CORPORATE GOVERNANCE AND PERFORMANCE OF NATIONAL GOVERNMENT - CONSTITUENCIES DEVELOPMENT FUND IN KIAMBU COUNTY

By

ISABEL N. WAIYAKI

A THESIS SUBMITTED TO OFFICE OF THE GRADUATE SCHOOL IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF ARTS IN LEADERSHIP OF PAN AFRICA CHRISTIAN UNIVERSITY

OCTOBER, 2017

DECLARATION

This thesis is my original work and has not been presented for a degree or any other award in any other university.

WAIYAKI, ISABEL NYAMBURA DATE

MAL/0816/2015

__________________________ ___________________

This thesis has been submitted for examination with my approval as university supervisor:

DR. KEPHA O. MATENA (Dmin) DATE

LEADERSHIP DEPARTMENT, PAC UNIVERSITY

__________________________ ___________________

TABLE OF CONTENTS

DEDICATION

To all persons that I will lead and to God who has enabled me to be a leader.

ACKNOWLEDGEMENT

I would first of all like to thank the Almighty God for walking his grace in allowing me to complete a Master of Arts degree in Leadership. I am grateful to PAC University, Leadership department for all the support they have accorded me since I started this leadership program. I am greatly indebted to my supervisor, Dr. Kepha O.Matena for his guidance, direction, critical review and timely feedback in writing my thesis.

I am grateful to my parents for always encouraging me. I cannot forget my precious friends Mercy, Esther and Njeri for their support. To all my classmates, and in specific Lucy, Bright and Kigondu, thank you for your moral support as we burnt the mid night oil together.

Despite all this able assistance, the views expressed in this proposal are solely those of the author and do not represent the views of any of the recognized person(s) or institution(s). I therefore bear the full responsibility for any errors and/or omissions.

ABSTRACT

The introduction of National–Government Constituencies Development Fund (NG-CDF) had the aim of devolving resources to the remote areas of Kenya with an aim of eradicating poverty. There has been increased allocation of funds to the NG-CDFs. However, even with increased allocation, the performance of the NG-CDF has been below par with poor provision of public services in many NG-CDFs. There is a general perception by the public that NG-CDF institutions are not transparent, open, accountable and fair. There have also been instances of inability to account for funds in some constituencies. Despite this problem of poor performance and poor governance aspects, there's no indepth study on the link between corporate governance practices and the performance of NG-CDF especially in Kiambu County. The study thus aimed at addressing this problem and filling this research gap. The objective was to determine the effect of corporate governance on the performance of the NG-CDF in Kiambu County. Secondary data, descriptive and explanatory research designs were used. The data was collected using a questionnaire with the fund account managers and/or NG-CDF board chairmen as the targeted respondents. The 12 NG-CDF institutions composed the population. Data was analysed using STATA statistical package and the model estimated was the random effects. The results indicated that accountability was positively related with NG-CDFs' performance. Board effectiveness as represented by the board size was negatively related to the performance of the NG-CDF. The study recommends that NG-CDF national board and the NG-CDF institutions should ensure appropriate and timely auditing and realistic plans for the whole process starting with disbursement of funds. They also ought to determine reasonable low number of members in the board.

LIST OF TABLES

LIST OF FIGURES

ABBREVIATIONS AND ACRONYMS

CDF	Constituencies Development Fund
CEO	Chief Executive Officer
NG-CDF	National Government - Constituencies Development Fund
M.P	Member of Parliament
NSE	Nairobi Securities Exchange
OLS	Ordinary Least Squares
ROA	Return on Assets
ROE	Return on Equity

DEFINITION OF TERMS

Accountability: The quality of being responsible and answerable

Corporate Governance: Corporate responsibility and the conduct of business within acceptable ethical standards

Fairness: Allocation without discrimination and showing equity

Governance: A set of structures, policies and processes for controlling and directing an organization.

Independence: Ability to operate without interference from the political office

Transparency: The act of being more open and honest with all stakeholders being in the know of what is happening

Effectiveness: The ability to produce desired results

Performance: The rate at which funds are utilized to achieve desired results

CHAPTER ONE

INTRODUCTION AND BACKGROUND TO THE STUDY

Introduction

This chapter looks at the introduction of the study by looking at components which constitutes its base: background to the study, the statement of the problem, the objectives and the research questions. It also looks at the rationale, significance, scope, limitations and its delimitations and finally organization of the study.

Background to the study

The Constituency Development Fund (CDF) which was created by the Kenyan Parliament through the CDF Act, 2003 and over time amended to be referred to as the National Government – Constituencies Development Fund (NG-CDF) has an aim of addressing poverty at grassroots level (Kairu and Ngugi, 2014). This makes the role of NG-CDG institutions key in the country's development agenda. Like all institutions of governance good governance is an important aspect to these institutions. This is especially important in public institutions which have been prone to corruption and hence loss of public funds in Kenya. Thus, noting that the NG-CDF is an important government fund for the benefit of the poor, then understanding how issues of governance affect the performance of NG-CDF is an important aspect of study.

Overview of NG-CDF in Kenya

The CDF was created by the CDF Act, 2003 with the aim of addressing poverty at grassroots level. The CDF Act now NG-CDF Act requires that the national government allocates 2.5 percent of its total ordinary revenue to be disbursed under NG-CDF program. Of the 2.5 percent allocated to the NG-CDF, 75 percent is shared equitably among all the 210 constituencies while the remaining 25 percent is shared based on a poverty index so as to take care of the poorer areas.

The original CDF Act, 2003 was later amended in 2007 to create the CDF national board which is under the Ministry of Devolution which serves the purpose of overseeing all the CDFs in the various constituencies. In 2013, the CDF Act was amended to align it to the constitution of Kenya 2010. In 2015, CDF was declared unconstitutional as its functions were the same as those of the devolved governments and there was no provision of such an act in the constitution.

Therefore, the Members of Parliament (MPs) came up with amendments to the CDF act of 2013 to align the CDF functions to the functions of the national government but implemented through the CDF units. Thus, the NG-CDF act of 2015 came into being which aligned its functions to the functions of the national government to separate its functions from the functions of county governments after devolution took effect in 2013. The CDF units became NG-CDF units whose functions reduced to education and security projects from a list of education, security, water, roads and health projects.

There is a NG-CDF national board which receives funds from the national government and disburses it to the NG-CDF Committees/boards at the constituencies' level (Kamau and Muturi, 2015). The work of the NG-CDF committee is to deliberate on all project proposals from all wards in the constituency and any other project considered beneficial to the constituency and consult with the relevant government departments to ensure that the cost estimates for the projects are realistic as possible. They also rank project proposals in order of priority provided that ongoing projects take precedence, ensure that projects proposed for funding comply with the Act, monitor the implementation of projects and recommend to the board the removal of a member of the NG-CDF committee in line with the Act (NG-CDF Act, 2015).

Performance of NG-CDF in Kenya

The NG-CDF has had several effects which have been in line with its reason for being implemented; to reduce poverty at the grassroots. The positive effects of NG-CDF has been improved education status and access to bursary funds by the poor, better provision of services including more water access, more provision of health facilities and better roads (Kamau and Muturi, 2015). However, even with this positive note, a lot of projects still remain uncompleted and some usually get abandoned especially after elections when there is a change of power from one MP to another (Nyaguthii and Oyugi, 2013).

The performance of NG-CDF has been mixed in different constituencies in Kenya. Some have very poor performance while others have had better performance. According to the NG-CDF national board, some of the top performing NG-CDF included the following constituencies; Kibra being the top performer, Kabondo Kasipul and Kabuchai constituencies. Other top performing NG-CDF in the constituencies included Rabai, Garissa township, Githunguri, Rongai, Kapseret and Kitui Central.

This was based on financial and non-financial indicators (NG-CDF, 2015a). Only one constituency in Kiambu County was among the top performers. Hence, it is important to understand the performance of NG-CDF institutions in Kiambu County. To show the performance of the NG-CDF, it is important to discuss the NG-CDF allocations nationally and for constituencies in Kiambu County. The NG-CDF allocations for the past decade are shown in table 1.1

Table 1.1: *NG-CDF allocations*

Financial Year	Annual NG-CDF Allocations (Kshs)	Financial Year	Annual NG-CDF Allocations (Kshs)
2016/17	34.5 Billion	2009/10	12 Billion
2015/16	35.2 Billion	2008/09	10.1 Billion
2014/15	33.2 Billion	2007/08	10.1 Billion
2013/14	21.9 Billion	2006/07	9.7 Billion
2012/13	21.2 Billion	2005/06	7.2 Billion
2011/12	17.2 Billion	2004/05	5.6 Billion
2010/11	14.3 Billion	2003/04	1.3 Billion

Source: http://www.ng-cdf.go.ke

The NG-CDF allocations from the national government have increased over the last decade. When NG-CDF was enacted, only 1.3 Billion was allocated with 35.2 being allocated in the financial year 2015/16. This implies increased activities for the NG-CDF institutions in the various constituencies. The performance of NG-CDF in terms of utilization of NG-CDF funds to projects is diverse with different constituencies showing different utilizations based on the NG-CDF national board disbursements. The NG-CDF national board only releases funds to the NG-CDFs of various constituencies when they have utilized the previous disbursements. Table 1.2 shows the NG-CDF allocations and disbursements by the NG-CDF national board to the twelve constituencies in Kiambu County (NG-CDF, 2016).

Table 1.2: *Allocation and disbursement of NG-CDF Funds in Kiambu County*

Constituency	FY 2015/16 (Kshs '000')		FY 2014/15 (Kshs '000')		FY 2013/14 (Kshs '000')	
	Allocation	Disbursement as at 30th June 2016	Allocation	Disbursement as at 30th June 2015	Allocation	Disbursement as at 30th June 2014
Thika	107, 668	105,514	101, 647	101, 647	71,022	71,022
Gatundu South	102,080	101,581	96477	96477	67,569	61,880
Gatundu North	102,784	92,284	97,075	97,075	68,005	60,345
Githunguri	100,652	100,152	95,079	95,079	66,687	66,687
Juja	99,394	49,000	93,901	93,901	65,909	60,050
Ruiru	107, 231	102,731	101,239	101,239	70,753	62, 950
Kiambu Town	99,217	99,217	93,735	89,735	65,780	58, 678
Kiambaa	101,274	101,274	95,661	95,661	67,071	67,071
Kikuyu	103,799	103,799	98, 025	98, 025	68, 632	68,632
Kabete	101, 735	99, 235	98,025	98,025	67,356	67,356
Limuru	108, 856	54,000	102, 760	90, 248	71, 757	60,050
Lari	105, 323	105, 323	99, 452	99, 452	69,573	60,050

Source: http://www.ng-cdf.go.ke

In Financial Year (FY) 2015/16, only four constituencies (Kiambu Town, Kiambaa, Kikuyu and Lari) had been disbursed for all the funds allocated for the year by the NG-CDF national board by the end of the year. By the end of FY 2014/15, all the constituencies had utilized their funds based on the full disbursement from the NG-CDF national board apart from Limuru and Kiambu Town constituencies (NG-CDF, 2015b).

