

**INFLUENCE OF CORPORATE GOVERNANCE ON FINANCIAL
MANAGEMENT IN TERTIARY INSTITUTIONS IN NAKURU COUNTY,
KENYA**

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DECLARATION

This research project is my original work and has not been presented for the award of a degree in any other University.

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DEDICATION

To my parents Mr and Mrs. Paul Mwaura, my sisters Lucy and Margaret and brothers James, Charles and Stephen, and my fiancé, Chege Kanyingi for being a source of prayer, joy and encouragement and for granting me financial and moral support throughout the course of my studies.

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TABLE OF CONTENT

DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
LIST OF TABLES	vii
LIST OF FIGURES	viii
ABBREVIATIONS AND ACRONYMS	ix
LIST OF APPENDICES	x
DEFINITIONS OF TERMS	xi
ABSTRACT	xii
CHAPTER ONE: INTRODUCTION	1
1.1 Background of the Study	1
1.2 Statement of the Problem.....	6
1.3 Objectives of the Study.....	6
1.4 Research Hypotheses	7
1.5 Justification of the Study	8
1.6 Scope of the Study	8
1.7 Limitations of the Study.....	8
CHAPTER TWO: LITERATURE REVIEW	10
2.1 Introduction.....	10
2.2 Theoretical Framework.....	10
2.3 Conceptual Framework.....	15
2.4 Empirical Review.....	20
2.5 Summary of the Study	25
2.6 Research Gaps.....	26

CHAPTER THREE: RESEARCH METHODOLOGY	27
3.1 Introduction	27
3.2 Research Design.....	27
3.3 Population of the Study	27
3.4 Sampling Technique and Sample Size	27
3.5 Research Instrument.....	28
3.6 Pilot Testing	28
3.7 Data Collection Procedure	29
3.8 Data Processing and Analysis	30
CHAPTER FOUR: FINDINGS AND DISCUSSIONS.....	31
4.1 Introduction.....	31
4.2 Response Rate	31
4.3 Demographic Information.....	31
4.4 Descriptive Analysis and Discussions	34
4.5 Inferential Analysis and Discussions	39
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....	46
5.1 Introduction.....	46
5.2 Summary	46
5.3 Conclusions.....	47
5.4 Recommendations	48
5.5 Suggestions for Further Studies	50
REFERENCES	51
APPENDICES	57

LIST OF TABLES

Table 3.1: Results of Reliability Test	29
Table 4.1: Distribution of Respondents by Gender.....	31
Table 4.2: Distribution of Respondents by Highest Academic Qualifications	32
Table 4.3: Distribution of Respondents by Department	32
Table 4.4: Working Experience with Tertiary Institutions	33
Table 4.5: Working Experience with Present Tertiary Institutions	34
Table 4.6: Descriptive Statistics for Corporate Culture	35
Table 4.7: Descriptive Statistics for Corporate Leadership	36
Table 4.8: Descriptive Statistics for Legal Responsibilities	37
Table 4.9: Descriptive Statistics for Transparency	38
Table 4.10: Descriptive Statistics for Financial Management	39
Table 4.11: Corporate Culture and Financial Management.....	40
Table 4.12: Corporate Leadership and Financial Management.....	42
Table 4.13: Legal Responsibilities and Financial Management	41
Table 4.14: Transparency and Financial Management	42
Table 4.15: Regression Weights for Overall Model	43
Table 4.16: Significant Test Results	43
Table 4.17: Significant Test Results for Overall Model	44

LIST OF FIGURES

Figure 2.1: Carroll's Model of Corporate Social Responsibility	12
Figure 2.2: Conceptual Framework.....	16

ABBREVIATIONS AND ACRONYMS

CSR	Corporate Social Responsibility
CUE	Commission of Higher Education
HEIs	Higher Education Institutions
ICPAK	Institute of Certified Public Accountants of Kenya
NPM	New Public Management
NPV	Net Present Value
PPDA	Public Procurement and Disposal Act
PPOAD	Public Procurement Oversight Advisory Board
PSICG	Private Sector Initiative for Corporate Governance
SPSS	Statistical Package for Social Sciences

LIST OF APPENDICES

Appendix I Letter of Introduction.....	57
Appendix II Research Questionnaire.....	58
Appendix III List of Tertiary Institutions in Nakuru County.....	62

DEFINITIONS OF TERMS

Corporate culture:

This is defined as a systematic pattern of basic assumptions that are invented, discovered or developed by a group of people with the object of learning to cope with its challenges of external adaptation and also internal integration, and that have worked effectively enough to be considered valid and as such to be taught to new group members as the right way to perceive, think and also feel relative to those challenges (Yesil & Kaya, 2013).

Corporate governance:

Corporate governance describes the manner in which institutions are organized, managed and also how they meet their responsibility towards external stakeholders and the relationship among these entities (Abdullah, 2005).

Corporate leadership:

This is described as an act of managing, leading and mentoring other persons in a corporate organization and can assume various forms including transformative, transaction, bureaucratic and laissez-faire leadership (Gopal & Chowdhury, 2014).

Financial management:

This refers to the execution by a person in a position of authority of those management actions (regulated tasks) connected with the financial aspects of learning institutions and having the sole purpose of achieving effective education (Joubert & Bray 2007).

Legal responsibilities:

These are described as the operations that are in tandem with the expectations of government sector and laws. Relative to the foregoing, organizations are supposed to adhere to the set laws since they are expected to be law-abiding (Tongkachok & Chaikew, 2012).

Tertiary institutions:

These are learning institutions that offer post-secondary school education and encompass middle-level colleges in both private and public sector (Abdullah, 2005).

Transparency:

Transparency is the situation of being open and accountable in running the affairs of an organization particularly in relation to governance and finances (Ernst & Young, 2013).

ABSTRACT

Education is the cornerstone of socio-economic development of the society and the nation at large. There has been consistent increase in budgetary allocation towards education in the country. The Government of Kenya has already introduced mechanisms for cost sharing and user charges in higher education due to austerity in the public budget for higher education and poor performance of the sector to promote access and equity. Many tertiary educational institutions in Kenya, therefore, face financial challenges. The general objective of the study was to determine the influence of corporate governance on financial management in tertiary institutions in Nakuru County, Kenya. The specific objectives included to examine the influence of corporate culture, corporate leadership, legal responsibilities and transparency on financial management of these institutions. The theories reviewed in this study included organizational culture theory, stewardship theory, Carroll's model of corporate social responsibility, institutional-centric theory of finances and agency theory. This study adopted a cross-sectional research design. The management and finance officers working with the tertiary institutions in Kenya constituted the target population. The 324 aforementioned staff working with the tertiary institutions in Nakuru County comprised the accessible population. Stratified random sampling was used to draw 58 respondents from the accessible population. A structured and self-designed questionnaire which was also self-administered was used to facilitate data collection. A pilot study was carried out amongst randomly selected management and finance staff working with tertiary institutions in Narok County. Data processing and analysis were aided by the use of the Statistical Package for Social Sciences (SPSS) Version 24. Data analysis constituted descriptive statistics. More so, the analysis encompassed inferential statistics in form of Spearman rank correlation and multiple regression analyses. The results of the analyses were presented in tables. The study revealed that corporate culture, corporate leadership, legal responsibilities, and transparency had significant influence on financial management of tertiary institutions in Nakuru County. The study concluded that tertiary institutions in Nakuru County practiced various forms of leadership. It was concluded that corporate leadership led to substantive improvement of financial management. It was concluded that greater adherence to legal responsibilities was likely to result in moderate enhancement in financial management in tertiary institutions. The study inferred that transparent governance, transparent faculty, and transparent remuneration system were important components of transparency in that they influenced financial management in tertiary institutions in Nakuru County. The corporate culture in tertiary institutions should be such that it facilitates more effective management of resources particularly funds. The study further recommended inculcation of facets of corporate leadership that are likely to guarantee improved financial management in tertiary institutions. The study recommended that there is no legal stipulation that should be violated for whatever reasons by the tertiary institutions. In addition, it was recommended that there ought to be regular financial reporting by the department concerned as opposed to relying on only annual financial reports.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Education has always been one of the most important sectors of the government. It is the cornerstone of socio-economic development of the society and the nation at large. Corporate governance is a concept that captures two important facets, that is, corporate and governance. Corporate implies institutional or that which pertains to institutions or firms. On the other hand, governance refers to means by which an activity or a sample of activities is controlled and directed. It further describes the manner in which power is executed in the management of economic and social resources with the object of realizing sustainable human development (Private Sector Initiative for Corporate Governance, 2012).

The Private Sector Initiative for Corporate Governance (PSICG, 2012) further states that governance focuses on processes, systems, practices and procedures which are both formal and informal relative to governing institutions. In this perspective, therefore, corporate governance is defined as the manner in which the power of a corporate entity is exercised in the leadership and stewardship of the entity's total portfolio of resources and assets with the object of maintaining and increasing the value of shareholders and also the satisfaction of other stakeholders in the corporate of the entity's mission.

Corporate governance in tertiary institutions describes the manner in which institutions are organized, managed and also how they meet their responsibility towards external stakeholders and the relationship among these entities. Tertiary institutions encompass various entities of higher education including universities, colleges and institutes of technology. However, in the Kenyan context tertiary institutions include middle-level colleges. Stakeholders include employees of these institutions, students, and other entities of interest to these institutions (Abdullah, 2005).

1.1.1 Global Perspective of Corporate Governance and Financial Management

According to Meek and Davies (2016), universities and colleges all over the world have undergone profound transformations since 1980's. Corporate governance in these institutions is organized in different ways. In tandem, there exist various

conceptual models of governance which include collegial, bureaucratic, political, professional and organized anarchy. However, the core question in respect to governance is whether institutions of higher education particularly the university have withered the storm of change and effectively managed to retain their core authority structure over centuries or whether they ought to be understood in the same way as corporate corporations. Since 1980's, the governance debate has shifted towards issues of efficiency and accountability bolstered by the introduction of New Public Management (NPM).

A report by Ernst and Young (2013) addressed higher education in India as part of the country's Vision 2030. The report indicated that a stratified three-tier structure which can enable both vertical and horizontal mobility of students was likely to create the desired intellectual, economic and social value. The implementation framework which puts students at the centre stage aims at ensuring the presence of a transparent governance framework. India has witnessed drastic changes in the governance framework for higher education which has been occasioned by good governance in various realms including business, administration and politics. The salient trends of corporate governance that have been witnessed include diminishing role of government in governance, compulsory accreditation of academic institutions, and moving from monitoring inputs to regulating outcomes. Others include the presence of an enabling environment for both private and foreign participation and lastly, thrust towards internationalization.

According to DeSocio (2012), the landscape of higher education governance in the United States is likely to be drastically reshaped by unprecedented and powerful political, economic, regulatory and technological forces. Consumer choice and public policy are also likely to cause a paradigm shift in governance and accountability amongst American universities and colleges. In the same vein, it is forecasted that forces reshaping higher education are bound to result in institutions of higher education taking different and rapidly adaptable approaches to corporate governance. It is also averred that there is no single corporate governance scheme which can suit all institutions. The authors argued that institutions which are impervious to financial pressure or those that are basically resistant to change are likely to cling to conventional forms of board oversight. However, public higher education institutions

(HEIs) there are various trends which are bound to profoundly alter the business of governance.

