Int Journal of Social Sciences Management and Entrepreneurship 8(2): 1047-1062 2024

ISSN 2411-7323

www.sagepublishers.com

CORPORATE GOVERNANCE PRACTICES AND PERFORMANCE OF STATE CORPORATIONS IN NAIROBI CITY COUNTY, KENYA

[1] Ismahan Fuad, [2] Dr. Noor Ismail Shale-Phd

[1]Masters Student, Jomo Kenyatta University of Agriculture and Technology
[2]Lecturer, Jomo Kenyatta University of Agriculture and Technology

ABSTRACT

Corporate governance essentially involves balancing the interests of a company's many stakeholders, such as shareholders, senior management executives, customers, suppliers, financiers, the government, and the community. The study sought to determine the effect of corporate governance practices on performance of state corporations in Nairobi City County, Kenya. The specific objectives were to determine effect of board transparency and board accountability on performance of state corporations in Nairobi City County County, Kenya The research adopted a descriptive research design. The unit of analysis was all the 248 state corporations in Nairobi City County, Kenya. The unit of observation for this study was 310 management staff of state corporations in Nairobi City County, Kenya. The sample size of 175 management staff was selected using Yamane 1967 formula. The study used questionnaires to collect primary data. Pilot was conducted with 18 management staff from state corporations in Nairobi city county, Kenya who did not participate in the final data collection. The study used construct and content validity. Cronbach's alpha coefficient was used to measure questionnaire reliability. Questionnaires were coded and keyed into SPSS Version 28. Data analysis was analyzed to generate both descriptive (frequency, percentage, mean) and inferential statistics (correlation, and regression). Findings were tabulated. Results showed that; there is a strong significant relationship between board transparency and performance of state corporations ($r=0.627$, $p=0.003$) and a strong significant relationship between board accountability and performance of state corporations ($r=0.809$, $p=0.000$). The study concluded that transparency has a positive and significant relationship with performance of State Corporations in Nairobi County, Kenya. In addition, the study concluded that accountability has a positive and significant relationship with organizational performance of State Corporations in Nairobi County in Kenya. The study recommends that the disclosure of the financial statements should be carried out on time. Important information that pertains to delivery of services should be readily availed to the management and the board

Key Words: Corporate Governance Practices, Board Transparency, Board Accountability and Performance of State Corporations

Background of the Study

Chen (2021) defined corporate governance as a system of rules by which a firm is directed and controlled. Corporate governance essentially involves balancing the interests of a company's many stakeholders, such as shareholders, senior management executives, customers, suppliers, financiers, the government, and the community. Corporate governance is the combination of rules, processes or laws by which businesses are operated, regulated and controlled. Transparency, accountability towards shareholders, and fairness and dealings are the basic pillars of corporate governance. The term encompasses the internal and external factors that affect the interests of a company’s stakeholders, including shareholders, customers, suppliers, government regulators and management. The board of directors is responsible for creating the framework for corporate governance that best aligns business conduct with objectives. Management and the board with important decisions being put to the vote of the shareholders (Shrestha, 2018).

Concept of corporate governance is a multi-faceted subject that is perceived by researchers and experts in different ways. Technically, the concept of corporate governance encompasses the way a corporation is governed with an overview of expanding its scope in accountability and fostering avoidance of any massive damage before it occurs (Donashana & Ravivathani, 2019). More broadly, corporate governance can be perceived as a group of principles and strategies that are aimed at establishing the medium of the interaction of the participants in the corporation and it includes a set of rules to guide the process of decision making in the major corporate affairs. Research has also demonstrated that corporate governance is a way of providing shareholders with a degree of certainty against the risk they take by funding the management and operations of a corporate organization (Zabri & Ahmad, 2016). Corporate governance mechanisms can be separated into internal ones and external ones. The former encompasses those mechanisms established by a company while the latter encompasses those that link the company to different markets where they may be operating. progress, and development in developing countries (Orazalin, 2019). The corporate governance practices have been constructed by authors to include accountability, transparency, responsibility and moral integrity (Darma, 2018; Naciti, 2019; Paniagua, Rivelles & Sapena, 2018; Utama, & Amarullah, 2017).

The reported collapse of big corporate institutions in the world that were erstwhile thought to be performing well has led to increased discourse on corporate governance in both developed and developing economies. This is more so in the direction of improved governance with interest being generated in use of robust Corporate Governance Practices. The employment of such practices can assist in averting the management crisis that result in financial loss witnessed over the years (Baydoun, Maguire, Ryan & Willett, 2013).

Some of the cases which have necessitated rethinking in terms of corporate governance include the doctoring of financial performance at Enron and the collapse of Lehman Brothers (Baydoun, Maguire, Ryan & Willett, 2013) and the sub Prime Mortgage crisis that led to the Wall Street crisis of Summer in 2007 (Zywicki, 2013). All these glitches signified the extent of corporate governance hitches. As such, Corporate Governance Practices could be important for averting such problems. Even though the cases of the collapsed companies are related to private entities, it is practical to relate governance of such entities with public institutions. Benz and Frey (2007), for instance, have noted that corporate governance in public institutions can learn from private institutions. Private governance practices could give a new insight to improve public governance practices of institutions.

When proper governance practices for corporate governance are put in place, it is possible to avert crisis that befell some of the institutions (Mulyadi, Anwar, & Ikbal, 2012). 2 Corporate governance practices are vital in many ways. According to Fidanoski, Mateska and Simeonovski (2014), corporate governance practices provide an avenue for accountability of individual employees and assure trust by the shareholders and stakeholders. A sound corporate governance system should, therefore, provide effective protection for stakeholders in public institutions so that they can assure themselves of getting a proper return on investment (Adeoye, 2015).