Principles of good governance

Corporate governance refers to corporate responsibility and the conduct of business within acceptable ethical standards (Fourier, 2006). Transparency, accountability, fairness and openness in reporting and disclosure of information, are key to the practice of good corporate governance. The object of good corporate governance is attained when institutions demonstrate their public accountability and conduct their business within acceptable ethical standards. This demonstration will take the form of effective financial reporting and the unqualified encouragement of public debate in respect of such financial reports (Fourier, 2006).

The principles of good corporate governance according to Standards Australia International (2003) include; accountability, transparency, participation, effectiveness, consistency, fairness and balance, honesty, dignity and rule of law. Accountability is the quality of being responsible and answerable. Transparency is ensuring that there is openness and honesty in the dealings of an organization, for example, in procurement of goods and services. Participation includes ensuring that all stakeholders are involved in the process of service provision. Effectiveness is the ability to produce desired results while fairness is justice in allocation of resources.

Another definition of corporate governance gives the principles as fair remuneration for all officials and stakeholders, enhancing integrity in financial reporting, internal controls and internal audits, restructuring the boards of organizations to add value, timely disclosure of information pertaining to organizations, ethical behavior in decision making, making clear and recognizing the duties and responsibilities of the board as well as for the management, heightening the performance of the board and management and respecting the rights of all shareholders (Government of Australia, 2003).

Importance of good corporate governance in the NG-CDF in Kenya

Good corporate governance is an important aspect to organizations. This is especially important in public institutions which have been prone to corruption in Kenya. Thus, noting that the NG-CDF is an important fund for the benefit of the poor, then enhancing governance would bring with it several benefits. First, it deals with financial impropriety and reduces unaccountability in the NG-CDF institution. Secondly, it reduces bureaucratic abuses and reduces wastage. Thirdly, it enhances integrity and increases confidence of the people in the NG-CDF. This then helps the NG-CDF to achieve its policy objectives which is to provide services to the community in the various regions. Thus, good governance eliminates the agency conflict and promotes community interest over self-interest (Miring'u and Muoria, 2011).

Fourthly, good governance assists institutions in separating the functions of the board from those of management. In the NG-CDF institutions, the board (commonly known as the NG-CDF Committee) is supposed to provide oversight and direction. The day to day operations of the NG-CDF office are carried out by the Fund account manager who is the Chie Executive Officer (CEO) of the NG-CDF with a team of about four to seven members under them. Governance involves disclosure of information which pushes institutions to perform (Watcher, Hirsch and Kleindorfer, 2001). Public disclosure of information pushes the NG-CDF institutions to perform as the community will always raise concerns if there are no results. Finally, good governance also increases competitiveness (Kihara, 2006). In the NG-CDF, competitiveness would imply following procurement processes which awards tenders to the least evaluated bidder thus increasing competitiveness.

Relationship between corporate governance and NG-CDF performance in Kenya

There is a perceived link between corporate governance and performance of the NG-CDF in Kenya. Several aspects of corporate governance have been wanting and may have led to poor performance of the NG-CDF. Lack of accountability and transparency and misuse of funds have been sighted in some of the NG-CDFs (Kairu and Ngugi, 2014) and is associated with poor performance. Other aspects of corporate governance like participation (by the community) are associated with success of NG-CDF (Chesiyna and Wanyoike, 2016). Political interest and lack of independence of the NG-CDF board is also associated with poor performance of the NG-CDF (Kamau and Muturi, 2015; Chesiyna and Wanyoike, 2016).

Statement of the problem

The NG-CDF was introduced with the aim of taking resources to the citizens so as to eradicate poverty. The other aim was to ensure that there is participation of citizens in decision making. Over the years, there has been increased allocation of funds to the NG-CDFs across the 290 constituencies in Kenya. However, even with this increased allocation, the performance of the NG-CDF has been wanting with poor provision of public services. This is in terms of incomplete projects, delayed project implementation, poorly implemented projects as well as abandonment of project implementation especially with the coming in of new MPs after each elections (Kairu and Ngugi, 2014; Oyalo and Bwisa, 2015). This has been experienced even in Kiambu County.

It has been observed that good corporate governance and ethical behaviour improves performance of both public and private organizations (Zvavahera and Ndoda, 2014). This would be expected in the NG-CDF as a public institution. A number of reasons have been identified as causing poor performance of NG-CDFs in Kenya. These include funds allocation, community involvement, involvement of technical officers, level of education of project management committees and political interest as seen by MPs involvement in NG-CDF (Kairu and Ngugi, 2014; Kamau and Muturi, 2015; Oyalo and Bwisa, 2015; Chesiyna and Wanyoike, 2016). These studies however look at what determines NG-CDF performance at a broader level in Nyandarua, Kangundo, Machakos and Baringo counties. Thus, an indepth study on how corporate governance affects NG-CDF's performance is missing in Kenya and more so in Kiambu county.

Further, there is a general perception by the public that NG-CDF institutions are not transparent, open, accountable and fair mainly due to reports from the Kenya National Audit Office (KENAO) which show the status of NG-CDF projects. There have been several instances of inability to account for funds and stalled projects in some constituencies. An in-depth link (analysis) between corporate governance practices and the performance of NG-CDF has not been addressed in Kenya especially in Kiambu County. The study thus aimed at addressing the problem of poor performance of NG-CDF institutions and understanding whether poor corporate governance practices is a cause. It filled this research gap by answering the research questions that follows.

Objectives of the study

The main objective of the study was to determine the effect of corporate governance on the performance of the Constituencies Development Fund in Kiambu County.

The specific objectives were:

i) To determine the effect of transparency on the performance of the NG-CDF
ii) To determine the influence of accountability on the performance of the NG-CDF
iii) To determine the impact of board composition on the performance of the NG-CDF

Research Questions

i) What is the effect of transparency on the performance of the NG-CDF?

ii) What is the influence of accountability on the performance of the NG-CDF?

iii) What is the impact of board composition on the performance of the NG-CDF?

Rationale of the study

This study is paramount at this time in Kenya when many people have lost faith in the running of the NG-CDF units with most people seeing them as avenues of corruption where funds are not accounted for. Understanding how the governance of NG-CDF units and how it affects the performance of the NG-CDF units is of utmost priority so as to suggest ways of improving corporate governance towards improving NG-CDF performance. In 2015, the NG-CDF was declared illegal by the High Court of Kenya as it was not in line with the constitution. However, it was then legalized and renamed NG-CDF in the NG-CDF Act 2015.

The effects of the NG-CDF have been felt in the various constituencies even with the mentions of lack of accountability of funds. The NG-CDF institution being a political fund is faced with challenges of governance, leadership, independence and autonomy. Hence, this study was motivated to determine whether corporate governance has any effect on the performance of the NG-CDF institution in Kiambu County. This literature is also missing in Kiambu County as well as other counties and it will encourage further research in other regions in the country.

Significance of the study

The study is important for the leaders at the constituency levels as resourceful for getting insights on how governance impacts their NG-CDF bodies' performance. It will help in understanding what good governance is as well as know how to practice better governance based on the findings on the study. The study is also important for the policy makers in terms of setting criteria for the operations of the NG-CDF units including criteria for selection of the NG-CDF committee members in the constituencies. The government through the various ministries will be able to make better policies in running of the NG-CDF operations. The National Treasury, the Ministry of Devolution and the NG-CDF national Board will be able to make decisions and policies to help the running of the NG-CDF units in terms of governance.

The study is also important for existing literature since there is a gap in literature in terms of understanding how governance affects performance of the NG-CDF units specifically in Kenya. Thus, future researchers will benefit from this literature in undertaking more research.

Scope of the study

The study was carried out in Kiambu County covering the twelve constituencies; Kiambu, Kiambaa, Thika, Juja, Ruiru, Githunguri, Gatundu South, Gatundu North, Kikuyu, Limuru, Lari and Kabete. The choice of this area was due to the lack of literature in this area in Kiambu County and also because the performance of NG-CDF in Kiambu County has not been optimal.

Limitations and delimitations of the study

The study was being done in Kiambu County. The main challenge was the fact that data collection was being done during the campaign season and the NG-CDF office has political links. Thus, getting the information required took longer than expected. Still, some of the fund account managers had to seek authority from the NG-CDF board to give the requested information which further delayed the process. Further, there are no in-depth studies in Kenya on the impact of corporate governance on the performance of NG-CDF as most literature is on determinants of NG-CDF performance. Hence there was a general limitation on empirical literature review.

Chapter summary

This chapter discussed the background of the study, the statement of the problem, the objectives, research questions, the purpose and the limitations of the study.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This section reviewed both theoretical and empirical literature as well as the conceptual framework used in the study.

Empirical Literature Review

The empirical literature looked at the previous studies which have been done on corporate governance and its impact on performance of organizations which was the NG-CDF. This helped in identifying the gap in the study.

There are three strands of literature, those which find a positive relationship between good corporate governance and performance of organizations, those that find a negative relationship and those that find no relationship between the two concepts. On the first strand where good corporate governance has positive relationship on an organization's performance, several studies have reached this conclusion including Ongare, K'obonyo, Ogutu and Bosire (2015); Todorovic (2013); Aggarwal (2013); Al-Manaseer, Al-Hindawi, Al-Dahiyat and Sartawi (2012); Nyarige (2012); Renders, Gaeremynck and Sercu (2010); Oyoga (2010); Carline et al. (2009); Daines et al. (2008); Nicholson and Kiel (2007); Bhagat and Bolton (2007); Brown and Caylor (2006); Mak and Kusnadi (2005) and Chung, Wright and Kedial (2003).

Literature showing a negative relationship between governance and performance include; Ashenafi, Kelifa and Yodit (2013); Giroud and Mueller (2010); Bauer et al. (2004) and Hutchinson (2002). Finally, those studies that find no relationship between good corporate governance and organizational performance include: Yilmaz and Buyunku (2016); Castaner and Kavadis (2013); Shank, Hill and Stand (2013); Gupta, Chandrasekhar and Tourani-Rad (2013); Khatab, Masood, Zaman, Saleem and Saeed (2011); Grove et al. (2011) and Brenes et al. (2011).

The differences in these results are as a result of use of different measures of corporate governance including board characteristics, independence, CEO duality, ownership among others. Bhagat and Bolton (2008) recommend the use of a more comprehensive instrument which would include all corporate governance practices instead of a single measure of governance. The different results are also due to use of different performance measures including Return of Assets (ROA), Return to Equity (ROE), share earnings, net profit margin among others. These are discussed in the next section.

Corporate Governance and Performance of organizations showing various measures

Breaking down the corporate governance measures, different findings are reached at in literature in the different countries. In Turkey, Yilmaz and Bugunku (2016) determined the effect of governance on companies' performance using panel data regression analysis. They used ROA, leverage ratio and Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) to measure performance and board structure, board size and share of independent board members to measure corporate governance.

They found no relationship between board structure, board size and share of independent board members and the measures of performance.

These results are limited in the use of both corporate governance and performance measures. Governance measures in this study are limited to board size and structure which may only capture effectiveness. There is also need to use non-performance measures in measuring performance.

Ashenafi et al. (2013) conducted a study on the effect of corporate governance on the performance of banks in Ethiopia. They used regression analysis and ROA and ROE as measures of banks' performance. The measures used for corporate governance include; directors' structure, board size, audit existence, bank size, ownership and government regulation. They found that the board size is positively related to the performance of banks which is contrary to the expected results that a larger board size is less effective. They also found that existence of an audit department/committee is positively related with performance of banks. The other variables were insignificant.