Special focus was paid to education institutions and corporate governance in Australia (Lessing, Morrison & Nicolae, 2012). It is indicated that education institutions in Australia play a big part of the not-for-profit (NFP) sector in the country. Lessing et al were more concerned with governance aspects of schools where they focused on policy as opposed to focusing on requisite differences in legislative requirements. It was observed that there is little attention devoted to the governance of NFP boards in Australia. In view of the foregoing, they focused on governance of schools since analysis made around the governance of NFP boards also ought to be context specific. The importance of providing practical guidance on best governance practice has been emphasized. This is due to the reasoning that, such is likely to minimize personal liability and also more effectively promote the objectives of the schools on whose boards they sit (Lessing et al., 2012).

A report by Henard and Mitterle (2009) focused on governance and quality guidelines in higher education across several Organization for Economic Cooperation and Development (OECD) and non-OECD countries. The countries that were the centre of focus include the United States, Canada, Japan, Australia, China-Hong Kong, South Africa, Russia, India, Israel and European countries. The report examined 11 governance arrangements and 25 quality guidelines issued by authorities, that is, funding councils, ministries and associations and also quality assurance agencies from the aforementioned countries. The report also discussed the distinction between governance arrangements and quality guidelines in addition to the possible need to define appropriate guidance for institutions.

1.1.2 African Perspective of Corporate Governance and Financial Management

An analysis by Barac and Marx (2012) was interested in effectiveness of corporate governance and value added in institutions of higher education in South Africa. Institutions of higher education in the country are faced by various challenges in fulfilling their core mandate of teaching, research and community engagement. The foregoing can only be realized if and when there is strong, sound and visionary institutional leadership. This leadership is supposed to be embedded in sound corporate governance practices. Earlier, it had been noted that in spite the fact that

institutions of higher education in South Africa appear to be well-established, their corporate governance disclosures are supposed to be improved.

A report by the World Bank (2008) focused on governance, management and accountability in education institutions in Sub-Saharan Africa. The report focused on several countries which included South Africa, Nigeria, Niger, Malawi, Ethiopia and Uganda. It was reported that issues of assessment of education institutions at national level featured prominently in the media. However, none of the aforementioned 6 countries discussed national education assessment in parliamentary debates. The report further indicated that good governance, management and accountability are an independent set of relationships. Each of these relies on the quality of the other for the effective functioning of the system as a whole. It is further stated that governance cannot be good in the absence of accountability. Moreover, there is no governance system which can function without processes and structures for its management (World Bank, 2008).

In rethinking corporate governance in Ethiopia, Negash (2008) reported that the overall standard of corporate governance in Ethiopia is discouraging. In this regard, the legal and constitutional instruments fail to provide sufficient legislative. Moreover, crucial international conventions and standards are not ratified; ownership of business enterprises in key sectors if the Ethiopian economy is concentrated through pyramid structure. This has resulted in agency problems and has further created a state of crony capitalism. In regard to professional education, the rapid increase in the number of tertiary institutions granting degrees and diplomas fails to be matched by sound quality standards.

A survey of tertiary institutions in Oyo, Nigeria centred on corporate governance and cooperative societies Adayemi, (2014). It was stated that in recent past, the cooperative movement appears to have started addressing the issue of corporate governance. It was reported that executives and management of tertiary institutions failed to adhere to transparency and accountability as part of corporate governance. In line with analytical findings, it was advised that the management of the foregoing education institutions should demonstrate high level commitment towards the sustainability of cooperative societies and also these entities are supposed to embrace the principles of good corporate governance. By so doing, there would be a likelihood

of fostering absolute accountability, adequate transparency, sound internal controls and also full disclosure of the activities of tertiary institutions.

An exploratory and comparative assessment of the governance arrangements of tertiary institutions in Ghana was done by Tetteh and Ofori (2010). In Ghana, institutional governance has recently attracted considerable attention whose driving force has been the increasing numbers of global high-profile corporate failures and scandals. In cue with the argument that governance in institutions of higher learning in many countries have invoked questions concerning their governance, it has been revealed that upsurge of private tertiary institutions in Ghana has become crucial in recent years.

1.1.3 Kenyan Perspective of Corporate Governance and Financial Management

According to Abagi, Nzomo and Otieno (2005), the management and governance of tertiary institutions in Kenya is vested in different bodies. Boit and Kipkoech (2012) stated that the higher education in Kenya has been liberalized. However, the sub-sector has been facing its own share of challenges which include financial difficulties. Some of the initial financial challenges were witnessed when the present 8-4-4 education system came to effect in 1987. The financial difficulties obliged the State to intervene and provide additional physical infrastructure in order to enable the institutions to cope with the increased enrollment of students. The demand for higher education in Kenya has been increasing over the years; a scenario that demands for exploration of other options of provision of higher education as a way of alleviating financial pressures on expenditure for higher education.

Financial mismanagement and misappropriation in educational institutions in Kenya is attributed to a number of factors (Mobegi, Ondigi & Simatwa, 2012). It was observed that the level of financial mismanagement in public tertiary institutions in the country is quite high. The foregoing misappropriation of funds has been attributed to corroboration amongst the heads of institutions, accounts officers, sponsors and auditors. Financial mismanagement is attributed to corrupt mode of corruption, lack of financial training, weak internal control mechanisms, lack of qualified account officers, irregular auditing, weak board of management, and also interference from sponsors and the community. Proper budgeting has emerged as one of mitigating

measures that can address financial mismanagement and misappropriation (Mobegi et al., 2012).

The Private Sector Initiative for Corporate Governance (PSICG) developed sample code of best practice for corporate governance (PSICG, 2012). This developed was necessitated by various reasons. The quality of corporate governance was increasingly viewed as a crucial factor for the success of both politico-economy and its institutions. Corporate governance was increasingly taking centre stage. There was also greater expectation from the society, among other reasons. The pillars of good governance were pointed out as accountability, democratic values, efficient and effective use of resources, protection of human rights, recognition of government as the only entity that the society gives authority to employ coercive power to maintain public order, and also attitudes towards the generation and accumulation of wealth.

1.2 Statement of the Problem

The Government of Kenya has already introduced mechanisms for cost sharing and user charges in higher education due to austerity in the public budget for higher education and poor performance of the sector to promote access and equity. It is stated that in spite of the government investment in primary and secondary education increasing tremendously in the past several years, the same is not reflected in higher education funding with the budget stagnating at only 15% of the total education expenditure (Republic of Kenya, 2010). According to the World Bank (2010), the ratio between the change in the number of higher education students and the amount of public resources allocated to the current expenditure on higher education in Kenya between 1991 and 2006 stood at only 3%.

Many tertiary educational institutions in Kenya, therefore, face financial challenges since they fail to get any funding from the exchequer or the amount they receive is too little to effectively facilitate their operations. They have to seek alternative sources of income to supplement the funding that they get from the exchequer. This hampers their day-to-day's operations and running of academic programmes. There has been upgrading of public tertiary institutions into university campuses. However, there is no documented evidence of these institutions having witnessed expansive growth attributed to sound financial management.

Corporate governance since time immemorial has been instrumental in bolstering the image of institutions. It has also facilitated an efficient, effective and sustainable institution which has resulted in providing solutions to emerging challenges including financial challenges. Corporate governance has also been credited for ensuring that institutions are both responsive and accountable. However, there is a shortage of empirical evidence indicating the link between corporate governance and financial management in tertiary institutions in Kenya. It is on the foregoing premise that this study was conducted.

1.3 Objectives of the Study

The study was guided by the following objectives

1.3.1 General Objective

The general objective of the study was to determine the influence of corporate governance on financial management in tertiary institutions in Nakuru County, Kenya

1.3.2 Specific Objectives

- i. To examine the influence of corporate culture on financial management in tertiary institutions in Nakuru County
- ii. To assess the influence of corporate leadership on financial management in tertiary institutions in Nakuru County
- iii. To analyze the influence of legal responsibilities on financial management in tertiary institutions in Nakuru County
- iv. To evaluate the influence of transparency on financial management in tertiary institutions in Nakuru County

1.4 Research Hypotheses

H₀₁: There is no significant influence of corporate culture on financial management in tertiary institutions in Nakuru County.

H₀₂: There is no significant influence of corporate leadership on financial management in tertiary institutions in Nakuru County.

H₀₃: There is no significant influence of legal responsibilities on financial management in tertiary institutions in Nakuru County.

H₀₄: There is no significant influence of transparency on financial management in tertiary institutions in Nakuru County.

1.5 Justification of the Study

There are a number of reasons why the present study is supposed to be conducted. First, the study is expected to add to the body of knowledge in respect to corporate governance and financial management in general and in respect to educational institutions. The study is expected to be a reliable source of reference materials for learners, educators, researchers and scholars embarking on similar work. The study is further expected to enable policy makers and practitioners in tertiary institutions in Kenya. The findings of the study and recommendations thereof are anticipated to inform the relevant authorities and management how to formulate and implement policies and strategies that will enable their tertiary institutions to capitalize on their CSR initiatives to enhance institutional financial management.

1.6 Scope of the Study

The study took place in Nakuru County which is one of the 47 counties in Kenya. The County is home to numerous tertiary institutions, both public and private tertiary institutions. The finance and management officers working with the aforementioned education institutions were the focus of this study. These staff were believed to be the most conversant with issues bordering on corporate governance and financial management in their respective institutions. The study was guided by the following variables: corporate culture, corporate leadership, legal responsibilities, transparency and financial management. The first four variables were the predictor variables while the fifth was the dependent variable. The study was conducted over a period of three months. The budgetary allocation for the study was Ksh 95,000.

1.7 Limitations of the Study

The study faced various limitations. The tertiary institutions in Nakuru County were widely dispersed which made it time consuming to access all the sampled respondents. In this regard, the researcher strived to ensure that all the issued questionnaires were filled the same day they were issued in order to minimize repeat visits to the institutions. Moreover, some of the registered firms were not fully operational while others lacked clear organizational structure. This made it rather difficult to access the right persons in charge of finance and management. The foregoing challenge was addressed by the fact that the institutions comprising the

scope of the study were many and the data collected could thus have not been compromised by the few with structural challenges.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter covers a review of theories that relate to corporate governance and financial management. The conceptual framework of the study variables is also outlined. In addition, it covers a review of past empirical studies on the aforementioned areas globally, regionally and locally. A summary of the reviewed literature is also shown and lastly research gaps arising from a critique of the reviewed empirical studies are identified.

2.2 Theoretical Framework

Theoretical framework is an outline of theories and/or models that provides a blueprint of a given study. In this respect, therefore, this section covers a review of theories pertaining corporate governance and financial management. The theories reviewed include organizational culture theory, stewardship theory, Carroll's model of corporate social responsibility, institutional-centric theory of finances and agency theory.

2.2.1 Organizational Culture Theory

The organization culture theory was proposed by Schein in 1988. The theory states that culture exists in three levels which are artifacts, values and underlying assumptions. Artifacts deal with organizational attributes which are visible, tangible and can also be heard. Values are espoused goals, ideals, norms, standards and also moral principles. Underlying assumptions deal with phenomena that remain unexplained when insiders are asked regarding the values of the organizational culture. The principles of this theory underscores the importance of acknowledging that organizational life is complex and as such, it is crucial to take into consideration not only the members of the organization, but also their behaviours, activities and stories (Mumby, 1988). The organizational culture theory has been used to frame research on Muslim employees (Alkhazraji, 1997), pregnant employees (Halpert & Burg, 1997) and also law enforcement officers (Frewin & Tuffin, 1998).