Corporate Governance Practices have been emphasized upon by both the developing and the developed nations. According to Mousavi and Moridipour (2013), the conceptualization of corporate governance practices is attributed to the Institution for Economic Co-operation and Development (OECD). Having a working system and practices that manage corporate governance in an institution is important as such will create room for establishing an enabling environment needed for doing businesses in the markets and hence competition (Pham, Yu & Agha, 2018). The measures of Corporate Governance Rating were structured into shareholder rights, transparency, corporate governance commitment, management supervisory, board matters, and auditing. Said, Azhar and Kamarudin (2018) says that between firm performance, measured by Tobin's Q, and compliance with Germany Corporate Governance Code is a negative correlation, for a period of one year and using publicly available date.

With the previous unfortunate incidents, (Baydoun, Maguire, Ryan, & Willett, 2013) many have studied about the relationship between corporate governance and firm performance and interestingly found different results. Some of them found a positive association between corporate governance and firm performance (Hassan, Rashid, Yusuf & Ibneyy, 2010). Good corporate governance practices (Baydoun, 2013) have become necessary for improving firm performance in Europe by establishing investor rights, enhancing the investment atmosphere and encouraging economic development (Braga-Alves & Shastri, 2011) and has gained extensive fame in the stock market economy (Adiloglu & Vuran, 2012).
According to Gathungu (2023), Kenya has made efforts to review the legal and regulatory framework with an aim of enhancing governance. The focus of corporate governance discourse has shifted from the prevention of corporate failure and limitation of owner's liability to firm performance. Inconsistencies in the practice of corporate governance, has given room to uncompetitive practices in the operations of State Corporations leading to minimal performance and eventual collapse. For instance, in 2020, the management of KEMSA, mismanaged the process of acquiring Personal Protective Equipment (PPE) quite oblivious of the fatal consequences awaiting the front liners-the medical staff. This state of affairs suggest that the public's desire is for State Corporations to have procedures through which sustainable growth and development could be achieved (Kamau, Benard & Matu, 2022).

Laimaru (2018) found that adoption of governance principles influences on the performance of commercial state corporations in Kenya. In addition, principle of accountability, transparency and fairness have a high influence on the performance of commercial state corporations in Kenya. Mburu (2019) established that the board of directors has a significant influence on firm performance due to the critical role they play during corporate strategy formulation. It is through effective strategies that a firm is able to monitor management, evaluate their practices and ensure the organization achieves its objectives through superior performance. Top management was also found to have a significant influence on firm performance. Top management's focus helps provide guidance in response to turbulence within the environment. As stewards of the shareholders and agents of the board, their influence on firm performance is significant through having proper structures of governance in place

Just like in most developed economies in the world and developing nations in the region, Kenya is not left behind in terms of Corporate Governance Practices in state owned entities. According to Malenya (2011) corporate governance continues to deteriorate in Kenya even though there is a tight regulatory framework. According to Koech and Ogollah (2018), many institutions in Kenya have been characterized with scandals of different levels and magnitudes.

A study conducted by Mwende (2012) 5 on the effect of corporate governance on performance of public corporations in Kenya established that corporate governance is one of the determinants in the level of performance. Further, developing countries like Kenya are often faced with (Ayandele, & Emmanuel (2013) a multitude of problems that include uncertain economies, weak legal controls, protection of investors and frequent government intervention. These problems make it even more necessary for developing countries to adopt effective corporate governance structures. It has also been suggested that improved corporate governance systems can serve as an incentive for attracting foreign investment (Ayandele, & Emmanuel, 2013).

Statement of the Problem

State Corporations in Kenya were established with the aim of rendering services to the Citizens in a cost-effective way and be able to sustain them in a competitive global environment. They were expected to function within the laid down regulatory framework in order to achieve their missions. Unfortunately, some State Corporations have not performed to the expectations of their mandate since they have suffered from scandals of corruption, inefficiency and unethical practices in the process of delivering services to the Citizens. According to Kenya's Auditor General Report (2019-2020), there were many instances of misuse of public funds by State Corporations. Massive scandals and fraud involving millions of shillings in public funds were unearthed in various Counties (Auditor-General report for 2019/2020). More than Ksh. 10 billion may have been lost in the 2019/2020 financial year in Government Ministries, Departments and Commissions.

A recent financial analysis of 18 major state corporations highlighted the weak financial performance of these entities and their high levels of indebtedness, arrears, and contingent liabilities. The report showed that many of the state corporations are too big to fail. Their estimated financial shortfall or liquidity gap stands at KSh. 382 Bn. This has resulted to privatization of 11 state parastatals in Kenya. The National Treasury and Planning (2023) report revealed that 11 SCs are loss-making, and 11 reflect a high liquidity risk, implying that they are unable to service short-term obligations when they fall due. Subsequently, 14 SCs have accumulated sizable arrears, totaling KShs. 211 Bn. (2.2 percent of GDP). In a report on audited accounts tabled in Parliament in 2021, the liabilities for 2020/21 outweighed assets at Sh276.85 million against Sh137.68 million respectively. This translated to a negative working capital of Sh139.17 million. National Oil, which was declared insolvent, increased its losses to Sh4.03 billion during the financial year to June 2021, up from Sh3.06 billion booked in the previous year.