The use of bank size as measure of corporate governance is criticized as a big firm doesn't imply better corporate governance and vice versa. They are also limited to the effectiveness principle of corporate governance by using board size and structure as measures of corporate governance. They also found contrary results that a large board size is good for performance of firms. This could be due to the limitation of using usual regression analysis without controlling for unobserved differences. The study was also limited to private banks.

In India, a positive relationship between governance and performance was found. Aggarwal (2013) while using twenty companies and regression analysis, correlation, t-test and F-test found that all the measures of corporate governance had a positive impact on performance. The measures of governance used included; board size, board independence from management, separation of CEO and chairman, financial expertise of directors, number of board meetings, role of external auditors and committees of the board. ROA, ROE, Return on capital employed and profit before tax were used as performance measures. These findings are limited as they incorporate mainly the effectiveness principle of corporate governance as shown by the variables used. The study was also limited to private firms.

Other measures of corporate governance used include rights of shareholders, commitment to the corporate governance standards, disclosure and transparency of information, role and responsibility of the board, audit and internal control systems, equal treatment of shareholders and role of stakeholders in corporate governance (Todorovic, 2013). The study was done in Srpska considering 19 organizations. Using scorecard analysis, they found that better practice of corporate governance leads to higher performance of organizations.

This study incorporates more principles of corporate governance like transparency, accountability, effectiveness and fairness. However, the use of net profit margin to measure performance is limited and other measures could be used. The focus was on private firms whereas it is important to consider public firms.

Al-Manaseer et al. (2012) determined the effect of corporate governance on performance of banks in Jordan using pooled panel data and Ordinary Least Squares (OLS). ROE, ROA and earnings per share were used as measures of bank performance while board size, board independence, CEO status, foreign ownership and bank size were used to measure corporate governance. The board size was found to be significant and negatively related with banks performance while board independence was significantly and positively related with banks' performance. The measures of corporate governance were limited to board size and independence which is only the effectiveness aspect of corporate governance. Use of pooled panel OLS is also limited as it does not capture unobserved differences and there is need to use better methods of analysis.

In Pakistan, Khatab, et al. (2011) determined the effect of corporate governance on the performance of twenty organizations listed at the Karachi's stock exchange. They used pooled OLS with panel data with the same measures of performance (ROE, ROA and Tobin Q) and firm size, leverage and growth as measures of corporate governance. They found firm size and leverage to be positively related with performance of the organizations. The measures used to measure corporate governance in this study are inappropriate as firm size does not imply good or bad governance. Use of Tobin Q to measure performance is limited as it mainly shows the market value of a firm which may not imply performance.

Corporate Governance and Performance of organizations in Kenya

In Kenya, different findings on the relationship between corporate governance and firm performance are reached at. Wagana and Nzulwa (2016) set out to determine the effect of corporate governance specifically gender diversity on performance of organizations in Kenya. Using a review of literature, they found that good corporate governance with gender diversity improves performance of organizations. In their study, they critiqued the use of purely financial measures in measuring performance and recommended for use of non-financial measures. The study only considers the aspects of gender diversity of the board as a measure of corporate governance and there is need to incorporate other aspects of corporate governance. There is also need for an empirical analysis to provide evidence on how gender diversity affects organization's performance.

Ongare et al. (2015) found that as indicated in literature, a small board size of between 5 to 7 members was important for increased firm's performance. Using multivariate regression analysis on panel data, they tried to determine the effect of board composition on financial performance for 46 firms listed at the Nairobi Securities Exchange (NSE). They used ROA, ROE and dividend yield to measure firm's performance and board size, board characteristics and board independence to measure corporate governance. Gender diversity was found to improve performance while board size had a negative impact on performance. However, the independence of the board was found to be insignificant. The study is limited to the use of corporate governance measures which indicate effectiveness (board size, characteristics and independence) and there is need to incorporate more aspects of corporate governance.

Kiruri (2013) using simple regression set out to determine the relationship between ownership structure and bank profitability. The study used profitability as a measure of performance of banks and ownership concentration, state ownership, foreign and domestic ownership as measures of corporate governance. The study found that ownership concentration and state ownership negatively impacted performance of the banks while whether a bank was foreign or domestic owned impacted performance positively. There is need for use of better measures of corporate governance which show the principles of corporate governance like accountability, transparency, effectiveness among others. There is also need to use other measures of performance and not just profitability.

Nyarige (2012) uses a cross section survey and analysis to determine the effect of corporate governance on performance of banks. The study used Tobin q as a measure of financial performance. The measures used to measure corporate governance include board size, board meetings, board independence and executive compensation. The findings indicated that the board size was negatively related with the banks' performance while the more independent the board, the better the banks' performance. The study uses Tobin Q as a measure of bank performance which is limited since it shows the market value of a firm and not necessary performance. The corporate governance measures used are also limited to effectiveness and other aspects of corporate governance need to be included.

Oyoga (2010) while determining the effect of corporate governance on performance of all financial institutions listed on the NSE found that corporate governance is key for an organization's performance. The study used Tobin Q, ROE and ROA as measures of financial performance and board independence, board composition, board governance disclosure, shareholding composition and rights. The study uses corporate governance measures which show more aspects like effectiveness and transparency. However, there's need to capture more corporate governance aspects. Using Tobin Q as a measure of performance is limited as it shows the market value and not performance. Further, the performance measures used are all financial.

Theoretical Literature

Theoretical literature was based on theories of corporate governance. These theories include: Agency Theory, Stewardship Theory, Transaction Cost Theory, Stakeholder Theory, Resource Dependency Theory, and Political Theory (Abdulla and Valentine, 2009). The agency theory was furthered by Jensen and Meckling (1976). Governance of firms creates the agency problem. The agents prefer to maximize their personal interests instead of the principal's interest. Thus, this theory's main interest is how rules and incentives can be developed to minimize and/or eliminate the conflict of interest between the principal and the agents (Jensen, 1983). Good governance eliminates the agency conflict and promotes community interest over self-interest thus increasing performance.

The stewardship theory was developed by Davis, Schoorman and Donaldson (1997). It posits that stewards take care and maximizes shareholders wealth through increased organizational performance shown in profits. The transactions theory was developed and extended by Williamson (1996).

It is based on the assumption that an organization has grown so much that it overtakes the market in the process of determination of allocation of resources. Therefore, an organization can determine price as well as production. The focus and unit of analysis is the transaction. Managers are then seen as opportunists and selfish and align the organization's transactions to their own interest (Williamson, 1996) which is likely to lower an organization's performance. The higher the transaction cost, the lower the performance of the firm. This study however is not based on these three theories but on the following three theories since the NG-CDF is not a profit making organization but for the interest of various stakeholders mainly the public. The theories are Stakeholder Theory, Resource Dependency Theory and Political Theory.

Stakeholder Theory

This theory is rooted in management theory or discipline and it was developed by Freeman (1984). It includes corporate accountability in all the stakeholders of a firm. Instead of just concentrating on shareholders' interest, this theory's focus is on creating value or wealth for all stakeholders and ensuring that all their interests are taken into consideration (Clarkson, 1994). Stakeholders can be defined as any group or individual who has a stake in the achievement of an organization objective. They include but not limited to shareholders, employees, customers, suppliers, government, community, investors, trade groups and political groups among others (Abdulla and Valentine, 2009). Corporate governance efforts are intended to empower all stakeholders who contribute or control resources and to ensure that their interests are aligned with that of the shareholders so as to improve the performance of an organization.

There are two concerns of this theory as shown by Freeman (1994). First, “what is the purpose of the firm?” This encourages management to create a shared sense of the value they create, thus bringing its stakeholders together. This enhances the firm’s performance. Second, “what responsibility does management have to stakeholders?” This is meant to show how an organization will carry out their business and how they will relate to their stakeholders in achieving the business goals. Therefore, all people come together in creating economic value that wholly benefits everyone. In essence, every legitimate person participating in the activities of the firm do so to obtain benefits and their priority is not self-evident.

This theory is key for this study as it shows how concern for all stakeholders can lead to increased performance of the NG-CDFs. The NG-CDFs offer public services to the community through implementing community projects as funded by the government of Kenya. The stakeholders include the community, the government (both national and county), the suppliers and contractors, the government officers who work closely with NG-

CDFs and the employees. According to this theory, the functioning of the NG-CDF including the performance is for the benefit of all these stakeholders.

Political Theory

This theory is based on the fact that it is through government's favour that allocates power, profits and privileges (Hawley and Williams, 1996). Thus, the owners and all stakeholders try to gain government's favour and increase their bargaining power so as to increase influence. The theory incorporates voting by shareholders and the ability to buy voting power increases influence. Politics is introduced into an organization as the government increases its political influence in the organization.

This is likely to be accompanied by poor performance of firms if there's too much political interest. This theory applies to this study since the NG-CDFs are public offices which attract a lot of political interest from the MPs. The MPs try to increase their bargaining power so as to get more funds from the national government. Thus, politics are evident in the NG-CDFs and this is likely to affect their performance negatively.

Resource Dependency Theory

The resource dependency theory is rooted in economic theory. It posits that the board of directors play a key role in providing access to resources which are needed for the achievement of the organization's goals. They do this by connecting with the organization's external environment (Hillman, Canella and Paetzold, 2000). Board of directors need to be diverse, skillful and knowledgeable in order to source for resources for the organization’s competitive advantage.

The theory classifies the board of directors into the following categories; Insiders who can either be former or current directors who bring in expertise in various areas like law, finance and general strategy and direction. Business experts are senior people from other big organizations and help with provision of expertise in decision making and problem solving as well as strategic planning.

Support specialists provide support in other key areas needed by an organization like lawyers, public relations experts, bankers, Human resource experts among others. Finally, there are community influentials who are those with a lot of influence like political leaders, church leaders, academicians and community leaders.

This theory also applies to the current study. The board members ought to have the expertise, skillful and diverse so as to be able to run the NG-CDFs and also attract more funds beyond the funds from the government. The better the resources and expertise of the NG-CDF committees, the better the performance of the firm. Table 2.1 shows a summary of the three governance theories and some of the key aspects of the theories.

Table 2.1: *Summary of the governance theories*

Theory \ Basis	Objective	Focus	Impact on performance
Stakeholder	Maximize stakeholder satisfaction	All stakeholders' interest	Positive
Resource Dependency	Acquire and exploit resources	Resources and power	Positive
Political	Maximize political influence	Power	Negative

Source: Author's compilation

Conceptual Framework

The conceptual framework shows how the variables are related to one another. It was based on corporate governance variables and their impact on performance of the NG-CDF. Independent variables influences or causes and determines the effect on another variable known as the dependent variable (Mugenda and Mugenda, 2003). This is described in figure 2.1.