More important, the relevance of the organizational culture theory in the context of higher education has been put into perspective (Kramer & Berman, 2001). The theory

has been employed to study the stories of undergraduate students and their perceptions of fitting in at a college or university. Similarly, the organizational culture theory can be adopted to explain the views of stakeholders in respect to corporate culture exhibited in tertiary institutions.

The theory has faced a number of criticisms. It has been noted that the theory relies a lot on the shared meaning among organizational members (Eisenberg & Goodall, 1993). These scholars argue that most cultures depict significant more alignment in practice than they do in the attitudes, opinions or beliefs of individual members. Another criticism of the organizational culture theory is pointed out to its view of organizational life as being too unique. This is against the general expectations and reality that organizational cultures vary due to the fact that interactions within those cultures differ. Therefore, generalizing life within organizations is nigh impossible (West & Turner, 2013).

2.2.2 Stewardship Theory

The stewardship theory was developed by Donaldson and Davis in 1991 and advanced in 1993. The theory states that if managers are left on their own, they will execute their roles as responsible stewards of the assets they control and to the interest of the stakeholders. The theory further states that, interests of shareholders are maximized by shared incumbency of roles of the persons in management or leadership of a corporate entity ((Donaldson & Davis, 1991). The stewardship holds that ownership does not necessarily mean owning a firm; rather it is merely holding it in trust. Stewardship theory is one of the leading theories of corporate governance (Donaldson & Davis, 1991).

According to Barney (1990), the stipulations of the stewardship theory hold that executive manager purposes to do a good job and be a good steward of the corporate assets. Thus the theory posits that there is no inherent and general problem of executive motivation. Stewardship theory emphasizes on the importance of corporate leadership structures. The theory holds that performance variations result from whether the structural situation in which the executive is located facilitates effective action by the leaders or executives. The arising issue is whether or not the organization structure facilitates the executive to formulate and implement plans for high corporate performance (Donaldson, 1985). In this regard, structures are bound to

facilitate the achievement of the foregoing goal to the extent that they provide clear, consistent role expectations and also authorize and empower senior management (Donaldson & Davis, 1991).

In regard to the role of the top leadership, structures will assist these leaders to attain superior performance by their corporate entities to the extent that the leaders or top managers exercise complete authority over the corporation and that their role is unambiguous and unchallenged. In respect to this scenario, power and authority are concentrated in one person. This implies that the stewardship theory is concerned not with motivation of management but instead facilitative and empowering structures (Donaldson & Davis, 1991). This theory underscores the importance of stewardship in corporate leadership and corporate governance even in tertiary institutions.

2.2.3 Carroll's Model of Corporate Social Responsibility

The Carroll's Model of corporate social responsibility was developed by Carroll in 1979 and improved in 1991. According to the model, for social responsibility definition to fully address the entire range of obligations an entity has to the society, it CSR must embody economic, legal, ethical and philanthropic dimensions. Carroll (1991) further postulates that the concept of CSR should encompass four distinct dimensions and it is only in this way that it would be possible to have a complete definition and clear understanding of the CSR concept. The model has been structured as a pyramid and the four CSR dimensions are presented in a four layers pyramid as shown in Figure 2.2.



Figure 2.1: Carroll's Model of Corporate Social Responsibility

Both economic and legal responsibilities have been in place for many years (Carroll, 1979). However, ethical and philanthropic responsibilities were introduced in later years (Carroll, 1991). As shown in Figure 2.1, at the bottom of the pyramid are the economic responsibilities. The economic layer is at the base due to the fact that the main duty of organizations is production of goods and services for the society, thus creating an acceptable profit in the process. Given that economic layer bears the other layers underscores its pre-eminence to other responsibilities. The second layer constitutes economic responsibilities. Both the first and second layers go in tandem because firms are expected to pursue their economic missions within the framework of the law (Carroll, 1991). It is further asserted that, in a free enterprise system, the first two dimensions of CSR coexist due to the fact that a firm must follow the law and also play by the rules throughout its operations.

The third layer involves ethical responsibilities. According to Carroll (1991) in Ghelli (2013), these include standards, norms or expectations that reflect a concern for what consumers, employees, shareholders and the community regard to be fair, just, or in keeping with the respect or protection of moral rights of stakeholders. This layer, therefore, embodies activities and practices that society expects or prohibits even if they are not codified into law. This layer can be viewed as an extension of the second dimension since it amplifies legal responsibilities.

The last level of the pyramid constitutes philanthropic activities. These are corporate actions that are in response to expectations of the society that firms be good citizens. Encompassed under these responsibilities are acts or programmes that promote human welfare or goodwill (Carroll, 1991). Quite often, philanthropic responsibilities are confused with CSR whereas they are just part of CSR including the foregoing three dimensions (Fazio, 2006). The Carroll's model can be employed to demonstrate the importance of aspects of corporate governance. This is due to the fact that one of these aspects constitutes legal responsibilities. For effective governance and according to Carroll (1991), legal responsibilities are very important and should as such be put into consideration.

2.2.4 Institutional-centric Theory of Finances

The institutional-centric theory of finances was pioneered by Arestis, Nissanke and Stein in 2003. The theory stated that there exists imperfect information and both

informal and formal institutions and that efficiency is the engine of development. It is premised on the theory of imperfect markets. The institutional-centric theory of finances is an alternative to the flawed theory of financial liberalization which is credited to increasing instability of developing countries in 1990's (Dornbusch & Reynoso, 2003).

According to Arestis et al (2003), every financial system constitutes five institutions which include norms, incentives, regulations, capacities, and organizations. It is further indicated that financial regulations help to overcome issues of moral hazard, financial conglomerates, transparency and also accountability (Demaestri & Gerrero, 2003). According to this theory, integration of financial supervision is likely to result in increased effectiveness and efficiency when regulatory institutions are integrated into one.

In the context of tertiary institutions and other education institutions, it is advisable to have all oversight bodies and agencies integrated in order to streamline the requirements of these institutions particularly from financial perspective. Institutions are likely to take advantage of mismatch of requirements by oversight organs and misappropriate funds. However, transparency is most likely to be upheld when there is integration of requirements by such agencies as the ministry of education, CUE, Public Procurement Oversight Advisory Board (PPOAD), Public Procurement and Disposal Act (PPDA), Institute of Certified Public Accountants of Kenya (ICPAK) among other agencies.

2.2.5 Agency Theory

Agency theory was proposed by Jensen and Meckling in 1976. The theory states that in an agency relationship, there exists two parties; the principal and the agent and that there exists conflict between the two parties. According to Shapiro (2005), in agency relationship, one party (agent) acts on behalf of the other (principal). The principals are ordinarily the owners of the organization while agents are the individuals tasked with managing the operations of the entity. Conflict arises due to the fact that the two parties (agents and principals) may have contrasting interests in the organization. Each seeks to maximize their return while minimizing the cost implication.

The owners require payouts for their investments thus reducing internal resources controlled by managers (Jensen, 1986). On the other hand, managers or agents are

compensated on the premise of accounting profits. In this regard, there is a motivation to manipulate financial information in order to favour projects or initiatives with poor net present value (NPV) if such provide immediate profits (Dogan & Smyth, 2002). Consequently, there is a likelihood of potential loss in value of the organization (Jensen & Meckling, 2001).

It is stated that the desire of managers (agents) for high rewards encourages them to manipulate, overestimate or underestimate indicators in order to make them more achievable. This is to the detriment of the value of the entity concerned. Manipulation of financial indices may include low budgets and also inefficient debt targets. The agency theory holds that the self-interests of managers (agents) should be reduced in order to bolster the success of the firm (Jensen & Meckling, 1976). Agency relationships are common in financial management due to the nature of the sector. It is exemplified that when one person manages the finances of another, an agency relationship arises by default. Executives of corporate bodies such as tertiary institutions and shareholders of those entities illustrate an agency relationship. Such managers make financial decisions on behalf of other stakeholders including owners of the aforesaid educational institutions.

2.3 Conceptual Framework

According to Vaughan (2008) a conceptual framework represents the perceived interaction or relationship between study variables as shown in Figure 2.2. The study was guided by a set of two variables which were independent and dependent. Independent variables, also called predictor variables, characterized corporate governance and included corporate culture, corporate leadership, legal responsibilities and transparency. Financial management was the dependent variable. It was hypothesized that the foregoing elements of corporate governance influenced financial management in tertiary institutions.

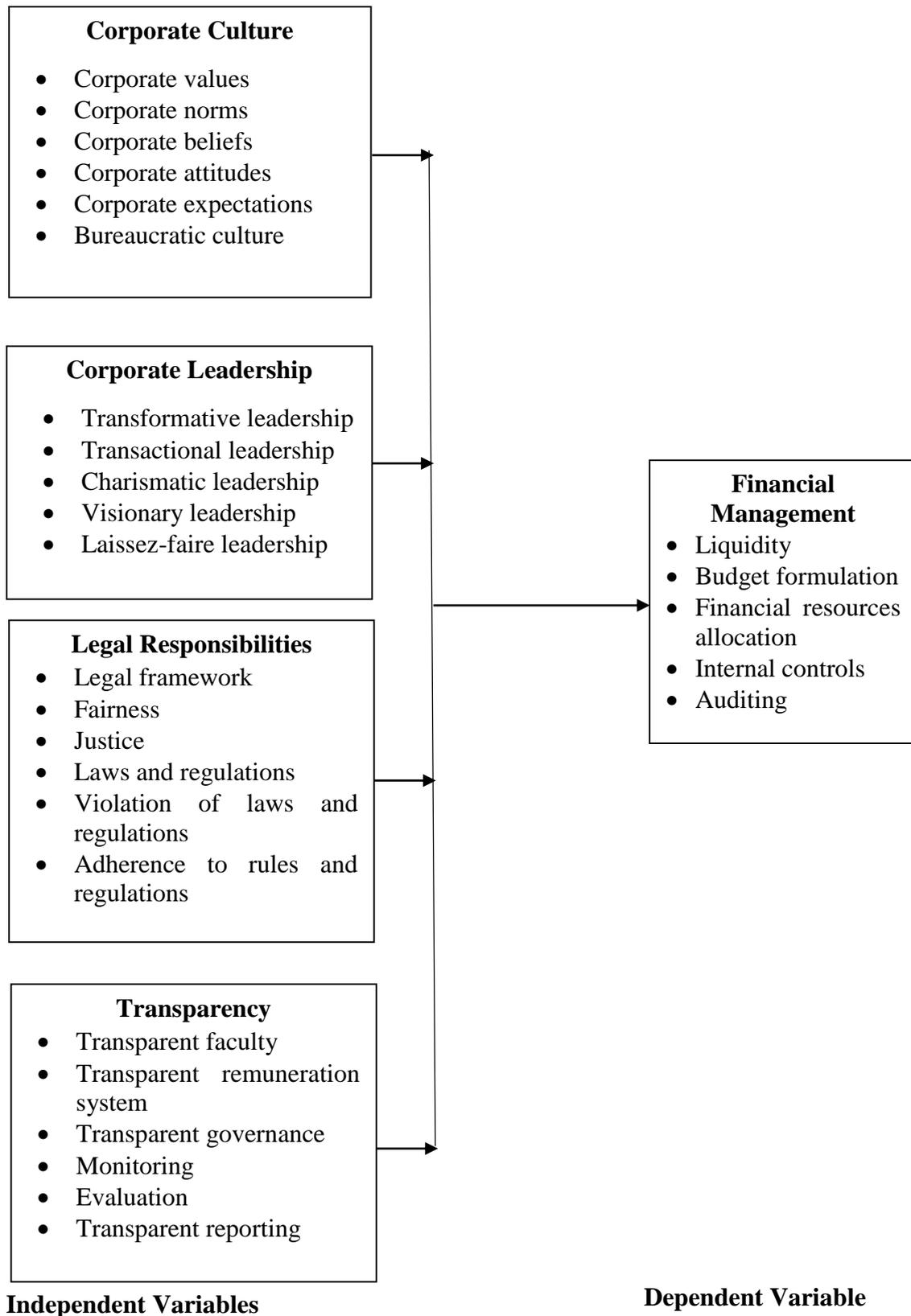


Figure 2.2: Conceptual Framework for Influence of Corporate Governance on Financial Management in Tertiary Institutions