There are several studies on corporate governance in Kenya; Kibuthu and Kimencu (2022) studied effect of corporate governance on organizational performance of Kenya forest service in Nairobi City County and found that board composition, board independence, board size and board audit committee have a significant influence on the performance of an organization. Mwangi and Nyaribo (2022) effect of corporate governance structures on organizational performance of state corporations in education sector in Kenya found that CEOs attributes, Board of directors' diversity and audit committee had significant effect of performance in state corporations in education sector in Kenya. Okoth and Litunya (2019) investigated the effect of corporate governance on organizational performance established that a unit increase in board size and board composition and frequency of Board meetings increases organizational performance of World Vision Kenya. There is however study limitation on corporate governance practices and performance of state corporations in Nairobi city county. The study aimed at filling this research gap.

General Objective

To determine the effect of corporate governance practices on performance of state corporations in Nairobi County

Specific Objectives of the Study

i. To establish effect of board transparency on performance of state corporations in Nairobi City County, Kenya
ii. To examine effect of board accountability on performance of state corporations in Nairobi City County, Kenya

Theoretical Literature Review

Stakeholder Theory

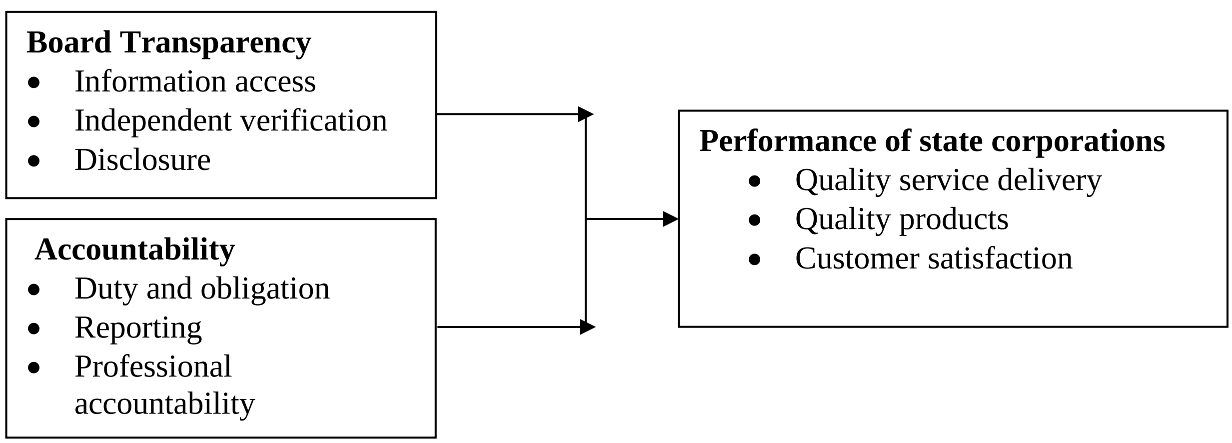
Stakeholder theory was propounded by Edward Freeman (1984). Rather than focusing on the impact of corporate activity on shareholders, the stakeholder theory of corporate governance focuses on the impact of corporate activity on all stakeholders of the organization. This concept is most commonly used to huge corporations, when their impact on society is so compelling that they should discharge responsibilities to many more segments of society rather than just their shareholders (Solomon, 2014). Accountability of the management team to a board range of stakeholders is incorporated in this theory. A network relationship is to be served by the managers of the organization and this network is made of the suppliers, employees and business partners (Tyari, 2021). According to Edward Freeman, a stakeholder is anyone who is affected directly or indirectly by a company's operations. Milton Friedman unlike Freeman suggested that the only stakeholders a firm should put into consideration are the shareholders and this is done through making profits that will satisfy them, but this is not the situation according to Freeman since he suggested that stakeholders are the related parties to the organization who needs without their support the operations of the organization will seize to exist. This group is made of customers, suppliers, government, local communities, employees, and Investors. He views stakeholders as any group satisfied to keep the companies healthy and successful in the long term (Becky, 2016). Stakeholder Theory is relevant to the study as it informs the variable on transparency. The theory sensitizes on the idea of involving all the stakeholders and people who have interest and are affected by the corporate decisions, therefore the manager should not only consider their shareholders but also all the stakeholders in their decision making. Spitzeck (2019) found that involving stakeholders in the decision-making process in organizations improves effectiveness, profitability and reduces conflicts.

The Agency Theory

Agency theory having its roots in economic theory was exposited by Alchian and Demsetz (1972) and further developed by Jensen and Meckling (1976). This theory holds that managers will not act to maximize returns to shareholders unless appropriate governance structures are implemented in the large corporation to safeguard the interest of the shareholders. According to Jensen and Meckling (1976), the relationship between the owners and the management is defined as the principals engage the agents to perform services on their behalf. As applied to corporate governance, the theory suggests a fundamental problem for absent or distant owners/shareholders who employ professional executives to act on their behalf. The root assumption informing this theory is that the agent is likely to be self-interested and opportunistic. This raises the prospect that the executive, as agent, will serve their own interests rather than those of the owner principal. To counter such problems, the principal will have to incur 'agency costs'; costs that arise from the necessity of creating incentives that align the interests of the executive with those of the shareholder and costs incurred by the necessity of monitoring executive conduct to prevent the abuse of owner interests.