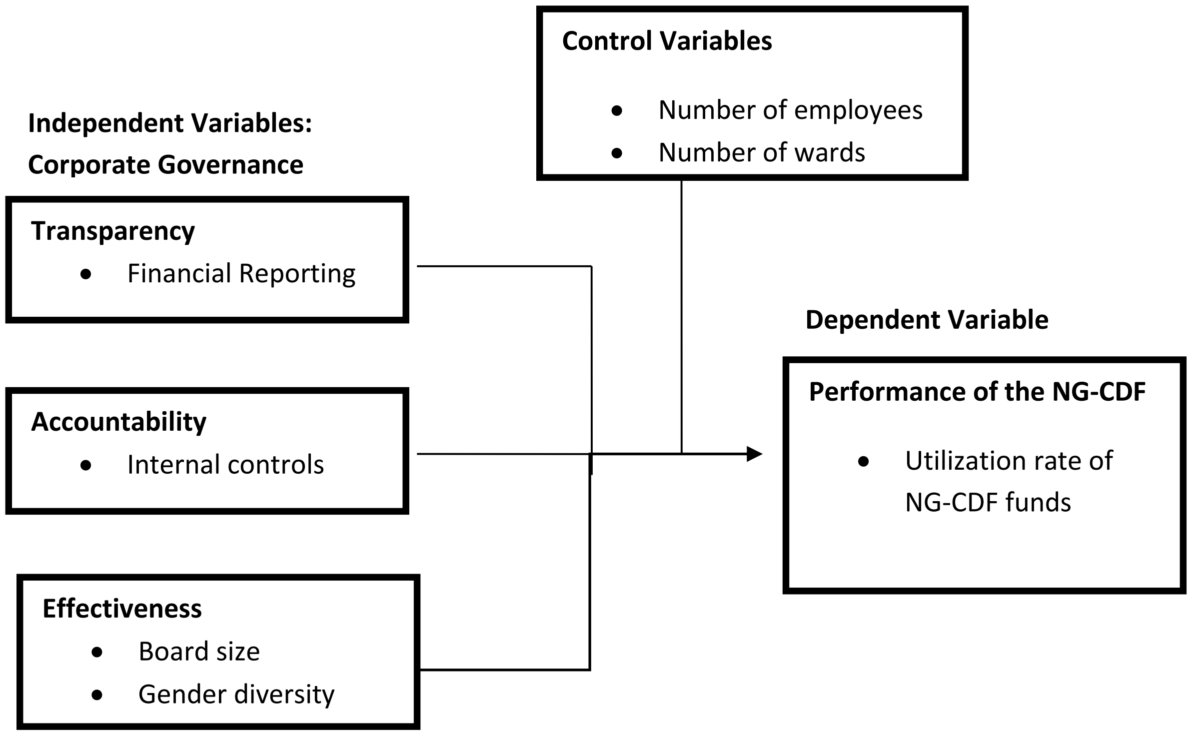

Figure 2.1: *Corporate Governance and Performance of NG-CDF*

The dependent variable was performance of the NG-CDF. This was represented by the rate of utilization of NG-CDF funds. This measure is justified as upto 97 percent of the NG-CDF funds are utilized for development projects while only 3 percent goes for administrative expenses. The independent variables included the NG-CDF committee size and gender diversity which represents effectiveness as a principle of corporate governance. Others included financial reporting and internal controls as required by the NG-CDF national board and they represent transparency and accountability respectively as principles of good governance. The conceptual framework was based on the principles of corporate governance for which it is possible to obtain data based on the sensitivity of the NG-CDF offices.

Critique and Summary of Literature

The studies discussed measure performance of the organizations in mainly three ways which are Return on Assets, Return on Equity and Tobin q (Ashenafi et al., 2013; Al-Manaseer et al., 2012; Nyarige, 2012; Khatab et al., 2011; Oyoga, 2010). Kiruri (2013) further uses profitability of banks to measure their performance. Al-Manaseur et al. (2012) also uses earnings per share as a measure of performance of banks. These measures are suitable when dealing with organizations which are mainly for profit because return on equity is very important for shareholders.

The Tobin's Q as used by Nyarige (2012) and Oyoga (2010) is not a good measure of financial performance as it looks at the market value of an organization as compared to the total asset value of the organization. Ongare et al. (2015) in addition uses dividend yield to measure performance. Most of these measures used measure financial performance with an emphasis on profits. Wagana (2016) critiques this and recommends the use of non-performance measures. In this study, the NG-CDF institutions are public entities allocated funds by the national government which should be used for provision of services to the community, hence these measures may not be appropriate in measuring the performance of NG-CDF as what matters is the benefit to the community. For example, NG-CDF does not pay dividends year on year.

Thus, the study deviated to use rate of utilization of funds allocated to show performance which is key in understanding whether the community is benefitting through spending of funds on indicated projects. Several other measures could have been used to measure performance including qualitative aspects. However, as explained earlier, the rate of utilization of NG-CDF funds as a measure of NG-CDF performance is justified as only a small part of the total funds (3 percent) is spent on administration expenditure while 97 percent goes to development expenditure including issuing bursaries for education purposes thus benefitting the community. This then would be an indication of projects undertaken for the benefit of the community.

The choice of the corporate governance measures was also critical in analyzing corporate governance effects. Some studies used the organization's size mostly bank size as a measure of corporate governance (Ashenafi et al., 2013; Al-Manaseer et al., 2012 and Khatab et al., 2011). This measure is not a good measure of corporate governance because a small bank does not necessarily imply bad governance and a big bank or organization does not mean good governance. The studies done on the effect of corporate governance on performance also mainly use measures which show effectiveness and it is important to use other measures which show other aspects of corporate governance like accountability, transparency, fairness among others.

In Kenya, only a few studies have been done on effect of corporate governance on the performance of organizations and the few are mainly on the banking sector. Again, the few existing studies on NG-CDF (Kairu and Ngugi, 2014; Kamau and Muturi, 2015) are on factors determining the performance of NG-CDF. Thus, there are no specific studies in Kenya done on the effect of corporate governance on the performance of NG-CDF hence this study was important. This is necessary especially in considering several aspects of corporate governance.

In conclusion, there is need to use other measures of performance not just the standard financial measures. Thus, this study used rate of utilization of funds as a measure of performance of the NG-CDF institutions. Further, it is important to include various aspects of governance like transparency, accountability, effectiveness among others. Studies discussed above concentrate on board effectiveness and ownership structure and overlook other aspects of governance. This study thus extended the aspects of governance to include transparency, accountability and effectiveness. This was applied in the context of the NG-CDF institutions.

CHAPTER THREE

RESEARCH METHODOLOGY

Introduction

This section includes the research design, population and sampling, data and data collection tools, empirical model and data analysis and definition of variables.

Research Design

The study used both descriptive and explanatory research designs in explaining the relationship between corporate governance and performance of NG-CDF. Mugenda and Mugenda (2008) define descriptive research as a process of collecting data so as to answer the questions relating to a certain relationship in question. It is useful in describing the characteristics of the population. It is advantageous because it provides significant information and allows one to do a narration of descriptive statistics from the data. The descriptive research design was quantitative in nature. The explanatory research design allows for running regressions to show the causal relationships between variables which in this case were the causal relationship between corporate governance and NG-CDF performance.

Population and Sampling

A population is the total group of individuals, items, events or objects which have similar observable characteristics (Mugenda and Mugenda, 2008). This study was done in Kiambu County and covered the NG-CDF institutions in the County. Hence the population was 12 which is the number of NG-CDF institutions in the 12 constituencies of Kiambu County. There was no sampling required since the study used a census of all the 12 constituencies. The fund account managers and/or Chairmen the of the 12 NG-CDF institutions were the targeted respondents. This was done with approval from the NG-CDF board/committee.

Data type, sources and Data Collection Methods

The data which was used in the study is typical panel or longitudinal data for a span of four years (Four financial years from 2012/13 – 2015/16 and for 12 constituencies in Kiambu County (Juja, Gatundu South, Gatundu North, Githunguri, Thika, Kiambu town, Kiambaa, Ruiru, Kikuyu, Limuru, Kabete and Lari).

The study used quantitative secondary data. Secondary data is data collected from documented sources (Uma, 2003). It was collected from the NG-CDF offices using a questionnaire with questions relating to the variables on corporate governance and utilization of funds. These variables include; rate of utilization of NG-CDF funds, financial reporting, audit reports, board size and gender diversity as well as number of employees.

Secondary data on the number of wards was collected from the 12 constituencies' websites and where it was not available, it was collected from the NG-CDF offices. Data on NG-CDF allocations and disbursements to the constituencies was collected from the website of the NG-CDF national board.

Data Validity and Reliability

Data validity and reliability is done where one is collecting data to determine if results can be replicated in a different scenario under similar methodology (Zikmund, 2000). There was no need for pre-testing since the questionnaire was used to collect secondary data which is already documented. Data validity shows how accurate the instrument is in relation to what it is supposed to measure. The study determined the validity of the questionnaire through content validity which examines the contents of the questionnaire critically before it is administered. The questionnaire was examined by the supervisor of the study.

Empirical Model and Data Analysis

The empirical model was given by equation 1 as follows:

$$Y = f(CG) \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \quad 1$$

Where Y is the dependent variable and represents the performance of the NG-CDF and CG is the independent variable representing corporate governance.

The rate of utilization of NG-CDF allocated funds was used to represent the dependent variable, performance of NG-CDF. Financial reporting, internal controls, board/committee size and board diversity were used to represent corporate governance (Wanyama, 2013; Donaldson and Fafaliou, 2003). Financial reporting represented transparency, internal controls represented accountability while board size and board diversity represented effectiveness of the board. Opening up to include the specific variables, the empirical model was:

$$Y_{it} = \alpha + \delta_1 Z_{1it} + \delta_2 Z_{2it} + \delta_3 Z_{3it} + \delta_4 Z_{4it} + \varepsilon_{it} \quad \ldots\ldots\ldots\ldots\ldots\ldots \quad 2$$

Where Z_1 is financial reporting, Z_2 is internal controls, Z_3 is board size and Z_4 is gender diversity. ε_{it} is the error term and i denotes single point in time (cross-section) while t denotes time.

Investigating a relationship, for example in this case the relationship of corporate governance and organization performance requires control variables. The organization's size is an important variable where board characteristics and organization's performance are involved. The study used the number of employees in the NG-CDF office as a proxy for the NG-CDF size as used by Mayers et al. (1997) and Sivdasani and Yermack (1999). The study also added the number of wards per constituency as it affects the rate of utilization of funds. Thus, the empirical model was:

$$Y_{it} = \alpha + \delta_1 Z_{1it} + \delta_2 Z_{2it} + \delta_3 Z_{3it} + \delta_4 Z_{4it} + \delta_5 Z_{5it} + \delta_6 Z_{6it} + \varepsilon_{it} \quad \ldots\ldots\ldots\ldots 3$$

Where Z_5 and Z_6 are the control variables and represent the number of employees and number of wards respectively.

Estimation Method and data Analysis

The study used panel data model to analyse the relationship between governance and performance of the NG-CDF and equation 3 was estimated:

$$Y_{it} = \alpha + \delta_1 Z_{1it} + \delta_2 Z_{2it} + \delta_3 Z_{3it} + \delta_4 Z_{4it} + \delta_5 Z_{5it} + \delta_6 Z_{6it} + \varepsilon_{it}$$

Panel data is data that is collected across units (commonly known as cross-section units) and over time. The advantage of using panel data is that it allows for control of the impact of omitted variables, measurement errors and help in capturing more dynamic relationships as compared to using cross-section data (Green, 2008). Endogeneity is a common problem in panel data analysis and it implies correlation between the independent variable(s) and the error term. One common reason for endogeneity is the unobserved heterogeneity which is the unobserved differences among the cross section units for example ability and effort which cannot be directly observed. This is a problem as estimating such an equation may lead to biased regression coefficients which should be unbiased and efficient (Green, 2008).