2.3.1 Corporate Culture and Financial Management

Corporate or organizational culture is defined and described variously. According to Schneider, Ehrhart and Macey (2012), there is no common agreement on what culture really is or how it should be studied. Schein (1990) in Yesil and Kaya (2013) defines organizational culture as a systematic pattern of basic assumptions that are invented, discovered or developed by a group of people with the object of learning to cope with its challenges of external adaptation and also internal integration, and that have worked effectively enough to be considered valid and as such to be taught to new group members as the right way to perceive, think and also feel relative to those challenges. On the same breadth, Kim, Lee and Yu (2004) define culture as the shared values and norms of members of a given organization. According to Armstrong (2006), corporate culture refers to the pattern of values, norms, beliefs, attitudes and assumptions that might have failed to be articulated yet they shape the ways in which people in organizations conduct themselves and things get done. More so, corporate culture is described as the sum of beliefs, expectations, norms and values that are shared by most employees in a company (Cerovic, Kvasic & Cerovic, 2011).

Corporate culture is important and necessary in ensuring that there is effective functioning and performance of organizations. It is, however, opined that the dimensions of organizational culture are inconsequential to organizational financial performance (Yesil & Kaya, 2013). This is a departure from earlier assertions that organizational culture is one of the factors that influence performance of an entity (Zheng, Yang & McLean, 2010; Fekete & Borcskei, 2011). Regardless of the foregoing observations, organizational culture has drawn a lot of attention from various scholars due to the instrumental role it plays in individuals and organizations (Ojo, 2010; Oparanma, 2010). Corporate culture is credited with affecting behaviour, learning and development of employees in a firm (Bollinger & Smith, 2001). This consequently influences performance outcomes in an organization (Oparanma, 2010).

2.3.2 Corporate Leadership and Financial Management

Leadership at corporate level is largely characterized by transformative leadership. Transformational leadership is as a result of various ethical values which are quite divergent when compared to transactional leadership (Groves & LaRocca, 2011). While transformational leadership is associated with deontological ethics,

transactional leadership is attributed to teleological ethics. Deontological ethical values include but not limited to altruism, universal rights and Kantian principals. On the other hand, teleological ethical values include utilitarianism. However, the two influence corporate social responsibilities (CSR).

Transformational leaders do more than ordinary leaders. They exhibit various behaviours which include idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Transactional leaders, on the other hand, exhibit various behaviours which include rewarding subordinates for good performance, and also actively and passively monitoring subordinates. In addition, laissez-faire leadership is a passive leadership style which is perceived to hardly care about other's issues. The foregoing implies that there exists no relationship exchange between the leader and their followers. Characteristics of this form of leadership include failure to made necessary decisions, delayed actions, ignoring leadership responsibilities and also unused authority (Gopal & Chowdhury, 2014).

2.3.3 Legal Responsibilities and Financial Management

Corporate social responsibility (CSR) is observed to the only responsibility that an enterprise emphasizes on with the object of increasing the value of shareholders under legal framework. Legal responsibilities are described as the operations that are in tandem with the expectations of government sector and laws. Relative to the foregoing, organizations are supposed to adhere to the set laws since they are expected to be law-abiding (Tongkachok & Chaikaw, 2012). It is stated that legal responsibilities are the second-most important after economic responsibilities relative to CSR. It is further pointed out that there is no way firms can refrain from complying with existing laws and rules. Legal responsibilities encompass fairness and justice (Wang, 2015).

The classical responsibilities of a corporation encompass economic and legal responsibilities which reflect the old social contract between business and society (Coroll & Shabana, 2010). According to Wang (2015), legal responsibilities imply that corporations should obey laws and regulations of the society. It is further indicated that legal responsibilities are both positive and negative obligations that are put on firms by the laws and regulations of the society where such organizations

operate. Moreover, it is noted that all views in respect of legal responsibilities concur that there ought to be adherence to the legal obligations (Coroll & Shabana, 2010).

2.3.4 Transparency and Financial Management

One of the major factors that contribute towards success of private universities is transparency and fairness particularly in the administration of funds. In this regard, these institutions are viewed as being efficient in the acquisition of both human and financial resources, and also being effective in how the limited facilities at their disposal are utilized (Abagi et al., 2005). According to Ernst and Young (2013), institutions of higher education are expected to be absolutely transparent in regard to their financial performance by putting up their financial statements on-line. These institutions should also have a transparent governance framework that can enable them to be autonomous and self-regulatory. These framework can also enable them to evaluate performance of faculty members. There should also be a transparent and effective performance-based remuneration system. In addition, it is advisable to appoint independent committees with the view of ensuring that there is accountability and transparency in implementing of institutional initiatives (Ernst& Young, 2013).

Failure to ensure transparency at every level of the administrative ladder in learning institutions is bound to occasion opportunities for financial malpractices. It is exemplified that lack of supervisory and disciplinary matters advances financial misappropriations (Hallak & Poisson, 2001). In the same vain, it is held that lack of transparency has created a suitable ground for teachers to utilize every possible opportunity to benefit from school funds. This may be achieved through inflation of budgets for co-curricular activities and travelling allowances with the object of maximizing their gains where possible (Mobegi, Ondigi & Simatwa, 2012).

2.3.5 Financial Management

Financial management in a learning institution is described as the execution by a person in a position of authority of management actions or regulated tasks that are associated with financial aspects of those institutions and with the exclusive purpose of realizing effective education (Joubert & Bray, 2007). According to Clarke (2007), management of finances in learning institutions encompasses the task of planning,

that is, budgeting, organizing(coordinating), leading (communicating and motivating) and also controlling (auditing).

There is a great need to conduct financial training for all stakeholders involved in financial management (Mobegi et al., 2012). When financial management is improved in educational institutions, incidences for funds embezzlement are minimized. This increases transparency in the management of the foregoing institutions. The administrators of these institutions are expected to have high level financial management skills and also to have in place strategies for handling funds (Green, 2005). When the persons entrusted to handle funds lack the requisite financial knowledge and skills such encounter a lot of pressure due to the fact they are unable to come up with practical solution to practical challenges (Mestry, 2006). The success of financial management is subject to effectiveness and independent of financial planning and controlling. Financial management is further characterized by accountable utilization of resources (Kaguri, Ibuathu & Kubaison, 2014).

2.4 Empirical Review

A number of studies on corporate governance and financial management have been done locally and internationally. A study conducted by Yesil and Kaya (2013) analyzed the effect of organizational culture on financial performance of firms in Turkey. The results of the study indicated that the dimensions of organizational or corporate culture do not have any effect on financial performance of firms. However the study was conducted in a developed country.

In relation to corporate culture, Abdulkareem, Sheu and Kayonde (2015) conducted a study in South-West Zone in Nigeria. The study examined and investigated the relationship and nature of corporate culture and achievement of university goals. The results of the study revealed that corporate culture in universities in South-West Zone region of Nigeria was both collegial and bureaucratic in nature. More so, it was established that indeed university goals had been achieved in this region. Furthermore, the study observed that there existent a significant relationship between corporate culture and university goal achievement (Abdulkareem et al., 2015).

Still on the theme of corporate culture, a study was carried out by Isaboke (2015) on how organizational culture influences strategy implementation in selected universities

in Kenya. The study employed a descriptive survey design. The results of the study indicated that organizational culture influenced implementation of strategies in institutions of higher learning. To this effect, the study deduced that dominant characteristics and behavioral norms had a strong effect on strategy implementation in universities.

In relation to corporate leadership, Amir and Zaidatol (2013) conducted a study on the role played by transformational leadership style in enhancing job satisfaction among lecturers. The study was delimited to research universities in Malaysia. The study concurred that leadership styles adopted in institutions of higher education play a fundamental part in achieving job satisfaction among lecturers. The study findings indicated that both inspirational motivation and idealized influence were the most frequently used practices of transformational leadership particularly by heads of departments. Moreover, it was observed that transformational leadership enhances job satisfaction among lecturers more than other styles of leadership.

A comparative study of private and public tertiary institutions by Hukpati (2009) evaluated transformational leadership and teacher job satisfaction. The study investigated the nexus between transformational leadership style of the heads of departments and employee job satisfaction in both private and public tertiary institutions in Ghana. The study results indicated that there existed a positive correlation between transformational leadership and employee job satisfaction. The findings further revealed that how transformation leadership impacted on job satisfaction among lecturers did not vary between private and public tertiary institutions in Ghana. Moreover, it was observed that the heads of departments did not differ in their transformational leadership practices in the two types of institutions.

In Kenya, Obama, Eunice and Orodho (2015) did a study on the effect of leadership styles of principals on students' academic performance. The study was done among public secondary schools in Homa-Bay County in Kenya. The study adopted an ex-post facto research design. The study revealed that school heads employed leadership styles that were not in cue with teacher-student interactive learner-centred learning. The findings further indicated that there was a significant relationship between the leadership styles adopted by school heads and academic performance of students as perceived by teachers. It was, moreover, indicated that schools which embraced more

democratic and participatory leadership styles that encouraged group work and team spirit performed far much better than those that had adopted autocratic leadership styles that were largely dictatorial in nature.

An empirical study was conducted by Idowu (2008) on what institutions of higher learning consider to be their corporate social responsibility (CSR). The study admitted that the field of CSR is relatively new compared to other fields it started generating interest around the world in 1980's. The study also looked at how institutions such as colleges and universities have absorbed CSR into what they do with the aim of discharging these responsibilities including legal responsibilities to local, national and international communities. The findings of the study indicated that institutions of higher learning in the UK are aware of the fact that they owe responsibility to all their stakeholders and are as such demonstrating this awareness in various ways.

Moreover, a study by Abu and Audu (2016) empirically assessed corporate social responsibility in tertiary institutions in Nigeria. The study admitted that CSR goes beyond legal compliance because it involves other important dimensions including ethical, economic and philanthropic. The study inferred that corporate social responsibility promotes the corporate image and also the goodwill of tertiary institutions. The study concurs with earlier observation that legal dimension is one of the most crucial dimensions of CSR. It is the second most important facet of CSR after economic dimension (Justin & Wadike, 2013). The conclusion by Abu and Audu's study that CSR is not just legal compliance but also ethical, philanthropic and economic underscores the importance of legal responsibilities in tertiary institutions.

Locally, Githui (2013) empirically analyzed the ethical dimensions in tourism and hospitality industry in Kenya. In the study, it is concurred that business ethics which are heavily influenced by society and the environment, have created a suitable legal and political environment. While citing an earlier study by Barsh and Lisewski (2008), the study observed that successful tourist firms have managed to reconcile all dimensions of CSR. These include economic, legal, ethical and philanthropic responsibilities. Of particular interest, in this context, are the legal responsibilities, which imply respecting the laws and regulations and also respecting the internal documents of an organization.