Agency theorists point to the important disciplinary effects of two further market mechanisms. The first is the 'market for corporate control', the potential for takeovers to discipline executives by providing a mechanism whereby ineffective executive teams can be displaced by more effective executive teams. The second - 'the managerial labour market' - operates at an individual level; poor executive performance will threaten an individual's future employment potential whilst good performance will have positive reputational and hence career-enhancing effects. To these external 'market' mechanisms must be added to the disciplinary effects on company and executive performance of external monitoring, both direct and indirect. Formally, it is the Annual General Meeting that provides an opportunity for directors to report face-to-face to their shareholders. In practice, however, the formal accountability of the AGM has been augmented and diverted by a variety of other mechanisms. At the time of results announcements, companies will typically conduct presentations for sell-side analysts who then serve as key intermediaries between companies and their investors. These general briefings are then supplemented by a large number of (typically annual) private face-to-face meetings between executives and their key investors. Agency Theory is relevant in the study as it informs the accountability variable. “The theory stresses on the benefits of disclosure and reporting, taking into account that information asymmetry has a negative impact on firms' potentially profitable projects. Based on the agency theory background, State Corporations can provide a standard framework about performance key indicators. In addition, accountability is an instrument for controlling agency costs: the less the companies’ accountability the higher risk that managers serve themselves

Conceptual Framework



Independent Variables **Dependent Variables**

Figure 2.1: Conceptual Framework

Transparency

Transparency entails access and proper disclosure of financial information, such as a company's audited financial reports. It enables stakeholders to see and understand how the organization operate in an honest way (Ramírez & Tejada, 2018). Widiatmika and Darma (2018) noted that transparency is having full disclosure in public companies. Transparency allows its processes and transactions observable to outsiders. It also makes necessary disclosures, informs everyone affected about its decisions. Transparency is a good management principle which focuses on informing the stakeholders about the firm’s activities, plans and risks in line with its business strategies. It refers to the company’s desire to provide clear information to the stakeholders, mainly shareholders. Financial and non-financial information is important for investors to make and apply investment-related decisions. Corporate governance principles constitute a set of understanding and arrangements which ensure that financial and non-financial information requirements of all the stakeholders are met effectively (Ayboğa, 2020).

Al-Ahdal et al. (2020) stated that companies which have already solved their agency conflicts perform better and may also be more transparent on corporate governance. Due to sound performance this could be a credible signal for investors and a credible commitment to solve future agency conflicts. Given the costs of reporting on corporate governance, high performing companies are assumed as being rather willing to invest more into high governance standards than low performing ones. Bierstaker (2019) reported that companies with sound liquidity were identified to be more transparent on corporate governance in their annual reports and on their website with a generally higher degree of disclosure on non-financial information. Rink (2020) asserted that transparency is the government's openness in making financial policies so that it can be known and monitored by all parties. With this transparency, the public can assess how far the government is in carrying out all existing plans and know all the programs that have been implemented.

Accountability

Corporate accountability entails the obligation and responsibility to give an explanation or reason for the company’s actions and conduct. Accountability is an instrument for controlling agency costs: the less the companies’ accountability the higher risk that managers serve themselves. Board accountability involves taking responsibility for all of a company’s activities and presenting a fair, balanced and understandable assessment of an organization’s position and prospects to stakeholders. the more accountable corporate governors are, the more likely it is that results of performance measurement processes are going to be a true and fair representative of the performance being measured (Naciti, 2019).

Bonner (2010) argued that accountability is an amorphous concept that is difficult to define in precise terms. However, broadly speaking, accountability exists when there is a relationship where an individual or body, and the performance of tasks or functions by that individual or body, are subject to another’s oversight, direction or request that they provide information or justification for their actions. Scott (2019) reported that accountability involves two distinct stages: answerability and enforcement. Answerability refers to the obligation of the government, its agencies and public officials to provide information about their decisions and actions and to justify them to the public and those institutions of accountability tasked with providing oversight. Enforcement suggests that the public or the institution responsible for accountability can sanction the offending party or remedy the contravening behavior. As such, different institutions of accountability might be responsible for either or both of these stages.

Corporate accountability expresses the obligation and responsibility for disclosure of transactions and behaviours of the company. The board should periodically communicate with the stakeholders to be able to make a fair, balanced and understandable assessment of how the company has achieved its corporate goals. In order to ensure efficiency in corporate governance and establish good governance practices, it is important to place effective and reliable risk management practices within the enterprise. The importance of effectively managing risks with the purpose of strengthening corporate governance has become increasingly recognized and accepted (Başar & Celayir, 2020)

Empirical review

Board Transparency

Lipinski (2018) studied the moderating effect of ownership concentration and the strength of investor protection on the relationship between the level of board independence. Board independence was measured by the number of non-executive directors in relation to total number of directors and the firm performance. The study was based on 9018 observations on all non-financial publicly listed firms in 27 OECD countries between the year 2012 and 2015. The findings showed a positive correlation between board independence and firm performance.

Agyei-Mensah (2017) studied the role of the audit function in Ghana and concluded that it was through transparent disclosure of financial information that firms in Ghana inform stakeholders about the financial position and performance. Oino (2019) examined the impact of transparency and disclosure on the financial performance of financial institutions. The sample was 20 financial institutions was selected, with ten respondents from each, yielding a total sample size of 200. Results showed that greater disclosure and transparency, improved auditing and compliance and better risk management positively affect the financial performance of financial institutions. The results show that as the level of disclosure and transparency in managerial affairs increases, the performance of financial institutions.

Gani, Al Rahbi, and Ahmed (2021) studied the relationship between firm performance and corporate transparency. The study used secondary data collected with Smart PLS 3.0. The findings of the study confirmed that high transparency led to increasing the performance of firms. Thus, high transparency enhances performance. Corporate transparency is indeed an important tool for competitive advantage and will enhance firm financial performance. The findings of study found that the majority of companies in Oman has very good disclosed in financial statement transparency and less disclosure in social transparency part.