So as to consider these difficulties, the study used fixed or random effects model. Fixed effects model assumes that the error term is fixed for each cross section unit and thus should be eliminated. The random effects model assumes that the error term is random and thus giving us a covariance of zero, implying the independent variables are not correlated with the error terms (Torres-Reyna, 2007).

The study thus tested for fixed versus random effects by using the Hausman test as well as Breusch – Pagan LM test to test between random effects model and pooled OLS. Thus estimating the model which was not rejected. Since the data was a micro panel (the cross section units which are NG-CDFs in the constituencies are more than the number of years i.e. 12 against 4), it was important to test for heteroskedasticity using Breusch – Pagan test. Heteroskedasticity is a situation where the variance of the error terms differs across observations (Green, 2008). It is a concern as it leads to inefficient coefficients as the t statistic and confidence intervals are not valid

The secondary data collected on the corporate governance and NG-CDF performance measure was analysed using Stata statistical package. The data analysis using the random effects model was done after carrying out the diagnostic tests.

Definition and Measurement of variables

The variables were measured in various ways. Table 3.1 gives the definition of the variables and how they were measured.

Table 3.1: *Definition and Measurement of Variables*

Variable	Definition and measurement	Expected Sign
Rate of utilization of NG-CDF funds	This is the rate at which the NG-CDF institutions have utilized the NG-CDF allocated funds. It is measured as the utilization of allocated funds as at 30th June of each financial year divided by the total allocated funds for each constituency for that financial year multiplied by 100	Dependent Variable
Financial Reporting	This is where the NG-CDF submits financial reports to the oversight body, the NG-CDF national board as it shows transparency. It is measured as a dummy of 1 if the NG-CDF has submitted financial reports to the NG-CDF national board by end of the financial year and zero otherwise	Positive
Internal Controls	How well the NG-CDF offices are accountable through audits. It is measured by a dummy variable, 1 when both the internal and external audit reports are available and zero otherwise	Positive
Board Size	This is the total number of members in the board per year	Negative
Gender diversity	It is measured as a ratio of the number of women to the total board members	Positive
Number of employees	This is the number of employees in the NG-CDF office. It measures the size of the NG-CDF institutions.	Negative
Number of wards	The number of wards in each constituency	Negative

Summary of Methodology

The chapter discussed the methodology used. The study used secondary data. The population composed the 12 NG-CDF institutions in Kiambu County and primary data was collected using a questionnaire. Secondary data was obtained from the NG-CDF national board and website of the various constituencies. The data was analysed using random effects model and Stata statistical package. The variable definition was also presented.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter presents a comparison of the various NG-CDF data variables, the findings and discussion of the study. A summary of the chapter is then presented.

Cross constituency/NG-CDF comparisons

The analysis started with a comparison of the findings across the NG-CDF units in the various constituencies. These are given in figures 4.1 to 4.3.

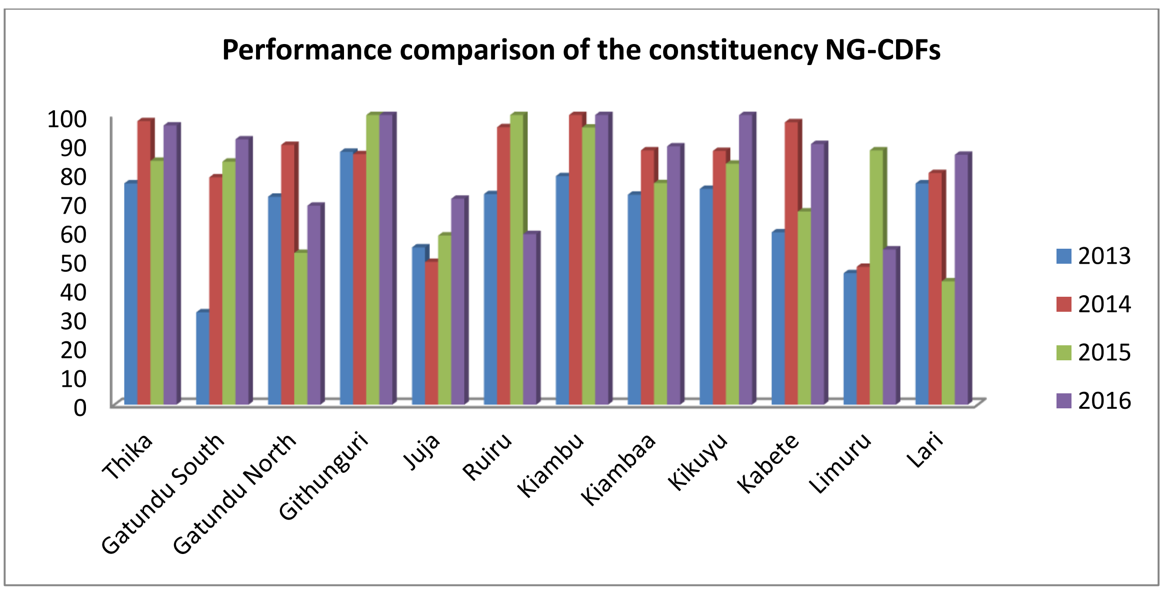

Figure 4.1: *Performance comparison of the constituency NG-CDFs*

Figure 4.1 showed that the NG-CDF units in the various constituencies had different rates of utilization of the CDF funds. Githunguri NG-CDF had the highest overall rate of utilization of the NG-CDF funds over the four years apart from 2014 when it didn't have the highest performance. The highest performance was by Kiambu NG-CDF. Kiambu NG-CDF also recorded high performance rate, its lowest being in 2013 when it was at 70 percent.

Gatundu South recorded the lowest performance in 2013, Limuru the lowest performance in 2014, Lari the lowest performance in 2015 while Limuru recorded the lowest performance in 2016. In 2013, Githunguri had the highest rate of performance, Thika and Kiambu the highest performance in 2014, Githunguri and Ruiru the highest performance in 2015 while Githunguri, Kiambu and Kikuyu had the highest rate of performance, all at a 100 percent. The next comparison is the board size. Figure 4.2 shows the board size of the various NG-CDFS.

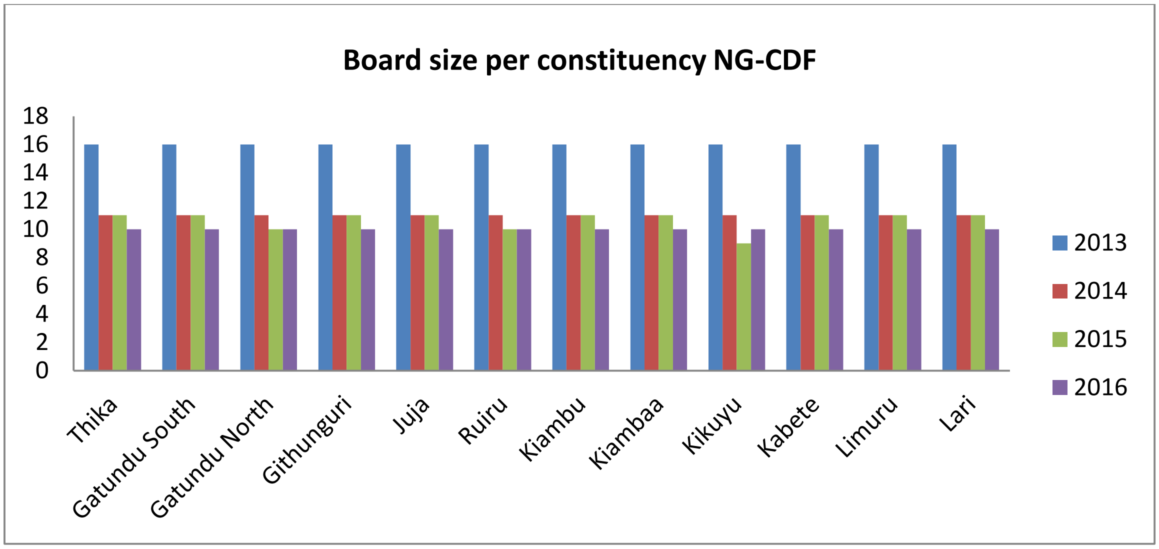

Figure 4.2: *Board size per constituency NG-CDF*

The board size is determined by the NG-CDF act and it has changed based on the changes to the NG-CDF act in the past. In 2013, the board size was constant at 16. This reduced to 11 in 2014 and further to 10 in 2016 as per the NG-CDF act 2015. However, we note that there were some NG-CDFs which had a slightly lower number of board members for example in Kikuyu in 2015 where the board members were 9. The reasons for this were not indicated. Figure 4.3 then indicates the board gender diversity comparisons in the NG-CDFs.

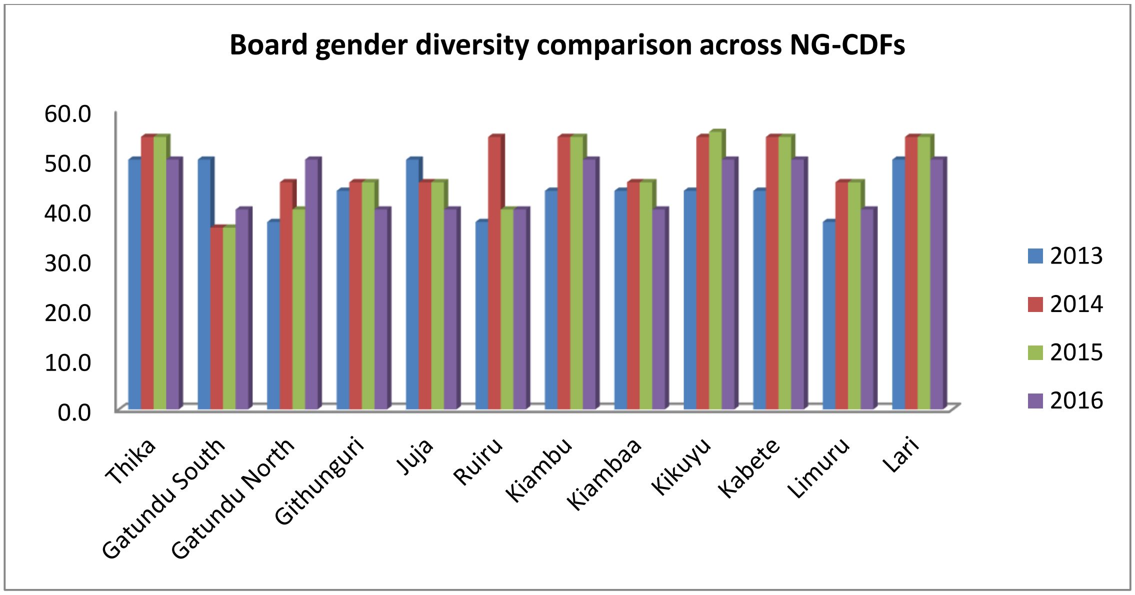

Figure 4.3: *Board gender diversity comparison across NG-CDFs*

In 2013, Gatundu North, Ruiru and Limuru had the least percentage of women at 37.5 percent. Thika, Gatundu South, Juja and Lari had the highest percentage of women at 50 percent. In 2014, Gatundu South had the lowest percentage of women at 36.4 percent while Thika, Ruiru, Kiambu, Kikuyu, Kabete and Lari had the largest percentage of women in the board at 54.5 percent. In 2015, Gatundu South had the least percentage of women at 36.4 percent while Kikuyu had the largest percentage of women at 55.6. Finally, in 2016, half of the NG-CDFs including Githunguri, Gatundu South, Juja, Ruiru, Kiamba and Limuru had the least percentage of women at 40 percent while all the others had a percentage of 50 percent.