On transparency dimension, Waduge (2011) conducted an empirical study of universities in Australia on governance and performance. The study noted that governance structures have come to constitute part of the most discussed subjects of the public sector. Since 2000, corporate governance practices have come to be regarded as crucial in enhancing performance of all government-funded institutions. When quoting previous works by Jones and Pollit (2003) and Khanchel (2007), the study concurred that there is emphasis on the importance of the board processes and transparency in reporting practices in relation to good governance in universities. More so, it is observed that corporate governance involves various inter-related and mutually supportive component which serve to create transparency and accountability. It is further emphasized that the board of educational institutions should be structured in such a way that the governing bodies of such institutions are more accountable and transparent to their stakeholders.

Still on the theme of transparency, a study by Schalkwyk, Willmers and Czerniewicz (2014) analyzed open data in the governance of higher education in South Africa. The study postulated that both the availability and accessibility of open data has a likelihood to enhance transparency and accountability. The foregoing would in turn result in improved governance of universities. Open data play a leading role in promotion of governance. Governance, on the other hand, entails processes of decision making and implementation through increased transparency of decision making. In agreeing with Stensaker's (2003) assertion, the study noted that production and sharing of data makes universities more transparent; a factor that opens up the 'black box' of higher education, an issue that improves decision making (Schalkwyk et al., 2014).

A study by Nyangau (2014) examined higher education as an instrument of economic growth in Kenya. The study noted that reforms cannot be complete in the absence of requisite restructuring of governance in public higher education institutions. The foregoing is aimed at improving administrative efficiency, transparency and accountability to the array of stakeholders involved. Institutions of higher learning are not supposed to operate absolutely independently. In this regard, it is acknowledged that it is the responsibility of the Commission of University Education (CUE) to play

oversight role. CUE is advised to formulate a robust framework for substantive oversight that links autonomy to both accountability and transparency.

2.5 Summary of the Study

Theories and empirical studies in respect to corporate governance and financial management are reviewed. Organizational culture theory has been adopted to explain corporate culture in tertiary institutions. The theory states that culture exists in three levels which are artifacts, values and underlying assumptions. The organizational culture theory can be adopted to explain the views of stakeholders in respect to corporate culture exhibited in tertiary institutions. Past studies have indicated that the dimensions of organizational or corporate culture do not have any effect on financial performance of firms. Other studies have investigated the nature of the corporate culture and university goal achievement. The results of a local study indicated that organizational culture influenced implementation of strategies in institutions of higher learning.

The stewardship theory states that if managers are left on their own, they will execute their roles as responsible stewards of the assets they control and to the interest of the stakeholders. This theory underscores the importance of stewardship in corporate leadership and corporate governance even in tertiary institutions. In relation to corporate leadership, it has been observed that leadership styles adopted in institutions of higher education play a fundamental part in achieving job satisfaction among lecturers. Review of regional studies have indicated that there existed a positive correlation between transformational leadership and employee job satisfaction. A study done in Kenya has revealed that there was a significant relationship between the leadership styles adopted by school heads and academic performance of students

The Carroll's model of corporate social responsibility holds that for social responsibility definition to fully address the entire range of obligations an entity has to the society, its CSR must embody economic, legal, ethical and philanthropic dimensions. The Carroll's model can be employed to demonstrate the importance of aspects of corporate governance. This is due to the fact that one of these aspects constitutes legal responsibilities. At global stage, reviewed studies indicated that institutions of higher learning are aware of the fact that they owe responsibility to all their stakeholders and are as such demonstrating this awareness in various ways.

Regionally, it is admitted that CSR goes beyond legal compliance. It is, however, concurred that legal dimension is one of the most crucial dimensions of CSR. Locally,

it has been observed that successful firms have managed to reconcile all dimensions of CSR which include economic, legal, ethical and philanthropic responsibilities.

The institutional-centric theory of finances state that there exists imperfect information and both informal and formal institutions and that efficiency is the engine of development. In the context of tertiary institutions and other education institutions, it is advisable to have all oversight bodies and agencies integrated in order to streamline the requirements of these institutions particularly from financial perspective. On transparency dimension, it is noted that governance structures have come to constitute part of the most discussed subjects of the public sector. There is emphasis on the importance of the board processes and transparency in reporting practices in relation to good governance in universities. Reviewed studies in Africa, have postulated that both the availability and accessibility of open data has a likelihood to enhance transparency and accountability. A local study has asserted that restructuring of governance in public higher education institutions is aimed at improving administrative efficiency, transparency and accountability to the array of stakeholders involved.

Agency theory states that in an agency relationship, there exists two parties; the principal and the agent and that there exists conflict between the two parties. Executives of corporate bodies such as tertiary institutions and shareholders of those entities illustrate an agency relationship. Such managers make financial decisions on behalf of other stakeholders including owners of the aforesaid educational institutions. Past studies have underscored the importance of various dimensions of corporate governance. However, this has been done independent of financial management particularly in institutions of higher education including tertiary institutions particularly in local context.

2.6 Research Gaps

From the review of empirical studies conducted in the past, it is quite clear that the subject of corporate governance has extensively been looked into in various sectors. Some studies have examined corporate governance in general while others has interrogated various dimensions of corporate governance. Regardless of the

foregoing, it has been realized that the conducted studies have hitherto failed to link corporate governance and any of its dimensions (corporate culture, corporate

leadership, legal responsibilities and transparency) to financial management specifically in tertiary institutions in Kenya.

A study by Isaboke (2015) investigated organizational culture influences strategy implementation in selected universities in Kenya. The results of the study indicated that organizational culture influenced implementation of strategies in institutions of higher learning. However, this study fell short of relating culture to financial management. An empirical study by Obama et al (2015) analyzed the effect of leadership styles on principals on students' academic performance. The foregoing study failed in three critical areas. First it looked into just one style of corporate leadership; second, it never focused on financial management, and third, it was not delimited to tertiary institutions or institutions of higher education.

In respect to legal responsibilities, a study by Githui (2013) concurred that business ethics which are heavily influenced by society and the environment, have created a suitable legal and political environment. Yet, the study gave legal responsibilities as a dimension of corporate governance a wide berth. The study was delimited to tourism sector as opposed to tertiary institutions. A study by Nyangau (2014) examined higher education as an instrument of economic growth in Kenya. The asserted that restructuring of governance in public higher education institutions is aimed at improving administrative efficiency, transparency and accountability to the array of stakeholders involved. However, the study failed to examine transparency as part of corporate governance and also in respect to financial management in tertiary institutions. These research gaps are the ones that the current study purposes to empirically address.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter looks into the research design that was adopted by the study. It also covers the population of the study, sampling technique and size and also research instrument. In addition, it explains how the research instrument was pilot tested and the procedure for collecting data from the sampled respondents. Lastly, the chapter puts into perspective how data were processed and analyzed and how the resultant findings were presented.

3.2 Research Design

According to Kothari (2008) a research design describes a blueprint for conducting a study. This study adopted a cross-sectional research design which is part of descriptive research design. The choice of this design was founded on the assertion that cross-sectional studies make comparisons at a single and specific point in time. Besides being snapshot in nature, cross-sectional studies are observational and record information regarding their subjects without manipulating the study environment.

3.3 Population of the Study

Study population refers to the members of a group that share related character traits. Moreover, it describes the entire set of units for which the study data are to be used to be conclusions (Lavrakas, 2008). The finance and management officers working with the tertiary institutions in Kenya constituted the target population. Accessible population is part of the target population that can be accessed by the researcher. In the context of the present study, the 324 management and finance officers working with the aforementioned educational institutions in Nakuru County comprised the accessible population.

3.4 Sampling Technique and Sample Size

A sample is defined as a subset of the study population. Kothari (2008) observes that in the event that the study population exceeds 100, then sampling is necessitated. In this study, a formula by Nassiuma (2008) was employed to determine the size of the sample as outlined below.

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

Where

n = sample size;

N = population size;

C = coefficient of variation which ranges from 21% to 30%

e = error margin which is which ranges from 2% to 5%

Substituting these values in the equation, estimated sample size (n) was:

$$n = \frac{324(0.25)^2}{0.25^2 + (324-1)0.3^2}$$

$$n = 57.33$$

$$n = 58 \text{ respondents}$$

The sample size constituted 58 respondents drawn from managers and finance staff working with tertiary institutions in Nakuru County. In order to ensure fair and equitable distribution of respondents across the two categories of staff and across all tertiary institutions in Nakuru County, stratified random sampling technique was employed.

3.5 Research Instrument

A research instrument refers to a tool that facilitates collection of data for a given research study. In survey studies like the present one, Mugenda and Mugenda (2009) emphasize on the use of questionnaires in data collection. In this respect, a structured questionnaire which was self-administered was used to facilitate data collection.

3.6 Pilot Testing

A pilot test is a minor study that is conducted prior to the main study with the sole objective of assessing both the validity and reliability of the data collection instrument (Kimberlin & Winterstein, 2008). A pilot study was carried out amongst randomly selected management and finance staff working with tertiary institutions in Narok County. The choice of the area of pilot study was based on the fact that it had a

number of tertiary institutions and the respondents in this study were not to participate in the main study.

3.6.1 Validity Testing

Validity testing is conducted with the aim of investigating whether or not the research instrument is able to facilitate collection of intended data. The researcher examined the content validity of the research instrument through consultation with the assigned university supervisor whose opinion was deemed sufficient to determine the instrument's validity.

3.6.2 Reliability Testing

Reliability testing is aimed at determining how consistent the research instrument is if and when administered on similar study populations. The researcher tested the internal consistency of the instrument since the external consistency was beyond control. According to Kimberlin and Winterstein (2008), the Cronbach alpha coefficient is the most widely recommended test of internal consistency of a research instrument which is structured on a Likert scale. The instrument was considered reliable when all its five constructs (corporate culture, corporate leadership, legal responsibilities, transparency and financial management) returned alpha coefficients not less than 0.7 as illustrated in Table 3.1.

Table 3.1: Results of Reliability Test

Variables	Test Items	α
Corporate culture	6	0.794
Corporate leadership	5	0.801
Legal responsibilities	6	0.779
Transparency	6	0.820
Financial management	6	0.781

3.7 Data Collection Procedure

The researcher collected data from the sampled respondents using a structured questionnaire. However, prior to data collection, the necessary consent was obtained from the university and also the management of tertiary institutions whose finance

and management staff were considered to participate in the study. The questionnaires were self-administered.

3.8 Data Processing and Analysis

After collecting the requisite data the next step was to process and analyze the data. This was aided by the use of the Statistical Package for Social Sciences (SPSS) Version 24 tool. Data analysis constituted descriptive statistics including frequencies, percentages, means and standard deviations. More so, the analysis encompassed inferential statistics in form of Spearman rank correlation and multiple regression analyses. The results of the analyses were presented in tables. The following multiple regression model was adopted.

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

Where:

Y represents Financial Management

β_0 represents constant

X_1 , X_2 , X_3 , and X_4 represent corporate culture, corporate leadership, legal responsibilities and transparency respectively

β_1 , β_2 , β_3 and β_4 represent coefficients of determination of the independent variables

ϵ represent the error term

CHAPTER FOUR

FINDINGS AND DISCUSSIONS

4.1 Introduction

The following chapter presents the findings that were obtained after analyzing the collected data. The interpretations and pertinent discussions have also been addressed. The chapter specifically covers the response rate, demographic information of the respondents, descriptive and inferential statistical results and discussions respectively.