Board Accountability

Ullah et al., (2016) study on the effect of corporate accountability and transparency on performance of manufacturing firms in Pakistan found a positive relationship between accountability, transparency and organizational performance. The study findings illustrated that accountability and transparency had a significant impact on the firm performance. Turyasingura (2022) studied how commercial banks operating in Kabale Municipality's business performance was affected by accountability. The study used a cross-sectional design with a quantitative, descriptive nature in order to examine the impact of accountability on the performance of a few chosen commercial banks in Kabale Municipality. 118 participants were included in the study sample and were chosen both randomly and on purpose. The results were presented in accordance with the study goals after the data had been reliability-tested and analyzed using SPSS. The study's findings showed that some commercial banks in Kabale Municipality's accountability and financial performance have a strong positive association.

Byamkama (2023) examined the effect of accountability on performance of national water and sewerage corporation in Uganda. The study adopted a descriptive correlational and cross-sectional survey design, involving mainly a quantitative approach and supplemented with a qualitative approach. Results showed that accountability can increase performance of an organization through implementing mechanisms which improve performance of individuals in those organizations. Such mechanisms include performance appraisals and specification of duties and responsibilities for each individual.

Kamau, Machuki and Aosa (2018) conducted a study on the influence of corporate governance on the performance of financial institutions in Kenya. Data was analyzed using regression analysis; the results indicate that corporate governance has a statistically significant influence on the performance of financial institutions. Board skills and board committees were found to be important predictors of the firms’ performance. However, whereas board skills had a positive influence, board committees were found to have a negative influence on performance. The study found that possession of requisite skills was one of the most important considerations in the appointment of board members.

RESEARCH METHODOLOGY

Research Design

The research adopted a descriptive research design. This design describes the characteristics of the population and it focuses on the "what" and not of the "why" of the research subject. This study adopted a descriptive approach. According to Creswell (2011), descriptive studies are more formalized and typically structured with clearly stated hypotheses or investigative questions. It serves a variety of research objectives such as descriptions of phenomenon or characteristics associated with a subject population, estimates of proportions of a population that have these characteristics and discovery of associations among different variables. A descriptive research seeks to obtain information that describes existing phenomena by asking individuals about their implementations, attitude, behaviour or values (Kombo & Tromp, 2011). This study was facilitated by use of primary data. The descriptive studies involved collecting information without changing the environment in which the phenomenon existed.

Target Population

Population is a well-defined or set of people, services, elements, events, group of things or households that are being investigated (Mugenda & Mugenda, 2012).

The population of interest is typically a group of persons who possess a certain or a set of characteristics (Frankel & Wallen, 2006). The actual population can be any size and is usually referred to as the target population to which a researcher would like to generalize. According to Mugenda and Mugenda (2009), population is the entire group of individuals or items under consideration in any field of inquiry and have a common attribute.

The target population of this study consisted of State corporations in Kenya. The unit of analysis was all the 248 state corporations in Nairobi city county, Kenya. The unit of observation for this study was 310 management staff of state corporations in Nairobi city county, Kenya as shown in Table 3.1.

Table 3.1: Target Population

Cadre	Target population
Top level	60
Middle level	110
Functional level	140
Total	**310**

Sample Size and Sampling Techniques

The sample size of management staff was determined using Yamane 1967 formula shown below:

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

Where:
n=Number of samples
N= Total population
e= Error tolerance (0.05)
Therefore:

$$n = \frac{310}{1 + 310(0.0025)}$$

$$n = \frac{310}{1 + 0.775}$$
$$n = \frac{310}{1.775}$$
$$n = 175$$

To obtain the desired sample of 175 management staff, the researcher used stratified random simple random sampling. The staff were sampled from the 3 management levels. This ensured that the sample was a good representative of the state corporations.

Data Collection Instruments

Primary data for this study was collected using a questionnaire as the main data collection instrument. The questionnaire was preferred above other instruments because it enabled the researcher to collect more data provided objectively by the respondents. Dempson (2003) explained that questionnaires are regarded as effective data collection instruments since they enable respondents to give much of their opinions pertaining to the research problem. The questionnaire contained both open ended and closed ended questions focusing on the main variables of the study. Open ended questions helped to elicit a wide range of responses, provide background answers to questions, and to obtain elaborations and evaluate arguments (Payne, 1973).

Pilot Study

The study conducted a pilot study to test the reliability and validity of the questionnaires. Cooper and Schindler (2017) recommended a sample of 10% of the actual sample size to be used for sampling. For purposes of this study, a pilot study of 10% of actual sample size was used. Pilot was conducted with 18 management staff from state corporations in Nairobi city county, Kenya who did not participate in the final data collection. The pilot test was done to check whether the variables collected could easily be processed and analyzed. After the pilot test, modifications were made in the questionnaire to reduce the possibility of ambiguity of some of the questions before delivering them to the respondents. The sample was picked randomly from the all the departments within the state corporations in Nairobi city county, Kenya. The researcher sought to gauge whether the respondent is capable of understanding the research instrument and also determine the possible barriers that may be encountered during the research work and determine how to mitigate them.

Data Analysis and Presentation

According to Kombo and Tromp (2011) data analysis refers to examining what has been Before commencement of analysis, the completed questionnaires were edited to ensure completeness. The questionnaires were then coded and checked for any errors and omissions. Descriptive statistics using the mean, median and standard deviation and, inferential statistics involving correlation and regression analysis was used to analyze quantitative data. This was achieved through the aid of Statistical Package 28 for Social Sciences (SPSS). The analyzed data was presented in form of frequency tables, percentages, charts and graphs. The results of the study were tested at 5% level of significance.