Descriptive Statistics

In describing the data, the study started with showing the descriptive statistics. They are given by year and are presented in table 4.1.

Table 4.1: *Descriptive Statistics*

Year /Variable		Rate of Utilization	Board Size	Gender Diversity	Financial Reporting	Audit Report	No. of Wards	No. of employees
2013	Mean	66.8	16	44.3	0.5	0.583	4.9	4.25
	Standard deviation	15.9204	0	4.956	0.5222	0.5149	1.0836	0.7537
	Minimum	31.9	16	37.5	0	0	4	3
	Maximum	87.3	16	50	1	1	8	5
2014	Mean	83.2	11	49.2	0.5	0.5	4.9	4.7
	Standard deviation	17.5917	0	6.0778	0.5222	0.5323	1.0836	0.4924
	Minimum	47.6	11	36.4	0	0	4	4
	Maximum	100	11	54.6	1	1	8	5
2015	Mean	77.6	10.7	47.7	0.75	0.83	4.9	5.2
	Standard deviation	18.8257	0.6513	6.8516	0.4523	0.3892	1.0836	0.5774
	Minimum	42.6	9	36.4	0	0	4	4
	Maximum	100	11	55.6	1	1	8	6
2016	Mean	83.8	10	45	0.9	0.7	4.9	5.75
	Standard deviation	16.5203	0	5.2223	0.2887	0.7537	1.0836	0.4523
	Minimum	53.6	10	40	0	0	4	5
	Maximum	100	10	50	1	1	8	6

In 2013, the rate of utilization of NG-CDF funds was 66.8 percent with a high of 87.3 percent and a low of 31.9 percent. The standard deviation was not very high at 15.9 meaning that there was no much deviation from the mean. For the board size, there was no change during the year in all the NG-CDFs and hence the standard deviation was zero. The board gender diversity (percentage) had a mean of 44.3 percent with a maximum of 50 percent and a minimum of 37.5 percent.

The standard deviation was low at 4.9. Financial reporting and audit report availability were dummy variables with 0 and 1. Their mean was 0.5 and 0.58 respectively and standard deviation of 0.52 and 0.51 respectively. The number of wards had a mean of 4.9 (5) with a minimum of 4 and a maximum of 8. The standard deviation was low at 1.08. The number of employees had a mean of 4.25 with a low of 3 and a maximum of 5. The standard deviation was very low at 0.75.

In 2014, the mean of the rate of utilization increased to 83.2 percent with a standard deviation of 17.6. The board size reduced to 11 which did not change throughout the year. The mean was thus 16 with no standard deviation. Board gender diversity increased to 49.2 percent with a standard deviation of 4.96. There were minimal changes in the financial reporting and audit report availability variables. The number of wards is constant over all the years. The number of employees increased with a mean of 4.7 (5) and a low standard deviation of 0.5.

In 2015, the mean of the rate of utilization was 77.6 percent with a standard deviation of 18.8. The board size had a mean of 10.7 (11) with a low standard deviation of 0.65. The mean of the board gender diversity was 47.7 percent with a standard deviation of 6.85. Financial reporting and audit report both had a mean of 0.75 and a standard deviation of 0.45. The number of employees had a mean of 5.2 (5) and a low standard deviation of 0.58.

The mean of the rate of utilization increased to 83.5 percent with a standard deviation of 16.5 in 2016. The board size reduced further to 10 with no standard deviation. Board gender diversity reduced slightly to 45 with a standard deviation of 5.22. Financial reporting and audit report had a mean of 0.9 and 0.7 respectively with a low standard deviation of 0.29 and 0.75 respectively. Finally, the number of employees had an increased mean of 5.75 (8) and a standard deviation of 0.45. It is important for the data to have a low standard deviation which implies that it has low dispersion from the mean and hence trustable. All the variables had a very low standard deviation with the rate of utilization having the highest but still low standard deviation.

Diagnostics Tests

Correlation Analysis

Correlation analysis is important as high correlation between regressors could imply multicollinearity problems hence untrustworthy of coefficients and hence findings. Table 4.2 show the correlation between the variables.

Table 4.2: *Correlation analysis results*

Variables	Financial Reporting	Audit report	Board size	Board gender diversity	Wards	Employees
Financial Reporting	1.00					
Audit report	0.69	1.00				
Board size	-0.26	-0.21	1.00			
Board gender diversity	-0.01	-0.04	-0.18	1.00		
Wards	-0.14	-0.01	-0.02	-0.15	1.00	
Employees	0.29	0.19	-0.47	0.17	0.05	1.00

There were no correlations which are too high from the findings as only correlations above 0.70 are considered high (Laver-Fawcett, 2007). Availability of audit reports and financial reporting had the highest correlation at 69 percent and this is because the availability of financial reporting is followed by the financial reports auditing which produces the audit reports. Board size and financial reporting had a negative correlation of -0.26 while board gender diversity had a negative correlation with financial reporting of -0.01. On the control variables, the number of wards had a negative correlation of -0.14 with financial reporting while the number of employees was positively correlated at 0.29 with financial reporting.

Board size and board gender diversity had negative correlations of -0.21 and -0.04 respectively with audit reporting. The number of wards was also negatively correlated with audit reporting at -0.01 while the number of employees had positive correlation of 0.19 with audit reporting. Board size and board gender diversity were negatively correlated with a correlation -0.18. Both the number of wards and the number of employees were negatively correlated with the board size at -0.02 and -0.47 respectively. The board gender diversity is negatively correlated at -0.15 and positively correlated at 0.17 with the number of wards and number of employees respectively. Finally, the number of wards and number of employees are positively correlated at 0.05.

Regression Results

The results started by determining the choice of model to estimate and the findings are indicated in table 4.3.

Table 4.3: *Model selection tests results*

Test	Probability>chi^2
Hausman Test	0.5500
Breusch-Pagan LM test	0.0185

Hausman Test

This test determines the choice between Fixed effects or Random effects models. It determines whether the errors are correlated with the explanatory variables. The null hypothesis is that the preferred model is random effects. From the findings, the null hypothesis was not rejected at 5 percent significance level since the probability was 0.550 and the conclusion was that the errors are not correlated with the regressors and hence the random effects model is chosen.

Breusch-Pagan LM test

Before concluding that random effects model is the best model to use, it was important to determine if there is existence of panel effects, otherwise the study would use pooled OLS model. Breusch-Pagan LM test allows one to choose between random effects and pooled OLS. The null hypothesis is such that there are no panel effects since there are no significant differences across the cross-section units (implies pooled OLS).

From the findings, the null hypothesis was rejected at 5 percent significance level since the probability was 0.0185. Thus, there were panel effects and the random effects model was chosen.

Random effects model

Data analysis was done by running the random effects model in Stata. The findings are shown in table 4.4.

Table 4.4: *Random effects model results*

Dependent Variable = Rate of utilization	Coefficient	Standard Error	Z	Prob>|Z|
Constant	142.7	31.508	4.53	0.000**
Financial reporting	0.555	0.646	0.86	0.391
Audit report	8.959	4.251	2.11	0.035**
Board size	-4.888	0.991	-4.93	0.000**
Board gender diversity	0.407	0.324	1.26	0.209
Wards	1.131	1.859	0.61	0.543
Employees	-8.041	2.975	-2.70	0.007**
Wald Chi2	53.33			
Prob > Chi2	0.000			

** Significant at 5% significance level

The random effects model indicated that only the coefficients of availability of audit reports, the board size and the number of employees were significant determinants of NG-CDF performance at 8.96, -4.89 and -8.04 respectively. The coefficient of the constant which was 142.7 was also significant. Financial reporting, board gender diversity and the number of wards had no effect on NG-CDF performance.

Discussion of Results

Objective 1. The first objective was to determine the effect of transparency on the performance of the NG-CDF in Kiambu. This was done by using financial reporting as a measure of transparency. The coefficient of financial reporting which was 0.56 was not significant (the probability was 0.391) although it had the expected positive sign that having financial reports increases the performance of the NG-CDF. This finding could have been because of delays in finalizing financial reports due to delays in disbursement of funds by the government.

Objective 2. The second objective was to determine the influence of accountability as represented by audit reporting on the performance of NG-CDF. The coefficient of audit reports was positive and significant (the probability was 0.035) at 8.9 implying that having audited accounts is more likely to improve the performance of the NG-CDF. This is in line with literature that audit departments and audit reporting improves performance of organizations (Ashenafi et al., 2013; Aggarwal, 2013 and Todorovic, 2013). Thus, having audited accounts both internal and external is associated with higher accountability (internal controls) and hence this improves the performance of NG-CDF.

Objective 3. The third objective was to determine the impact of effectiveness of the board as represented by the board size and board gender diversity on the performance of NG-CDF. Board size was found to have a significant coefficient (the probability was 0.000) and it was negatively related with performance of NG-CDF. The coefficient of board size was -4.9 implying that increasing the number of board members by one more person reduces the performance of NG-CDF by 4.9. The higher the number of board members, the lower the performance and the lower the number of board members, the higher the performance of the NG-CDF.

This is supported in literature by Ongare et al. (2015), Al-Manaseer et al. (2012) and Nyarige (2012) among others who concluded that board size and performance are usually negatively related. Gender diversity in the board (indicated by the percentage of women in the board) coefficient was not significant (since the probability was 0.209). Thus, having more women in the board does not affect performance of the NG-CDF.

On the control variables, the number of employees was found to be negatively related with performance of NG-CDF. The coefficient was significant (since the probability was 0.007) at -8.0 indicating that increasing the number of employees by one more person reduces the performance of the NG-CDF by 8.0. This is supported by Sivdasani and Yermack (1999) who concluded that the number of employees can either have a negative or positive effect on performance depending on each organization and the level of business. It is possible that there is a threshold level where this relationship holds but it is beyond the scope of this study. The coefficient of the number of wards was also not significant and was not helpful in explaining the NG-CDF performance.

The finding that financial reporting was not a significant determinant of the performance of NG-CDF coupled with the finding that audit reporting was positively and significantly related with NG-CDF performance indicate that it is not just having financial reports that leads to improved performance but rather having those financial reports audited. Thus, accountability and effectiveness of the board are important in ensuring improved performance of the NG-CDF.

The Wald Chi squared for model fit showed that the model was a good fit since the null hypothesis of no good fit was rejected at 5 percent significance level (as the probability was 0.0000). Thus, the rate of utilization of NG-CDF funds was well explained by the explanatory variables.

Post Estimation Tests

Heteroskedasticity test

The null hypothesis was that of homoscedasticity (residuals have a constant variance).