4.2 Response Rate

Response rate is defined as the proportion of the appropriately filled and returned questionnaires out of the total number of questionnaires issued to the respondents (Nulty, 2008). In this study, the researcher issued a total of 58 questionnaires to the respondents which was equivalent to the sample size. The filled and returned questionnaires were 45. This translated to 77.59% response rate which was enough in generalizing the findings of the present study to the study population.

4.3 Demographic Information

The study analyzed the demographics of the respondents in respect to their gender, academic qualifications, department at their place of work, and working experience.

4.3.1 Gender of Respondents

The distribution of the employees attached to the accounts/finance department and the management in tertiary institutions in Nakuru County was examined. The distribution is as presented in Table 4.1.

Table 4.1: Distribution of Respondents by Gender

	Frequency	Percentage
Male	27	60.0
Female	18	40.0
Total	45	100.0

The study as shown in Table 4.1 revealed that 60% of the sampled respondents were male while 40% were female. The findings implied that although majority of employees working in the management and accounts/finance departments of tertiary institutions in Nakuru County were male, these institutions of higher learning were

observant of the two thirds gender rule as enshrined in the Constitution of Kenya of 2010.

4.3.2 Academic Qualifications of Respondents

The distribution of the sampled employees according to their highest level of education attached to the accounts/finance and management in tertiary institutions is as illustrated in Table 4.2.

Table 4.2: Distribution of Respondents by Highest Academic Qualifications

	Frequency	Percentage
Diploma	21	46.7
Undergraduate degree	15	33.3
Postgraduate degree	6	13.3
Post-secondary school certificate	3	6.7
Total	45	100.0

The findings indicated in Table 4.2 show that 46.7% of the managers and accounts/finance officers working with tertiary institutions in Nakuru County had diplomas. It was also observed that 33.3% and 13.3% others had Bachelor's and post-graduate degrees respectively while only 6.7% had a post-secondary school certificate. The results implied that the aforementioned staff were adequately educated for their respective job descriptions.

4.3.3 Departments of Respondents

The study further sought to understand how the sampled employees were distributed according to their departments, that is, management and finance/accounts department. The results to this effect are as shown in Table 4.3.

Table 4.3: Distribution of Respondents by Department

	Frequency	Percentage
Management	23	51.1
Finance/accounts	22	48.9
Total	45	100.0

The study revealed that most of the sampled employees (51.1%) were part of the management while 48.9% worked in the finance/accounts department. These results could have been attributed to the possibility that administrative employees were part of the management while in some colleges in spite of having managers failed to have clear structures that set aside the accounts/finance department among other departments. Some managers indeed played the role of accounts/finance officers particularly in relatively small tertiary institutions.

4.3.4 Working Experience of Respondents with tertiary institutions

In addition, the study focused on the working experience of the sampled employees in tertiary institutions. The pertinent result are illustrated in Table 4.4

Table 4.4: Distribution of Respondents by Working Experience with Tertiary Institutions

	Frequency	Percentage
5-10 years	21	46.7
Less than 5 years	17	37.8
More than 15 years	5	11.1
11-15 years	2	4.4
Total	45	100.0

As shown in Table 4.4, majority (46.7%) of employees (managers and finance/accounts officers) had worked with tertiary institutions for a period of between 5 and 10 years. A significant number (37.8%) of the said staff had worked with the aforesaid institutions for a period of less than 5 years. Cumulatively, therefore, 84.5% of all the sampled employees had worked with tertiary institutions for a period not exceeding 10 years. These findings implied that the middle-level colleges have in the recent past been attracting more employees as compared to the past. This could have further been attributed to the growth and expansion of these institutions, hence demanding for greater workforce.

4.3.5 Working Experience of Respondents

The study also focused on the working experience of the sampled employees with their present workstation. The distribution is illustrated in Table 4.5

Table 4.5: Distribution of Respondents by Worked Experience with Present Tertiary Institutions

	Frequency	Percentage
Less than 5 years	31	68.9
5-10 years	11	24.4
11-15 years	3	6.7
Total	45	100.0

The findings indicated in Table 4.5 show that a massive 68.9% of the sampled employees had worked with their present tertiary institution for a period of less than 5 years. It was further noted that only 6.7% had worked in their present institution for a period of 11 to 15 years. The findings manifested a significantly high employee turnover in individual tertiary institutions. The employee mobility, however, as confirmed in the results shown in Table 4.4, was across tertiary institutions themselves.

4.4 Descriptive Analysis and Discussions

The study further evaluated the views of the sampled management and accounts/finance staff in respect to corporate governance and financial management. In this section, the data collected and analyzed was on a 5-point Likert scale ranging from strongly agree to strongly disagree.

4.4.1 Corporate Culture

The study examined how the managers and accounts/finance officers working with both public and private tertiary institutions viewed the subject of corporate culture in their respective institutions. The relevant findings are as shown in Table 4.6.

Table 4.6: Descriptive Statistics for Corporate Culture

Corporate Culture statements	n	SA	A	U	D	SD	Mean	Std. Dev
Corporate values influence financial management in tertiary institutions	45	19	23	3	0	0	4.36	.609
Bureaucratic culture influence financial management in tertiary institutions	45	23	16	2	2	2	4.24	1.048
Corporate expectations influence financial management in tertiary institutions	45	18	19	4	2	2	4.09	1.041
Corporate beliefs influence financial management in tertiary institutions	45	13	18	10	4	0	3.89	.935
Corporate attitudes influence financial management in tertiary institutions	45	12	20	8	5	0	3.87	.944
Corporate norms influence financial management in tertiary institutions	45	6	27	12	0	0	3.87	.625

The study observed that majority of the sampled employees (42 out of 45) held the view that corporate values influenced financial management in tertiary institutions in Nakuru County (mean = 4.36; std dev = 0.609). Twenty-three out of 45 respondents strongly admitted that bureaucratic culture influenced financial management in these institutions. On average, it respondents concurred with the foregoing proposition (mean = 4.24; std dev = 1.048). It was also admitted by 37 of the respondents that corporate expectations influenced financial management in the said institutions (mean = 4.09; std dev = 1.041). Moreover, it was generally concurred (mean \approx 4.00; std dev < 1.000) that corporate beliefs, corporate attitudes, and corporate norms influenced financial management in tertiary institutions in Nakuru County. In tandem, 27 respondents agreed with this proposition.

4.4.2 Corporate Leadership

In respect to corporate leadership, the views of the managers, accountants and finance officers working with tertiary institutions in Nakuru County were examined. The respective findings are as shown in Table 4.7.

Table 4.7: Descriptive Statistics for Corporate Leadership

Corporate Leadership statements				n	SA	A	U	D	SD	Mean	Std. Dev
Tertiary institutions practice	transformative	leadership		45	21	22	0	2	0	4.38	.716
Tertiary institutions exercise	transformative	leadership		45	18	26	0	0	1	4.33	.707
Charismatic leadership influences	financial	management in tertiary institutions		45	17	14	13	1	0	4.04	.878
Laissez-faire leadership is practiced in		tertiary institutions		45	2	21	10	5	7	3.13	1.179
Tertiary institutions lack	visionary	leadership		45	2	7	7	19	10	2.38	1.134

The study observed that a total of 43 respondents out of 45 at least concurred that tertiary institutions practiced transactional leadership. On average, respondents agreed with this statement (mean = 4.38; std dev = 0.716). It was generally admitted (mean = 4.33; std dev = 0.707) that tertiary institutions in Nakuru County exercised transformative leadership. Moreover, 17 respondents strongly believed that charismatic leadership influenced financial management in tertiary institutions. It was, however, generally not clear whether or not, laissez-faire leadership was practiced in tertiary institutions in Nakuru County (mean = 3.13; std dev = 1.179). In spite of this indifference, 21 respondents admitted that the said leadership style was practiced by tertiary institutions in the County. Moreover, it was generally disagreed (mean = 2.38; std dev = 1.134) that tertiary institutions in the County lacked visionary leadership.

4.4.3 Legal Responsibilities

In line with the third objective, the study sought the opinions of the sampled management and accounts/finance staff in respect to legal responsibilities in tertiary institutions in Nakuru County. The findings to this effect are as demonstrated in Table 4.8.

Table 4.8: Descriptive Statistics for Legal Responsibilities

Legal Responsibility statements	n	SA	A	U	D	SD	Mean	Std. Dev
Tertiary institutions operate within legal framework of the society	45	25	15	5	0	0	4.44	.693
Tertiary institutions ensure there is fairness in financial management	45	21	20	2	1	1	4.31	.848
Tertiary institutions are required to adhere to all government rules and regulations even when it is costly for them	45	18	22	3	2	0	4.24	.773
Tertiary institutions practice justice when dealing with all stakeholders	45	12	27	5	1	0	4.11	.682
Tertiary institutions strive to comply with all government laws and regulations	45	23	12	2	6	2	4.07	1.232
It is expedient for tertiary institutions to violate certain laws and regulation for better running of their operations	45	6	9	6	5	6	2.51	1.532

According to the findings on legal responsibilities as shown in Table 4.8, 40 out of 45 respondents agreed that tertiary institutions operated within legal framework of the society. It was generally agreed that tertiary institutions ensured there was fairness in financial management (mean = 4.31; std dev = 0.848). These institutions were required to adhere to all government rules and regulations even when it was costly for them (mean = 4.24; std dev = 0.773) according to 40 of the sampled respondents. Tertiary institutions were found to generally practice justice when dealing with all stakeholders (mean = 4.11; std dev = 0.682). The foregoing institutions strived to comply with all government laws and regulations as strongly opined 23 of the respondents. The study further observed even though, the respondents generally were not certain whether it was expedient for tertiary institutions to violate certain laws and regulation for better running of their operations or not, majority of them disagreed with such kind of proposition (mean = 2.51; std dev = 1.532).

4.4.4 Transparency

The study further looked into the views of the sampled respondents in respect to transparency as a component of corporate governance in tertiary institutions. The findings on this issue are as shown in Table 4.9.

Table 4.9: Descriptive Statistics for Transparency

Transparency statements										Std.							
										Dev							
										n	SA	A	U	D	SD	Mean	Dev
Transparent	governance	influences	financial	45	21	21	1	2	0	4.36	.743						
management in tertiary institutions																	
Transparent	faculty	influences	financial	45	14	27	4	0	0	4.22	.599						
management in tertiary institutions																	
A transparent	remuneration	system	influences	45	11	21	7	0	0	4.09	.633						
financial management in tertiary institutions																	
Financial activities of tertiary institutions are closely				45	15	19	7	3	1	3.98	.988						
monitored																	
The financial transactions of tertiary institutions are				45	16	16	6	6	1	3.89	1.112						
regularly evaluated																	
Tertiary institutions ensure transparent				45	12	14	13	5	1	3.69	1.062						
reporting																	

It was generally established that, the managers and accounts/finance officers working with tertiary institutions in Nakuru County agreed that transparent governance influenced financial management in their institutions (mean = 4.36; std dev = 0.743). It was agreed by at least 41 out of the 45 respondents that transparent faculty influenced financial management in tertiary institutions. It was also found that 32 out of the 45 sampled respondents were in agreement that transparent remuneration system influenced financial management in tertiary institutions. Moreover, it was generally agreed (mean \approx 4.00; std dev \approx 1.000) that financial activities of tertiary institutions were regularly evaluated; the financial transactions of tertiary institutions were closely monitored; and that tertiary institutions in Nakuru County ensured transparent financial reporting.