Qualitative data was analyzed through content analysis. Creswell (2003) defines content analysis as a technique for making inferences by systematically and objectively identifying specific characteristics of messages around common identified themes and using the same to relate trends. The researcher identified the themes around which the respondents' statements were compared, related and analyzed. Conclusions and inferences were made based on the analysis by the researcher. Multiple linear regression analysis was carried out to determine the form of mathematical model that explains the relationship between the dependent variable and the significant independent variables.

This regression model was used because it provides sufficient and flexible framework that suits the need of most analysts (Hayes, 2013). The coefficients of the significant variables determined through correlation analysis were established which further formed a basis of drawing inferences for the study. The multiple linear regression model that was used to mathematically explain the relationship between the dependent and significant independent variables took the form;

Data was analyzed to generate both descriptive (frequency, percentage, mean) and inferential statistics (correlation, and regression). Significance was less than 0.05.

The regression equation was;

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon}$$

Whereby;

Y is performance of state corporations in Nairobi city county, Kenya

$\mathbf{X_1}$ Board Transparency

$\mathbf{X_2}$ Board Accountability

B_0 is the regression constant and $\beta 1$, $\beta 2$, are the coefficients of independent variables.

ε is the error term representing disruption of values

RESEARCH FINDINGS AND DISCUSSIONS

Descriptive Statistics

Board Transparency

The first objective was to establish effect of board transparency on performance of state corporations in Nairobi City County, Kenya. The managers were asked to tick on the extent to which they agree/disagree with statements related to board transparency. Findings are shown in Table 4.1.

Table 4. 1: Board Transparency

Key: SD=Strongly disagree, D=Disagree, NS=Not Sure, A=Agree, SA= Strongly agree, M=Mean.

Statements	SD		D		N		A		SA		M
	F	%	F	%	F	%	F	%	F	%	
Board is transparent with information regarding their operations and governance	48	41.4	12	10.3	36	31.0	17	14.7	3	2.6	1.82
The information provided to the public is sufficient	35	30.2	40	34.5	31	26.7	10	8.6	0	0	1.91
Internal auditors have unlimited access to all departments and transaction records in the corporation	7	6.0	8	6.9	30	25.9	34	29.3	37	31.9	3.61
Internal audit results are promptly accepted and implemented by management.	0	0	30	25.9	48	41.4	20	17.2	18	15.5	3.22
Dissemination of information is done in a timely manner in our corporation	6	5.2	34	29.3	32	27.6	39	33.6	5	4.3	3.38
The information published is always in a simple and understandable language	0	0	21	18.1	17	14.7	31	26.7	47	40.5	4.20

N=116

Findings show that the respondents agreed that; the information published is always in a simple and understandable language (M=4.20), internal auditors have unlimited access to all departments and transaction records in the corporation (M=3.61), dissemination of information is done in a timely manner in our corporation (M=3.38), and internal audit results are promptly accepted and implemented by management (M=3.22). Respondents disagreed that board is transparent with information regarding their operations and university governance (M=1.82), and the information provided to the public is sufficient (M=1.91). Findings support Ramírez and Tejada (2018) who asserted that transparency enables others to see and understand how they operate in an honest way. Widiatmika and Darma (2018) also added that transparency means having full disclosure in public corporations. Transparency allows its processes and transactions observable to outsiders. It also makes necessary disclosures, informs everyone affected about its decisions.

Board Accountability

The second objective sought to examine effect of board accountability on performance of state corporations in Nairobi City County, Kenya. The managers were asked to tick on the extent to which they agree/disagree with statements related to board accountability. Findings are shown in Table 4.2.

Table 4.2: Board Accountability

Key: SD=Strongly disagree, D=Disagree, NS=Not Sure, A=Agree, SA= Strongly agree, M=Mean.

Statements	**SD**		**D**		**N**		**A**		**SA**		**mean**
	F	**%**	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**	
Information from the board is clear and accurate	35	30.2	33	28.4	18	15.5	13	11.2	17	14.7	2.52
There are effective policies and procedures guiding the board's operations	9	7.8	3	2.6	8	6.9	23	19.8	73	62.9	3.72
The board provides stakeholders with an understandable, balanced, and fair assessment of the university`s prospects and position.	6	5.2	5	4.3	17	14.7	20	17.2	68	58.6	3.80
There is effective risk management and internal control systems	15	12.9	26	22.4	13	11.2	33	28.4	29	25.0	3.42
The board discloses code of ethics for executive	5	4.3	11	9.5	15	12.9	27	23.3	58	50.0	4.10
There is a committee for executive succession planning	7	6.0	6	5.2	11	9.5	36	31.0	56	48.3	3.90

N=116

Findings show that the managers agreed that; the board discloses code of ethics for executive (M=4.10), there is a committee for executive succession planning (M=3.90), the board provides stakeholders with an understandable, balanced, and fair assessment of the university`s prospects and position (M=3.80), there are effective policies and procedures guiding the board's operations (M=3.72), and there is effective risk management and internal control systems (M=3.42). Respondents disagreed that information from the board is clear and accurate (M=2.52). Results are in consistent with Naciti, (2019) that the more accountable corporate governors are, the more likely it is that results of performance measurement processes are going to be a true and fair representative of the performance being measured. Lasisi (2017) also found that accountability is an instrument for controlling agency costs: the less the companies' accountability the higher risk that managers serve themselves. Board accountability involves taking responsibility for all of a company's activities and presenting a fair, balanced and understandable assessment of an organization's position and prospects to stakeholders

Performance of State Corporations in Nairobi city county, Kenya

This study sought to determine the performance of state corporations in Nairobi County. The managers were therefore asked to rate their agreement based on various performance indicators. Findings are shown in Table 4.3

Table 4.3: Firm Performance

Key: SD=Strongly disagree, D=Disagree, NS=Not Sure, A=Agree, SA= Strongly agree, M=Mean.

