

1. **Gender**

Male ☐ Female ☐

2. **Age**

Below 20 ☐ 20-30 ☐ 31-40 ☐
41-50 ☐ Above 50 ☐

3. **Duty station**____
4. **Number of years Serving in Government**

Less than 6 months ☐ 6- 12 months ☐
1- 5 years ☐ 5-10 years ☐ more than 10 ☐

5. **Highest level of education completed**

No schooling ☐ primary ☐ secondary ☐
Certificate ☐ diploma ☐ undergraduate ☐
Postgraduate ☐ Other (specify) ____________________________

7. **Sub-County of Residence**

Kibwezi East ☐ Kibwezi West ☐ Makueni ☐
Mbooni ☐ Kaiti ☐ Kilome ☐

SECTION B: EFFECT OF RESOURCE AVAILABILITY ON CORPORATE GOVERNANCE

8. On a scale of 1-5, where 1-strongly disagree, 2-disagree, 3-not sure, 4-agree, 5-strongly agree state the extent to which you agree with the following as the effect of resource availability on corporate governance in Makueni County.

Description	**Response**				
	1	2	3	4	5
Makueni county has sufficient financial capital for service delivery in accordance to corporate governance practices					
Makueni County has enough intellectual capital in terms of expertise to drive performance					
Makueni County has enough social capital to spur growth through corporate governance					
Makueni county has sufficient human capital for service delivery in accordance to corporate governance practices					
There are sufficient and up to date infrastructure and IT in the county to support corporate governance					

9. With regard to Makueni County, how would you rate the extent to which resource availability affects corporate governance?

To a very great extent	To a great extent	To a moderate extent	To a little extent	To no extent

SECTION C: EFFECT OF ETHICS ON CORPORATE GOVERNANCE

10. On a scale of 1-5, where 1-strongly disagree, 2-disagree, 3-not sure, 4-agree, 5-strongly agree state the extent to which you agree with the following as the effect of ethics on corporate governance in Makueni County.

Description	**Response**				
	1	2	3	4	5
The code of ethics for Makueni County has greatly affected corporate governance					
Emphasis on integrity has had no emphasis on corporate governance					
There is no provision for whistle-blowing on matters of integrity and this has affected corporate governance					
Ethical values and standards have been embedded in the leaders and this has impacted corporate governance					
There are sufficient regulatory frameworks in the county to support corporate governance					

11. With regard to Makueni County, how would you rate the extent to which ethics affect corporate governance?

To a very great extent	To a great extent	To a moderate extent	To a little extent	To no extent

SECTION D: EFFECT OF POLITICS ON CORPORATE GOVERNANCE

12. On a scale of 1-5, where 1-strongly disagree, 2-disagree, 3-not sure, 4-agree, 5-strongly agree state the extent to which you agree with the following as the effect of politics on corporate governance in Makueni County.

Description	**Response**				
	1	2	3	4	5
Governance in Makueni County is Marred with political interference					
There is no distinction between corporate governance and politics					
Leaders both elected and non-elected drive their own needs especially in procurement and employment					
Politicians always find ways to exercise controls in ways that favor them and their political aspirations					
There is no linkage between political institutions and corporate governance					

13. With regard to Makueni County, how would you rate the extent to which politics affects corporate governance?

To a very great extent	To a great extent	To a moderate extent	To a little extent	To no extent

SECTION E: EFFECT OF CORRUPTION ON CORPORATE GOVERNANCE

14. On a scale of 1-5, where 1-strongly disagree, 2-disagree, 3-not sure, 4-agree, 5-strongly agree state the extent to which you agree with the following as the effect of corruption on corporate governance in Makueni County.

Description	**Response**				
	1	2	3	4	5
Corruption is wide spread in the county and this has affected corporate governance					
Supportive institutions in place are weak to deal with corruption					
There is great abuse of public office hence delayed development					
As a result of corruption, there is local resource wastage and inefficiency					
As part of corporate governance, there are both short term and long term measures to eradicate corruption					

15. With regard to Makueni County, how would you rate the extent to which corruption affects corporate governance?

To a very great extent	To a great extent	To a moderate extent	To a little extent	To no extent

Thank you!