4.4.5 Financial Management

The study, lastly, evaluated the opinions of the sampled staff in regard to financial management in tertiary institutions in Nakuru County. The opinions of the aforesaid staff are as shown in Table 4.10.

Table 4.10: Descriptive Statistics for Financial Management

	n	SA	A	U	D	SD	Mean	Std. Dev
Expenditure of financial resources is audited	45	13	25	0	7	0	3.98	.965
Tertiary institutions have put in place strong internal controls	45	2	34	0	8	1	3.62	.912
Tertiary institutions have high liquidity	45	7	17	3	17	1	3.27	1.195
Stakeholders are involved in allocation of financial resources	45	2	21	1	11	10	2.87	1.342
Tertiary institutions involve all stakeholders in formulating budgets	45	2	4	9	26	4	2.42	.941

The study observed that the sampled employees were generally in agreement (mean = 3.98; std dev = 0.965) that expenditure of financial resources was audited; and also that tertiary institutions had put in place strong internal controls (mean = 3.62; std dev = 0.912). However, the assertion that tertiary institutions in Nakuru County had high liquidity drew very varying responses (mean = 3.27; std dev = 1.195). In respect of this assertion, 17 respondents agreed while another 17 disagreed with it. Therefore, there were those ones who concurred with the assertion while other strongly disputed the proposition. Moreover, there were divergent views (mean = 2.87; std dev = 1.342) in regard to involvement of stakeholders in allocation of financial resources in tertiary institutions in Nakuru County. The study further noted that it was largely disputed (mean = 2.42; std ev = 0.941) that tertiary institutions involved all stakeholders in formulating budgets. In respect of this assertion at least 30 sampled respondents disputed.

4.5 Inferential Analysis and Discussions

This section presents the findings of the inferential analysis and pertinent discussions. The results of correlation and regression analyses are illustrated in this section. The

aim of the foregoing analyses was to evaluate the relationship between the various component of corporate governance (corporate culture, corporate leadership, legal responsibilities, and transparency) and financial management. Moreover, the analyses enabled determination of the influence of the aforementioned components of corporate governance on financial management in tertiary institutions in Nakuru County.

4.5.1 Relationship between Corporate Culture and Financial Management

The correlation findings in respect to the relationship between corporate culture and financial management are illustrated in Table 4.11. The relationship between corporate culture and financial management was found to be positive and statistically significant ($r = 0.462$; $p < 0.05$). This implied that enhancing corporate culture could have resulted in substantial improvement of financial management in tertiary institutions in Nakuru County.

Table 4.11: Correlation between Corporate Culture and Financial Management

			1	2
Spearman's rho	Corporate Culture	Correlation Coefficient	1.000	.462**
		Sig. (2-tailed)	.	.000
		n	45	45
	Financial Management	Correlation Coefficient	.462**	1.000
		Sig. (2-tailed)	.000	.
		n	45	45

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

4.5.2 Relationship between Corporate Leadership and Financial Management

The relationship between the Corporate Leadership and Financial Management was also ascertained. Table 4.12 captures the relevant correlation findings.

Table 4.12: Correlation between Corporate Leadership and Financial Management

			1	2
Spearman's rho	Corporate Leadership	Correlation Coefficient	1.000	.780**
		Sig. (2-tailed)	.	.000
		n	45	45
	Financial Management	Correlation Coefficient	.780**	1.000
		Sig. (2-tailed)	.000	.
		n	45	45

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

The findings indicated in Table 4.12 show that there existed a positive and statistically significant relationship between corporate leadership and financial management in tertiary institutions in Nakuru County ($r = 0.780$; $p < 0.05$). The findings meant that improving corporate leadership could have resulted in significant improvement in financial management of tertiary institutions.

4.5.3 Relationship between Legal Responsibilities and Financial Management

In addition, the study analyzed the relationship between Legal Responsibilities and Financial Management. Table 4.13 displays pertinent correlation analysis.

Table 4.13: Correlation between Legal Responsibilities and Financial Management

			1	2
Spearman's rho	Legal Responsibilities	Correlation Coefficient	1.000	.328*
		Sig. (2-tailed)	.	.028
		n	45	45
	Financial Management	Correlation Coefficient	.328*	1.000
		Sig. (2-tailed)	.028	.
		n	45	45

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

The findings as illustrated in Table 4.13 showed that there existed a positive and statistically significant relationship between legal responsibilities and financial management in tertiary institutions ($r = 0.328$; $p < 0.05$). The foregoing correlation results implied that greater adherence to legal responsibilities was likely to result in moderate enhancement in financial management in tertiary institutions in Nakuru County.

4.5.4 Relationship between Transparency and Financial Management

The correlation findings in respect to the relationship between Transparency and financial management are illustrated in Table 4.14.

Table 4.14: Correlation between Transparency and Financial Management

			1	2
Spearman's rho	Transparency	Correlation Coefficient	1.000	.726**
		Sig. (2-tailed)	.	.569
		n	45	45
	Financial Management	Correlation Coefficient	.726**	1.000
Sig. (2-tailed)		.569	.	
n		45	45	

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

The study as shown in Table 4.14 indicated that the relationship between transparency and financial management was positive, and statistically significant ($r = 0.726$; $p < 0.05$). When interpreted, the results meant that enhancing transparency could have led to significant improvement in financial management of tertiary institutions in Nakuru County.

4.5.5 Influence of Corporate Governance on Financial Management

The study regressed the data collected with a view of determining the influence of corporate governance on financial management in tertiary institutions in Nakuru County. The findings indicated in Table 4.15 shows the results of the correlation (R) between corporate governance and financial management, and also the coefficient of

determination (R^2) that illustrates the extent to which corporate governance explained financial management.

Table 4.15: Regression Weights for Overall Model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.761 ^a	.579	.514	.29113

a. Predictors: (Constant), Corporate Culture, Corporate Leadership, Legal Responsibilities, Transparency

The results of the aforesaid correlation as outlined in Table 4.16 were also found to be significant. The results illustrated by the coefficient of determination ($R^2 = 0.579$) meant that 57.9% of financial management in tertiary institutions in Nakuru County could have been explained by the studied elements of corporate governance.

Table 4.16: Significant Test Results

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	7.386	4	1.847	25.614	.000 ^a
Residual	3.985	40	.112		
Total	11.371	44			

a. Predictors: (Constant), Corporate Culture, Corporate Leadership, Legal Responsibilities, Transparency

b. Dependent Variable: Financial Management

As shown in Table 4.16, the correlation between corporate governance and financial management in tertiary institutions was found to be statistically significant ($F = 25.614$; $p < 0.05$). This was supported by a significant value of 0.00 which is less than the convection P value of 0.05. The findings implied that the studied elements of corporate governance were of great importance to financial management of tertiary institutions in Nakuru County.

The study further examined the influence that each of the components of corporate governance (corporate culture, corporate leadership, legal responsibilities, and transparency) had on financial management in tertiary institutions. The results to this effect are as shown in Table 4.17.

Table 4.17: Results for Overall Model

Model	Unstandardized		Standardized	t	Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
1 (Constant)	.902	.515		1.753	.086
Corporate Culture	.394	.141	.842	3.922	.010
Corporate Leadership	.452	.096	.791	4.715	.000
Legal Responsibilities	.517	.211	.427	2.454	.019
Transparency	.361	.192	.700	3.451	.046

a. Dependent Variable: Financial Management

The study as shown in Table 4.17 illustrates three distinct but related statistical results. Generally, the indicated results were in tandem with the following regression model.

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

The results indicated the suitability of the regression model which was interpreted as follows.

$$Y = 0.902 + 0.394X_1 + 0.452X_2 + 0.517X_3 + 0.361X_4$$

The results shown above implied that a change of 1 unit in financial management was subject to a change of 0.394unit in corporate culture, 0.452unit in corporate leadership, 0.517unit in legal responsibilities, and 0.361unit in transparency while at the same holding other factors (0.902) constant. The findings further indicated that legal responsibilities (0.517) were the most important element of corporate governance in respect to financial management in tertiary institutions in Nakuru County.

In essence, while holding all other factors (including the variables) constant, 0.394 unit in corporate culture would result in 1 unit change in financial management; 0.452 unit in corporate leadership would result in 1 unit change in financial management; 0.517 unit in legal responsibilities would result in 1 unit change in financial

management; and 0.361 unit in transparency would result in 1 unit change in financial management.

The results of the t-test statistics were employed to address the null hypotheses. The first null hypothesis (**H₀₁**: There is no significant influence of corporate culture on financial management in tertiary institutions in Nakuru County) was rejected since ($t = 3.922$; $p < 0.05$). It was concluded that there exist significance relationship between corporate culture and financial management. The second null hypothesis (**H₀₂**: There is no significant influence of corporate leadership on financial management in tertiary institutions in Nakuru County) was also rejected since ($t = 4.715$; $p < 0.05$). The third null hypothesis (**H₀₃**: There is no significant influence of legal responsibilities on financial management in tertiary institutions in Nakuru County) was rejected because ($t = 2.454$; $p < 0.05$). Lastly, the fourth null hypothesis (**H₀₄**: There is no significant influence of transparency on financial management in tertiary institutions in Nakuru County) was also rejected since ($t = 3.451$; $p < 0.05$).

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter covers a summary of the study findings. It also presents the conclusions drawn from the findings and, more so, the recommendations suggested. These sections are presented in line with the objectives of the study. The last part of the chapter outlines areas recommended for further empirical investigation.

5.2 Summary

The study observed that corporate values, bureaucratic culture and corporate expectations influenced financial management in tertiary institutions in Nakuru County. Similarly, it was observed that corporate beliefs, corporate attitudes, and corporate norms influenced financial management in the aforesaid tertiary institutions. It was also revealed that improving corporate leadership could have resulted in significant improvement in financial management of tertiary institutions.

The study noted that tertiary institutions in Nakuru County practiced transactional leadership and also exercised transformative leadership. It was also revealed that charismatic leadership influenced financial management in these institutions. There were, however, mixed reactions among the sampled employees in regard to laissez-faire leadership being practiced in tertiary institutions in Nakuru County. Moreover, it was noted that tertiary institutions in the County did not lack visionary leadership. The study further noted that enhancing corporate culture could have resulted in improved financial management in tertiary institutions.

The study observed that tertiary institutions operated within legal framework of the society and also ensured there was fairness in financial management. It was also noted that these institutions were required to adhere to all government rules and regulations even when it was costly for them. The foregoing tertiary institutions were noted to practice justice when dealing with all stakeholders and that they also strived to comply with all government laws and regulations. The study further observed even though, it was generally not certain whether it was expedient for tertiary institutions to violate certain laws and regulation for better running of their operations or not, such a proposition was largely disputed. It was also found that that greater adherence to legal

responsibilities was likely to result in moderate enhancement in financial management in tertiary institutions in Nakuru County.

The study established that transparent governance, transparent faculty, and transparent remuneration system influenced financial management in tertiary institutions in Nakuru County. Moreover, it was generally observed that financial activities of these tertiary institutions were regularly evaluated; the financial transactions closely monitored; and also that the foregoing tertiary institutions ensured transparent financial reporting. The study indicated that, enhancing transparency could have led to improved financial management.