Statements	SD		D		N		A		SA		mean
	F	%	F	%	F	%	F	%	F	%	
The state corporations delivery quality products	3	2.6	4	3.4	22	19.0	45	38.8	42	36.2	3.97
Quality of products has continuously improved	75	64.7	25	21.6	12	10.3	4	3.4	0	0	1.64
There has been reduced complains on service delivery from the public	23	19.8	66	56.9	5	4.3	19	16.4	3	2.6	1.75
The corporation manages to achieve returns on investments	20	17.2	56	48.3	9	7.8	21	18.1	10	8.6	2.13

N=116

Findings show that their state corporations delivery quality products (M=3.97). However, quality of products has not continuously improved (M=1.64), there has not been reduced complains on service delivery from the public (M=1.75), and the corporations have not managed to achieve returns on investments (M=2.13).

Coefficient of Correlation

To assess the relationship between the study variables, the study used the Karl Pearson's coefficient of correlation (r). Correlation was significant at <0.005 and any value >0.005 was considered insignificant. Additionally, a correlation of <0.3 shows weak correlation, 0.31-0.49 moderate correlation while >0.5 shows a strong correlation. Correlation results are shown in Table 4.4

Table 4.4: Coefficient of Correlation

Variables		Performance	transparency	Accountability
Performance	Pearson Correlation	1		
	Sig. (2-tailed)			
Board Transparency	Pearson Correlation	.627**	1	
	Sig. (2-tailed)	.000		
Board Accountability	Pearson Correlation	.809**	.425**	1
	Sig. (2-tailed)	.000	.000	

**. Correlation is significant at the 0.05 level (2-tailed).

Results in table 4.4 show that; there is a strong significant relationship between board transparency and performance of state corporations (r=0.627, p=0.003) and a strong significant relationship between board accountability and performance of state corporations (r=0.809, p=0.000). Findings imply that there is a significant relationship between corporate governance practices and firm performance.

Regression Analysis

The researcher used multiple regression analysis. A more thorough grasp of the link between the independent and dependent variables is demonstrated by multiple regression. In order to calculate the degree to which a unit change in the independent variable causes a change in the dependent variable, the study employed SPSS to enter and code replies from the respondent. The coefficient of determination was calculated to determine how well the statistical model was predicted future outcomes to be.

Table 4.5: Model Summary

Model	R	r^2	Adjusted r^2	Std. Error of the Estimate
1	0.890	0.792	0.783	.711

Predicators: (constant) Board transparency and board accountability

The results in table 4.5, show that adjusted R squared was 0.792 implying that there was 79.2 % variation of performance of state corporations due to the changes in board transparency and board accountability. This means that other corporate governance practices that this study did not focus on contribute to 20.8 % of performance of state corporations in Nairobi County.

Table 4.6: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	178.758	2	89.379	176.64	$.000^b$
	Residual	47.079	93	.506		
	Total	225.837	95			

Predicators: (constant) Board transparency, and board accountability

Dependent variable: Firm Performance

The ANOVA shows that the F value of 176.64 is significant at the 0.05 significance level. The model was hence suitable for explaining changes in performance of state corporations as caused by board transparency and board accountability.

Table 4.7: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
Constant/Y Intercept	5.603	.410		13.678	.000
Board transparency	.602	.079	.505	7.601	.000
Board accountability	.820	.064	.729	12.807	.003

According to findings in Table 4.7, the equation

$Y= \beta0+ \beta_1X_1+\beta_2X_2+ \varepsilon$ becomes ;

Performance of state corporations = 5.603 + 0.602 (Board transparency) + 0.820 (board accountability).

Findings show that holding all other factors at constant zero, performance of state corporations in Nairobi County would be 5.603. Findings also shows that a unit increase in board transparency results in a 0.602 change in performance of state corporations, a unit increase in board accountability results in a 0.820 change in performance of state corporations, Findings hence help to answer the research questions on the extent to which caused board transparency, and board accountability affect performance of state corporations in Nairobi County. Board accountability affected performance of state corporations (12.807) to a very great extent and board responsibility (4.727) to moderate extent. All the variables had causes a significant change on performance of state corporations ($p<0.05$).

Conclusion

The study concluded that transparency has a positive and significant relationship with performance of State Corporations in Nairobi County, Kenya. Transparency is a requirement by the government of Kenya for all public institutions for the assessment of performance. Transparency helps to ensure that all stakeholders are effectively updated with regards to the institution management. Through effective transparency and disclosure of the effective operations to the involved stakeholders, motivation for better performance is achieved which is significant in ensuring continues performance of the institution.

The study concluded that accountability has a positive and significant relationship with organizational performance of State Corporations in Nairobi County in Kenya. This positive relationship for accountability implied that an improvement in accountability will led to a significant improvement in organizational performance of State Corporations in Kenya. The university board is accountable in its operations. The board adheres to set policies on management of higher education in Kenya. There is successive planning which ensures that there is no leadership gap in the university. The board makes efforts to deal with risks and also take full control of the firm management. Some executive ethics are however not shared with stakeholders.