Table 4.5: *Breusch-Pagan heteroskedasticity test results*

Test	Probability>chi^2
Breusch-Pagan Heteroskedasticity test	0.6528

From the findings, the null hypothesis (which is that of homoscedasticity) was not rejected at 5 percent significant level since the probability was 0.6528. This implied that there was no heteroskedasticity, that is, the variance of the error terms does not vary across observations.

Summary

The chapter presented the results followed by a discussion of the results. Diagnostics tests were done and the correlations results showed low correlations between regressors. The random effects model was found to be the most suitable model for analysis. Audit reports, board size and number of employees were found to be significant. Audit reporting positively influenced NG-CDF performance while board size and number of employees affected NG-CDF performance negatively. Post estimation tests (Breusch-Pagan Heteroskedasticity test) shows that the data was homoscedastic.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

In this chapter, the summary, conclusion and recommendations of the findings are given and it concludes by discussing areas for further research.

Summary

There is a conclusion in literature that bad corporate governance leads to poor performance of organizations (Zvavahera and Ndoda, 2014). There have not been any studies done in Kenya and especially Kiambu County to specifically determine the effect of corporate governance on the performance of NG-CDF. The thesis thus aimed to determine the effect of corporate governance on the performance of NG-CDF in Kiambu County. It had three objectives which included; To determine the effect of transparency on the performance of NG-CDF; to analyse the influence of accountability on the performance of NG-CDF and to determine the impact of board composition (effectiveness) on the performance of NG-CDF. Financial reporting, audit reports and board size and board gender diversity were used to represent transparency, accountability and board composition (or effectiveness) respectively.

The study was conducted in the 12 NG-CDF institutions in Kiambu County and primary data was collected using a structured questionnaire and supplemented with secondary data. There was no sampling done as data was collected in all the Kiambu NG-CDF institutions with the fund account managers as the targeted respondent. The study used descriptive and explanatory research designs. The model with NG-CDF performance as the dependent variable and the corporate governance variables and control variables as explanatory variables was estimated using random effects model after sufficient tests to determine the correct model to use. The findings indicated that audit reports, board size and number of employees were significant determinants of NG-CDF performance. Financial reporting, board gender diversity and the number of wards were found to have no effect on the performance of NG-CDF.

Conclusions and value addition

The thesis had three objectives and research questions. The first objective was to determine the effect of transparency on the performance of NG-CDF in Kiambu County. This was done using financial reporting as a measure of corporate governance. The expectation was that financial reporting would lead to improvement in performance of the NG-CDF (Wanyama, 2013 and Donaldson and Fafaliou, 2003). However, the finding indicated that financial reporting or transparency was not found to have any effect on performance of NG-CDF.

The second objective was to analyse the influence of accountability on the performance of NG-CDF. This was done using audit reports as a measure of accountability which is a principle of corporate governance. It was expected apriori that availability of audit reports would improve the performance of NG-CDF (Aggarwal, 2013 and Todorovic, 2013). The findings indicated that availability of audit reports was more likely to lead to improvement in the performance of NG-CDF. Thus, this objective was achieved as it was identified that accountability as a corporate governance principle was important for performance of NG-CDF.

The third objective was to determine the impact of board composition (effectiveness principle of corporate governance) on the performance of NG-CDF. This was done using NG-CDF board size and NG-CDF board gender diversity as measures of corporate governance. Board gender diversity was measured by the ratio of women to the total board size. It was expected apriori that a larger board size would be detrimental for the performance of the NG-CDF (Ongare et al., 2015 and Al-Manaseer et al., 2012) and diversifying the board would help improve performance (Nzulwa, 2016 and Fan, 2012).

The findings indicated that a large board size worsened the performance of the NG-CDF while a small board size improved the performance of the NG-CDF. However, board gender diversity was not found to have any significant impact on the NG-CDFs' performance. Thus, this objective was met by reaching a conclusion on the negative relationship between board size and performance of NG-CDF. Thus, all the objectives of the thesis were met.

The value addition of the study was the introduction of new measures of corporate governance which included board gender diversity and measures of NG-CDF performance which included the rate of utilization of the NG-CDF funds. This performance measure is important for organizations in the public sector whose main stakeholder interest is the public. Further, the paper adds value in terms of controlling for endogeneity which is a serious econometric problem as it leads to invalid and unreliable estimates and hence findings. This was done by using the random effects which controls for endogeneity. Finally, the study adds value to inexistent literature in Kiambu County on the effect of corporate governance on performance of the NG-CDF.

Recommendations

The first finding was that financial reporting does not influence performance of NG-CDF but auditing the reports and the NG-CDFs does influence performance of the NG-CDF positively. Thus, accountability through audit reporting is necessary for improved performance in the NG-CDF institutions. Therefore, it is important for the NG-CDF boards/committees to ensure appropriate and timely internal and external auditing since it encourages good performance. Further, the NG-CDF National Board also needs to ensure that they audit the NG-CDF institutions in a timely manner.

The government through its KENAO offices should also ensure thorough and timely auditing so as to ensure NG-CDF institutions perform better. The government as represented by the NG-CDF national board ought to come up with realistic plans which will improve allocation and disbursement which delays the NG-CDFs in their implementation and hence reporting. This would involve an overhaul of the whole process starting with provision of the funds by the National Treasury.

The second finding was that a small board size is important for improved performance of the NG-CDF due to effectiveness in decision making. This finding is important for the government through its NG-CDF national board which determines the board size of NG-CDF. There has been a reduction in the number of the NG-CDF board members between 2012 and 2016. Thus, this finding is important for consideration in future decisions in determining the NG-CDF board size.

The last finding was that a higher number of employees was associated with a lower performance of the NG-CDF. This finding is important for the NG-CDF institutions in determining the number of employees to employ. It is necessary to maintain a lower number of employees whom the NG-CDFs can compensate well and improve their skills so as to increase productivity. It is also important for the government (through the NG-CDF national board). They can consider this finding when coming up with guidelines to the NG-CDF institutions on employment of NG-CDF employees. However, it is important to determine the threshold or optimal level beyond which additional employees reduce the NG-CDF performance.

Areas for further research

There is need for further research to determine the threshold or optimal levels of the number of board members as well as number of employees beyond which performance of the NG-CDF starts to fall. This was not determined in the current study. This thesis was limited to Kiambu County. Despite the fact that the research met its objectives, more research encompassing more counties and probably the whole country would be necessary to understand the relationship better since underlying characteristics and assumptions may not be similar in different regions. Further, it is important to expand the definition of corporate governance to incorporate other principles of corporate governance like fairness and determine their effect on performance of NG-CDF.

REFERENCES

Abdullah, H., & Valentine, B. (2009). Fundamental and Ethics Theories of Corporate Governance. *Middle Eastern Finance and Economics*, 4, 88-96.

Aggrwal, P. (2013). Impact of Corporate Governance on Corporate Financial Performance. *IOSR Journal of Business and Management*, 13(3), 01-05

Al-Manaseer, F. M., Al-Hindawi, R. M., Al-Dahiyat, M. A., & Sartawi, I. T. (2012). The Impact of Corporate Governance on Performance of Jordanian Banks. *European Journal of Scientific Research*, 67(3), 349-359.

Ashenafi, B. F., Kelifa, S. K., & Yodit, K. W. (2013). Corporate Governance and Impact on Bank Performance. *Journal of Finance and Accounting*, 1(1), 19- 26.

Bauer, R., Gunster, N., & Otten, R. (2004). Empirical Evidence on Corporate Governance in Europe: The Effect on Stock Returns, Firm Value, and Performance. *Journal of Asset Management*, 5, 91–104

Bhagat, S., & Bolton, B. (2007). Corporate Governance and Firm Performance. University of Colorado, Retrieved April 4, 2017 from http://www.econ.upf.edu/docs/seminars/bhagat.pdf

Bhagat, S., & Bolton, B. (2008). Corporate Governance and Firm Performance. *Journal of Corporate Finance*, 14, 257-273

Brenes, E. R., Madrigal, K., & Requena, B. (2011). Corporate Governance and Family Business Performance. *Journal of Business Research*, 64, 280–285

Brown, L. D., & Caylor, M. L. (2006). Corporate Governance and Firm Valuation. *Journal of Accounting and Public Policy*, 25, 409–430

Cameron, A. C., & Triveda, P. K. (1986). Econometric Models based on Count Data: Comparisons and Applications of some Estimators and Tests. *Journal of Applied Econometrics*, 1, 29-53

Carline, N. F., Linn, S. C., & Yadav, P. K. (2009). Operating Performance Changes Associated with Corporate Mergers and the Role of Corporate Governance. *Journal of Banking & Finance*, 33, 1829–1841.

Castaner, X., & Kavadis, N. (2013). Does Good Governance Prevent Bad Strategy? A Study of Corporate Governance, Financial Diversification, and Value Creation by French Corporations, 2000–2006. *Strategic Management Journal*, 34, 863–876.

Chesiyna, P. K., & Wanyoike, D. (2016). Determinants of Effective Implementation of Constituency Development Fund Projects in Baringo Central Constituency, Kenya. *International Journal of Research in Business Management*, 4(4), 31-42

Chung, K. H., Wright, P., & Kedia, B. B. (2003). Corporate Governance and Market Valuation of Capital and R & D Investment. *Review of Financial Economics*, 12, 161–172.

Clarkson, M. B. E. (1994). A Risk Based Model of Stakeholder Theory, The Centre for Corporate Social Performance & Ethics, University of Toronto.

Davis, J. H., Schoorman, F. D., & Donaldson, L. (1997). Toward a Stewardship Theory of Management. *The Academy of Management Review*, 20-47

Donaldson, J., & Fafaliou, I. (2003). Business Ethics, Corporate Social Responsibility and Corporate Governance: A Review and Summary Critique. *European Research Studies*, 4(1-2), 90-110

Fan, P. S. (2012). Is Board Diversity Important for Firm Performance and Board Independence? An Exploratory Study of Singapore Listed Companies. *The Monetary Authority of Singapore*, 52.

Fourier, D. (2006). Good Governance in Ensuring Sound Public Financial Management. University of Pretoria. Lecture paper

Freeman, E. R. (1984).*Strategic Management: A Stakeholder Approach*. Boston: Pitman

Giroud, X., & Mueller, H. M. (2010). Does corporate governance matter in competitive industries? *Journal of Financial Economics*, 95, 312–331.

Government of Australia (2003). ASX Corporate Council: Principles of Good Corporate Governance and Best Practice Recommendations. Melbourne, Australian Securities Exchange Limited

Green, W. H. (2008). *Econometric Analysis*. Upper Saddle River, New Jersey: Prentice Hall

Grove, H., Patelli, L., Victoravich, L. M., & Xu, P. (2011). Corporate Governance and Performance in the Wake of the Financial Crisis: Evidence from U.S. Commercial Banks. *Corporate Governance*, 19 (5), 418–436

Gupta, K., Chandrasekhar, K., & Tourani-Rad, A. (2013). Is Corporate Governance Relevant During the Financial Crisis? *Journal of International Financial Markets, Institutions and Money*, 23, 85–110

Hawley, J. P., & Williams A. T. (1996). Corporate Governance in the United States: The Rise of Fiduciary Capitalism, Working Paper, Saint Mary's College of California, School of Economics and Business Administration.