The study observed that expenditure of financial resources was audited; and also that tertiary institutions had put in place strong internal controls. It was, however, not clear whether or not tertiary institutions in Nakuru County had high liquidity. Moreover, there were divergent views in regard to involvement of stakeholders in allocation of financial resources in tertiary institutions. The study further noted that tertiary institutions in Nakuru County did not involve all stakeholders in formulating budgets. It was noted that when corporate governance was enhanced in tertiary institutions, there was a moderate likelihood that the finances of these institutions could have been better managed. The study further revealed that indicated that corporate leadership was the most important element of corporate governance in respect to financial management in tertiary institutions in Nakuru County.

5.3 Conclusions

The study deduced that corporate values, bureaucratic culture and corporate expectations influenced financial management in tertiary institutions in Nakuru County. In the same breadth, it was inferred that that corporate beliefs, corporate attitudes, and corporate norms influenced financial management in these institutions of higher learning. Moreover, it was concluded that corporate leadership led to significant improvement of financial management in tertiary institutions in Nakuru County.

The study concluded that tertiary institutions in Nakuru County practiced various forms of leadership including transactional, transformative, visionary, and charismatic leadership styles. However, it was inferred that not all of these institutions practiced

laissez-faire leadership. It was also concluded that charismatic leadership influenced financial management in these institutions. In addition, it was concluded that corporate culture had substantive effect on financial management in tertiary institutions.

It was concluded that tertiary institutions in Nakuru County operated within legal framework of the society and also ensured there was fairness in financial management. More so, it was concluded that middle level colleges were required to adhere to all government rules and regulations regardless of the pertinent cost implication. The study concluded that the foregoing institutions strived to comply with all government laws and regulations. The study also generally inferred that it was not expedient for tertiary institutions to violate certain laws and regulation for better running of their operations. In addition, it was concluded that greater adherence to legal responsibilities was likely to result in moderate enhancement in financial management in tertiary institutions in Nakuru County.

The study inferred that transparent governance, transparent faculty, and transparent remuneration system were important components of transparency in that they influenced financial management in tertiary institutions in Nakuru County. The study also concluded that there was regular evaluation of financial activities of these institutions. According to the findings, it was concluded that the financial transactions in tertiary institutions were closely monitored. The study further concluded that tertiary institutions ensured transparent financial reporting. In reference to transparency in tertiary institutions in Nakuru County, the study concluded that its effect on financial management was relatively strong.

5.4 Recommendations

The study made several recommendations in accordance with the conclusions drawn from the study findings. The study recommended that tertiary institutions in Nakuru County and other regions of Kenya should adopt leadership style or styles that are the most effective in not only running these institutions, but also in ensuring better management of the institutions' finances. The corporate culture in tertiary institutions should be such that it facilitates more effective management of resources particularly funds.

The study advised that it would be important for tertiary institutions to strive to have irreproachable corporate values and bureaucratic culture. It is also important for these

institutions to cultivate positive corporate beliefs, corporate attitudes, and corporate norms in order to improve financial management in these entities. The study further recommended inculcation of facets of corporate leadership that are likely to guarantee improved financial management in tertiary institutions.

It is recommended that tertiary institutions in Kenya should clearly understand the legal framework and guidelines within which they are expected to operate. It is advisable for these institutions to abide with the legal stipulations of the County Government and relevant agencies from the National Government. All employees working with tertiary institutions are supposed to be enlightened on the legal framework and guidelines and the management should in tandem ensure everyone in these institutions conform to the aforementioned legalities. In view of this, the study recommended that there is no legal stipulation that should be violated for whatever reasons by the tertiary institutions.

The study recommended that it is important for all tertiary institutions to ensure that transparency and accountability are part of the core pillars of the institutions. The institutions should put in place sound internal controls to mitigate on financial losses that might result from opaque financial transactions. The management should ensure that all financial transactions are closely monitored and evaluated in order to seal probable loopholes through which the institutions are likely to lose funds. In addition, it is recommended that there ought to be regular financial reporting by the department concerned as opposed to relying on only annual financial reports.

5.5 Suggestions for Further Studies

According to the study findings and conclusions drawn, the study has recommended a number of key areas for further investigative research. The study recommended further research on the influence of various leadership styles on financial management in tertiary institutions. It is also important for further assessment on the implication of corporate governance on financial performance of tertiary institutions. The study further encouraged studies to be done on how both organizational culture and informal culture individually affects financial management in institutions of higher learning. Besides legal responsibilities, the study recommended further research on

the influence of other forms of corporate social responsibilities on financial management.

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APPENDICES

APPENDIX I

LETTER OF INTRODUCTION

Dear Sir/ Madam,

RE: LETTER OF INTRODUCTION

I am a postgraduate student pursuing an MBA in Finance at Jomo Kenyatta University of Agriculture and Technology (JKUAT). In tandem with the University's requirements, I am presently conducting an empirical study on *Influence of Corporate Governance on Financial Management in Tertiary Institutions in Nakuru County, Kenya*.

In the foregoing regard, I kindly request you to provide me with data that will facilitate the study by filling objectively the questionnaire attached herewith. All the data collected and the study at large will be treated with utmost confidentiality. The study is absolutely for academic purposes. The researcher will be ready to share the results of the study with any interested respondent.

With thanks,

Ann Mwaura

Student

APPENDIX II
RESEARCH QUESTIONNAIRE

This research questionnaire is an integral part of a study titled: *Influence of Corporate Governance on Financial Management in Tertiary Institutions in Nakuru County, Kenya*. Kindly respond to the following questions by ticking on the appropriate box (✓) or comment on the indicated statements by ticking in the blank spaces

Section I: Demographic Information

You are requested to fill out your personal information in the spaces below. Please tick only one response.

1. Kindly indicate your gender. Male Female
2. What are your highest academic qualifications?
 Post-secondary school certificate Diploma
 Undergraduate degree Postgraduate degree
3. To which department are you attached?
 Finance/accounts Management
4. How long have you worked with tertiary institutions?
 Less than 5 Years 5 – 10 Years
 11 – 15 Years More than 15 Years
5. How long have you worked with the present tertiary institution?
 Less than 5 Years 5 – 10 Years
 11 – 15 Years More than 15 Years

Section II: Corporate Culture

Kindly indicate your level of agreement/ disagreement with the statements on corporate culture. Kindly use a scale of 5 points where:

SA = Strongly Agree, A = Agree, U = Uncertain, D = Disagree, and SD = Strongly Disagree

	5	4	3	2	1
	SA	A	U	D	SD
1. Corporate values influence financial management in tertiary institutions.					

2. Corporate norms influence financial management in tertiary institutions.					
3. Corporate beliefs influence financial management in tertiary institutions.					
4. Corporate attitudes influence financial management in tertiary institutions.					
5. Corporate expectations influence financial management in tertiary institutions.					
6. Bureaucratic culture influence financial management in tertiary institutions.					

Section III: Corporate Leadership

Kindly indicate your level of agreement/ disagreement with the statements on corporate leadership. Kindly use a scale of 5 points where:

SA = Strongly Agree, A = Agree, U = Uncertain, D = Disagree, and SD = Strongly Disagree

	5	4	3	2	1
	SA	A	U	D	SD
1. Tertiary institutions exercise transformative leadership.					
2. Tertiary institutions practice transactional leadership.					
3. Charismatic leadership influences financial management in tertiary institutions.					
4. Tertiary institutions lack visionary leadership.					
5. Laissez-faire leadership is practiced in tertiary institutions.					

Section IV: Legal Responsibilities

Kindly indicate your level of agreement/disagreement with the statements on legal responsibilities. Kindly use a scale of 5 points where:

SA = Strongly Agree, A = Agree, U = Uncertain, D = Disagree, and SD = Strongly Disagree

	5	4	3	2	1
	SA	A	U	D	SD
1. Tertiary institutions operate within legal framework of the society.					
2. Tertiary institutions ensure there is fairness in financial management.					
3. Tertiary institutions practice justice when dealing with all stakeholders.					
4. Tertiary institutions strive to comply with all government laws and regulations.					
5. It is expedient for tertiary institutions to violate certain laws and regulation for better running of their operations.					
6. Tertiary institutions are required to adhere to all government rules and regulations even when it is costly for them.					

Section V: Transparency

Kindly indicate your level of agreement/disagreement with the statements on transparency. Kindly use a scale of 5 points where:

SA = Strongly Agree, A = Agree, U = Uncertain, D = Disagree, and SD = Strongly Disagree

	5	4	3	2	1
	SA	A	U	D	SD
1. Transparent faculty influences financial management in tertiary institutions.					

2. A transparent remuneration system influences financial management in tertiary institutions.					
3. Transparent governance influences financial management in tertiary institutions.					
4. Financial activities of tertiary institutions are closely monitored.					
5. The financial transactions of tertiary institutions are regularly evaluated.					
6. Tertiary institutions ensure transparent financial reporting.					

Section VI: Financial Management

Kindly indicate your level of agreement/disagreement with the statements on financial management. Kindly use a scale of 5 points where:

SA = Strongly Agree, A = Agree, U = Uncertain, D = Disagree, and SD = Strongly Disagree

	5	4	3	2	1
	SA	A	U	D	SD
1. Tertiary institutions have high liquidity.					
2. Tertiary institutions involve all stakeholders in formulating budgets.					
3. Tertiary institutions mobilize financial resources.					
4. Stakeholders are involved in allocation of financial resources.					
5. Tertiary institutions have put in place strong internal controls.					
6. Expenditure of financial resources is audited.					

Thank you for your time and cooperation

APPENDIX III

LIST OF TERTIARY INSTITUTIONS IN NAKURU COUNTY

1. Adept College of Professional Studies - Nakuru
2. St Mary's Training Institute
3. Kenya Institute of Biomedical Sciences and Technology
4. Kenya Institute of Management (KIM)
5. Kenya Institute of Monitoring and Evaluation Studies (KIMES)
6. Kenya Medical Training Centre (KMTC)
7. Kenya Wildlife Service Training Institute
8. Nakuru Counseling & Training Institute
9. Savannah Institute for Business and Informatics
10. Valley Institute of Science & Technology
11. Digital Resource Center (DRC)
12. Institute of Business and Technology
13. Kenya Institute of Biomedical Sciences and Technology (KIBSAT)
14. Lake Region Business training and Consultancy
15. Lakeview Training Institute
16. Naivasha Computer & Business Studies College
17. Nakuru College of Health Sciences and Management
18. Kenstar College Nakuru
19. Nakuru Institute of Information Communication Technology
20. Kenya Industrial Training Institute
21. Prestige Academy and College
22. Rift Valley Institute of Science & Technology
23. AIC Naivasha Technical Training Institute
24. Amboseli Institute of Hospitality and Technology
25. Nakuru Teachers Training College
26. Berea Christian College for Integrated Studies
27. Serein Education Centre
28. Baraka Agricultural College
29. Achievers School of Professionals
30. African Institute of Research and Development Studies
31. Menengai Medical and Training College

32. Blescohouse Teachers Training College
33. Nakuru NYS College
34. Naivasha Technical Training Institute
35. Comboni Polytechnic
36. Kenya Institute of Studies in Criminal Justice
37. Mwangaza College
38. Stammers Institute of Business and Technology
39. Tracom College
40. Sensei Institute of Technology
41. Brightstar Institute Of Business Studies
42. Kenya Institute of Professional Counseling
43. Institute of Advanced Technology
44. Lanet Teachers Training College
45. Barut Youth Polytechnic
46. Dairy Training Institute
47. Lake Nakuru Hotel and Tourism Management College
48. Nairobi Elite College Nakuru
49. Kings Institute of Professional Studies
50. German Training Institute

Source: County Director of Education-Nakuru County (2017)