Recommendations

The study recommends that the disclosure of the financial statements should be carried out on time. Important information that pertains to delivery of services should be readily availed to the management and the board. The board members should ensure that they adopt effective audit committee characteristics to help in time of crisis. They should also develop policies guiding the universities on how to go about developing audit committee with effective characteristics

The management of the State corporations should establish certain control mechanisms that ensure accountability. Internal control system is not a substitute for other governance practices thus the study recommends that there should continuous internal check and audit on the part of management and low level of management to ensure adequate accountability systems in the State Corporations. The study informs the government that it has to be concerned with good corporate governance practice.

REFERENCES

Adeola O. A. & Kevin, J. D. (2016). Examining Nigerian Banking Governance, Leadership Style, And Performance During The Financial Crisis, School of Management Publications, college of management and Technology; http://scholarworks.waldenu.edu/sm_pubs

Alabdullah, T. T. Y., Ahmed, E. R., & Muneerali, M. (2019). Effect of board size and duality on corporate social responsibility: what has improved in corporate governance in Asia? *Journal of Accounting Science*, 3(2), 121-135.

Al-ahdal, W. M., Alsamhi, M. H., Tabash, M. I., & Farhan, N. H. (2020). The impact of corporate governance on financial performance of Indian and GCC listed firms: An empirical investigation. *Research in International Business and Finance*,51, 101083.

Başar, P., & Celayir, D. (2020). Risk Yönetiminin Kurumsal Yönetimdeki Rolü ve Sistemin Güvencesi: İç Denetim. P. Başar, & D. Celayir içinde, Kurumsal Yönetim ve Risk Yönetimi (s. 1-25). Ankara: Nobel

Bryman, A. (2015). The ethics of management research: an exploratory content analysis. *British Journal of Management*, 18(1) 63-77.

Byamkama, M. (2023). The Effect of Accountability on Performance of National Water and Sewerage Corporation in Uganda. (2022). *International Journal of Scientific Research and Management*, 10(3)199-212

Carter, D.A. D'Souza, F., Simkins, B.J. & Simpson, W.G. (2010). *The Diversity of Corporate Board Committees and Financial Performance"* Working Paper, SSRN.

Chen, M., & Lee, K. C. (2023). Compensation, Corporate Governance and Owner Shareholding: Theory and Evidence from Family Ownership. *International Research of Finance and Economics*. (22-24)

Donashana, M. & Ravivathani, T. (2019). The Impact of the Corporate Governance on Firm Performance. A Study on Financial Institution in Sri Lanka. *Journal on Banking & Insurance Research*, 8(1) 62-67

Enofe, A. O., Ogbeide, O. L. & Julius, O. M. (2015). Business Ethics and Corporate Growth. *Business Ethics*, *7*(15) 139-148.

Gani, A., Al Rahbi, A. & Ahmed, E. R. (2021). Empirical Analysis on Corporate Transparency, Competitive Advantage, and Performance: An Insight of Muscat Securities Market. *Journal of Governance and Integrity*, *4*(2), 96–102

Gitonga, D. (2019). *Influence of Corporate Governance on Financial Performance of Listed Corporations in Kenya*. Unpublished Masters' Thesis, Kenya Methodist University

Kamau, G. E., Aosa, V. M., & Pokhariyal, G. (2018). Corporate Governance, Strategic Choices and Performance of Financial Institutions in Kenya. *International Journal of Business and Management*, *13*(7), 169-178.

Lynall, M Goden, B. & Hillman, A. (2003) 'Board composition from adolescence to maturity: a multi-theoretic view', *Academy of Management Review* 28(3), 416-431.

Mburu, M. (2019). *Effect Of Corporate Governance on Firm Performance: A Case Of Family Owned Businesses Listed On The Nairobi Securities Exchange*. Unpublished Thesis, United States International University Africa

Mohammad, Q. & Faudziah, H. (2018). The Effect of Board Independence and Board Meeting on Firm Performance: Evidence from Jordan. *Journal of Finance and Accounting*, *6*(5), 105-109

Musyimi, S. (2016). *Perceived effect of ethical leadership on employee performance among Commercial Banks in Kenya* . Unpublished Masters' Thesis, University of Nairobi.

Mwangi, A. & Nyaribo, W. (2022) Effect of Corporate Governance Structures on Organizational Performance of State Corporations in Education Sector in Kenya. *Open Journal of Business and Management*, 10, 2191-220

Okoth, F. O., & Litunya, R. (2019). Effect of corporate governance on organizational performance: A case study of World Vision Kenya. *The Strategic Journal of Business & Change Management*, 6 (4), 428 – 442

Oino, I. (2019). "Do disclosure and transparency affect bank's financial performance?", *Corporate Governance*, 19(6) 1344-1361

Sami, A., Jusoh, A., & Qureshi, M. I. (2016). Does Ethical Leadership Create Public Value? Empirical Evidences from Banking Sector of Pakistan. *International Review of Management and Marketing*, *6*(4) 262-270.

Shrestha A. (2018)). Corporate governance mechanisms and firm financial performance in Nepal. AERC Research Paper. 149.

Turyasingura, J. (2022). The Efect of Accountability on Business Performance in Selected Commercial Banks in Kabale Municipality, Uganda. *International Journal of Academic and Applied Research*, 6(9) 151-159

Ullah, Z., Rehman, A. & Waheed, A. (2016). The Impact of Corporate Accountability & Transparency on the Performance of Manufacturing Firms Listed on KSE. Available at SSRN: https://ssrn.com/abstract=2756977

Wai, M. (2022) . DBA The effect of board characteristics on firm financial performance.pdf - Accepted Version
Available under License. University of Wales

Wasike, C. N. (2017). Financial regulation as moderating, influence of corporate governance, institutional quality, human capital and firm size on financial institutions performance in Kenya. *Journal of Administrative and Business Studies*, *3*(6), 292-304