Hillman, A. J., Canella, A. A., & Paetzold, R. L. (2000). The Resource Dependency Role of corporate Directors: Strategic Adaptation of Board Composition in Response to Environmental Change. *Journal of Management Studies*, 37(2), 235- 253.

Hutchinson, M. (2002). An Analysis of the Association between Firms, Investment Opportunities, Board Composition, and Firm Performance. *Asia Pacific Journal of Accounting and Economics*, 9, 17–39.

Jensen, M. (1983). *Value Maximization, Stakeholder Theory and the Corporate Objective Function. Corporate Governance at the Cross roads: A book of Readings*. New York: McGraw Hill.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Management behavior, agency costs and Capital Structures. *Journal of Financial Economics,* 3(4), 305-60.

Kairu, P. N., & Ngugi, P. K. (2014). Factors Affecting Effective Implementation of Constituency Development Fund Projects in Machakos Town Constituency, Machakos County in Kenya. *International Journal of Current Business and Social Sciences*, 1 (2), 146-167.

Kamau, G., & Muturi, M. (2015). Factors Affecting Successful Completion of Constituency Development Funded Projects In Kenya: A Case of Nyandarua County. *International Journal of Economics*, Commerce and Management, 3(5), 499-516

Khatab, H., Masood, M., Zaman, K., Saleem, S., & Saeed, B. (2011). Corporate Governance and Firm Performance: A Case Study of Karachi Stock Market. *International Journal of Trade, Economics and Finance,* 2(1), 39-43.

Kihara, M. N., (2006). Relationship Between Ownership Structure, Governance Structure and Performance of Firms Listed with NSE, Unpublished Thesis, Nairobi University, Kenya.

Kiruri, R. M. (2013). The Effects of Ownership Structure on Bank Profitability in Kenya. *European Journal of Management Sciences and Economics*, 1(2), 116-127

Laver-Fawcett, A. J. (2007). *Principles of Assessment and Outcome Measurement for Occupational Therapists and Physiotherapists: Theory, Skills and Application*. London: John Wiley and Sons Ltd

Mak, Y., & Kusnadi, Y. (2005). Size Really Matters: Further Evidence on the Negative Relationship between Board Size and Firm Value. *Pacific-Basin Finance Journal,* 13, 301–318

Mayers, D., Shivdasani, A., & Smith, C. W. (1997). Board Composition and Shareholders Wealth: the Case of Management Buyout. *Financial Management*, 21, 58-72.

Miring'u, A. N., & Muoria, E. T. (2011). An Analysis of the Effect of Corporate Governance on Performance of Commercial State Corporations in Kenya. *International Journal of Business and Public Management*, 1(1), 36-41

Mugenda, O. M., & Mugenda, A. G. (2003). *Research Methods: Quantitative and Qualitative Approaches*. Nairobi: African Centre for Technology Studies

Mugenda, O. M & Mugenda, A. G (2008). *Research Methods, Quantitative and Qualitative Approaches*, Nairobi: Acts Press

National Government – Constituencies Development Fund - NG-CDF (2016), Project Allocations Financial Year 2016/17. Nairobi, NG-CDF.

National Government – Constituencies Development Fund - NG-CDF (2015a), Best Constituencies in CDF Management. Retrieved October, 8, 2017 from http://www.ngcdf.go.ke/index.php/news/42-best-constituencies-cdf-management.

National Government – Constituencies Development Fund - NG-CDF (2015b), Project Allocations Financial Year 2015/16. Nairobi, NG-CDF.

Nyaguthii, E., & Oyugi, L.A. (2013). Influence of Community Participation on Successful Implementation of Constituency Development Fund Projects in Kenya: A Case of Mwea Constituency. *International Journal of Education and Research*, 1(8), 1 – 16.

Nyarige, E. M. (2012). The effect of corporate governance structure on financial performance of commercial banks in Kenya, Unpublished Master's Thesis, Nairobi: University of Nairobi.

Ongore, V. O., K'obonyo, P. O., Ogutu, M., & Bosire, E. M. (2015).Board Composition and Financial Performance: Empirical Analysis of Companies Listed at the Nairobi Securities Exchange. *International Journal of Economics and Financial Issues*, 5(1), 23-43.

Oyoga, B. O. (2011). Corporate Governance and Firm Performance of Financial Institutions Listed in Nairobi Stock Exchange, Unpublished Master's Thesis, Nairobi: University of Nairobi.

Oyalo, N., & Bwisa, H. (2015). Factors that Influence the Completion of NG-CDF Funded Projects in Kangundo Constituency. *The Strategic Journal of Business and Change Management*, 2(49), 21-36

Renders, A., Gaeremynck, A., & Sercu, P. (2010). Corporate Governance and Performance: Controlling for Sample Selection Bias and Endogeneity. *Corporate Governance*, 18(2), 87–106

Shank, T., Hill, R., & Stang, J. (2013). Do Investors Benefit from Good Corporate Governance? *The International Journal of Business in Society*, 13(4), 384–396

Shivdasani, A., & Yermack, D. (1999). "CEO Involvement in the Selection of New Members: An Empirical Analysis". *Journal of Finance*, 1829-1853

Standards Australia International (2003) Corporate Governance, Standards AS 8000-2003, Standards Australia International, Sydney

Todorovic, I. (2013). Impact of Corporate Governance on Performance of Companies. *Montenegrin Journal of Economics*, 9(2), 47-53

Torres-Reyna, O. (2007). *Panel Data Analysis Fixed and Random Effects using Stata*. Princeton University, New Jersey

Uma, S. (2003). *Research Methods for Business Students: A skill Building Approach*, (4th Ed.) Newyork: John Wiley & Sons.

Wachter, M., Hirsch, B., & Kleindorfer, P. R. (2001). "*Difficulties of Deregulation when Wage cuts are the Major Cost*". Boston: Kluwer Publisher.

Wagana, D., & Nzulwa, J. (2016). Corporate Governance, Board Gender Diversity and Corporate Performance: A Critical Review of Literature. *European Scientific Journal*, 12(7), 221-233

Wanyama, W. D. (2013) Effects of Corporate Governance on Financial Performance of Listed Insurance Firms in Kenya: Public Policy and Administration Research Paper No. ISSN 2224-5731, ISSN 2225-0972 (Online) l 3

Williamson, O. (1996). *The Mechanisms of Governance*. Oxford: Oxford University Press.

Yilmaz, C., & Buyunku, A. H. (2016). Impacts of Corporate Governance on Firm Performance: Turkey Case with a Panel Data Analysis. *Eurasian Journal of Economics and Finance*, 4(1), 56-72

Zvavahera, P., & Ndoda, G. R. (2014). Corporate Governance and Ethical Behaviour: The Case of the Zimbabwe Broadcasting Corporation. *Journal of Academic and Business Ethics*, 9, 1-8

APPENDICES

Appendix I: Questionnaire

Table A.3: *Questionnaire*

	30^{th} June 2013		30^{th} June 2014		30^{th} June 2015		30^{th} June 2016	
SECTION A Financial Reporting: Financial reports submitted to the national NG-CDF	Yes	No	Yes	No	Yes	No	Yes	No
SECTION B Internal Controls: Internal audit report available External audit report available	Yes	No	Yes	No	Yes	No	Yes	No
SECTION C Board Size: How many members are in the NG-CDF board? What is their level of education? Gender Diversity: How many women are in the NG-CDF board?								
SECTION D Number of Employees Number of wards								
SECTION E Utilization of NG-CDF Funds Yearly allocation (Kshs) Utilization as at 30^{th} June (Kshs)								

Appendix II: Research Authorization from the University

23rd June, 2017

PAN AFRICA CHRISTIAN
PAC
UNIVERSITY

P.O. Box 56875, 00200 Nairobi, Kenya
+254 721 932050, +254 734 400694
enquiries@pacuniversity.ac.ke,
admissions@pacuniversity.ac.ke
www.pacuniversity.ac.ke

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

RE: ISABEL WAIYAKI REG NO. MAL/0816/15

Greetings! This is an introduction letter for the above named person a final year student in Pan Africa Christian University (PAC University), pursuing a Master of Arts in Leadership.

She is at the final stage of the programme and she is preparing to collect data to enable her finalise on her thesis. The thesis title is **"The Effect of Corporate Governance on the Performance of Constituencies Development Fund in Kiambu County".**

We therefore kindly request that you allow her conduct research in your organization.

Warm Regards,

Hngonga

Dr. Lilian Vikiru
Registrar Academics

PAN AFRICA CHRISTIAN UNIVERSITY
P. O. Box 56875, NAIROBI - 00200.
TEL: 8561820 / 8561945 / 2013146

23rd June, 2017

Where Leaders are made

Appendix III: Research Authorization from NACOSTI

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Telephone:+254-20-2213471,
2241349,3310571,2219420
Fax: +254-20-318245,318249
Email: dg@nacosti.go.ke
Website: www.nacosti.go.ke
When replying please quote

9thFloor, Utalii House
Uhuru Highway
P.O. Box 30623-00100
NAIROBI-KENYA

Ref: No. **NACOSTI/P/17/26226/18674**

Date: **24th October, 2017**

Isabel Nyambura Waiyaki
Pan Africa Christian University
P.O. Box 56875-00200
NAIROBI.

RE: RESEARCH AUTHORIZATION

following your application for authority to carry out research on ***"The effect of corporate governance on the performance of constituencies development fund in Kiambu County"*** I am pleased to inform you that you have been authorized to undertake research in **Kiambu County** for the period ending **17th August, 2018.**

You are advised to report to **the County Commissioner and the County Director of Education, Kiambu County** before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit **a copy** of the final research report to the Commission within **one year** of completion. The soft copy of the same should be submitted through the Online Research Information System.

GKalerwa

GODFREY P. KALERWA MSc., MBA, MKIM
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The County Commissioner
Kiambu County.

The County Director of Education
Kiambu County.

Appendix IV: Research Permit

THIS IS TO CERTIFY THAT:
DR. ISABEL NYAMBURA WAIYAKI
of PAN AFRICA CHRISTIAN UNIVERSITY, 56875-200 Nairobi,has been permitted to conduct research in *Kiambu County*

on the topic: *THE EFFECT OF CORPORATE GOVERNANCE ON THE PERFORMANCE OF CONSTITUENCIES DEVELOPMENT FUND IN KIAMBU COUNTY*

for the period ending:
17th August,2018

Permit No : NACOSTI/P/17/26226/18674
Date Of Issue : 24th October,2017
Fee Recieved :Ksh 1000

....
Applicant's Signature

....
Director General
National Commission for Science, Technology & Innovation

CONDITIONS

1. The License is valid for the proposed research, research site specified period.
2. Both the Licence and any rights thereunder are non-transferable.
3. Upon request of the Commission, the Licensee shall submit a progress report.
4. The Licensee shall report to the County Director of Education and County Governor in the area of research before commencement of the research.
5. Excavation, filming and collection of specimens are subject to further permissions from relevant Government agencies.
6. This Licence does not give authority to transfer research materials.
7. The Licensee shall submit two (2) hard copies and upload a soft copy of their final report.
8. The Commission reserves the right to modify the conditions of this Licence including its cancellation without prior notice.

REPUBLIC OF KENYA

NACOSTI

National Commission for Science, Technology and Innovation

RESEARCH CLEARANCE PERMIT

Serial No.A 15348

CONDITIONS: see back page