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Influence of Corporate Governance on Financial Management in Tertiary Institutions in Nakuru County, Kenya

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***Abstract**: Many tertiary educational institutions in Kenya face financial challenges. The general objective of the study was to determine the influence of corporate governance on financial management in tertiary institutions in Nakuru County, Kenya. The specific objectives included to examine the influence of corporate leadership and transparency on financial management of these institutions. The theories reviewed in this study included stewardship theory, institutional-centric theory of finances and agency theory. This study adopted a cross-sectional research design. The management and finance officers working with the tertiary institutions in Kenya constituted the target population. The 324 aforementioned staff working with the tertiary institutions in Nakuru County comprised the accessible population. Stratified random sampling was used to draw 58 respondents from the accessible population. A structured and self-designed questionnaire which was also self-administered was used to facilitate data collection. A pilot study was carried out amongst randomly selected management and finance staff working with tertiary institutions in Narok County. Data processing and analysis were aided by the use of the Statistical Package for Social Sciences (SPSS) Version 24. Data analysis constituted descriptive statistics. More so, the analysis encompassed inferential statistics in form of Pearson's correlation and multiple regression analyses. The results of the analyses were presented in tables. The study revealed that corporate leadership and transparency had significant influence on financial management of tertiary institutions in Nakuru County. It was concluded that corporate leadership led to substantive improvement of financial management. The study inferred that transparent governance, transparent faculty, and transparent remuneration system were important components of transparency in that they influenced financial management in tertiary institutions in Nakuru County. The study recommended inculcation of facets of corporate leadership that are likely to guarantee improved financial management in tertiary institutions. In addition, it was recommended that there ought to be regular financial reporting by the department concerned as opposed to relying on only annual financial reports.*

***Keywords**: Corporate governance, corporate leadership, financial management, tertiary institutions, transparency*

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I. Introduction

Education has always been one of the most important sectors of the government. It is the cornerstone of socio-economic development of the society and the nation at large. Corporate governance is a concept that captures two important facets, that is, corporate and governance. Corporate implies institutional or that which pertains to institutions or firms. On the other hand, governance refers to means by which an activity or a sample of activities is controlled and directed. It further describes the manner in which power is executed in the management of economic and social resources with the object of realizing sustainable human development [1].

Corporate governance in tertiary institutions describes the manner in which institutions are organized, managed and also how they meet their responsibility towards external stakeholders and the relationship among these entities. Tertiary institutions encompass various entities of higher education including universities, colleges and institutes of technology. However, in the Kenyan context tertiary institutions include middle-level colleges. Stakeholders include employees of these institutions, students, and other entities of interest to these institutions [2].

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

The landscape of higher education governance in the United States is likely to be drastically reshaped by unprecedented and powerful political, economic, regulatory and technological forces [3]. Consumer choice and public policy are also likely to cause a paradigm shift in governance and accountability amongst American universities and colleges. In the same vein, it is forecasted that forces reshaping higher education are bound to result in institutions of higher education taking different and rapidly adaptable approaches to corporate governance. It is also averred that there is no single corporate governance scheme which can suit all institutions. It is stated that institutions which are impervious to financial pressure or those that are basically resistant to change are likely to cling to conventional forms of board oversight. However, public higher education institutions (HEIs) there are various trends which are bound to profoundly alter the business of governance [3].

An analysis of effectiveness of corporate governance and value added in institutions of higher education in South Africa was conducted [4]. Institutions of higher education in the country are faced by various challenges in fulfilling their core mandate of teaching, research and community engagement. The foregoing can only be realized if and when there is strong, sound and visionary institutional leadership. This leadership is supposed to be embedded in sound corporate governance practices. Earlier, it had been noted that in spite the fact that institutions of higher education in South Africa appear to be well-established, their corporate governance disclosures are supposed to be improved.

A survey of tertiary institutions in Oyo, Nigeria centred on corporate governance and cooperative societies[5]. It was stated that in recent past, the cooperative movement appears to have started addressing the issue of corporate governance. It was reported that executives and management of tertiary institutions failed to adhere to transparency and accountability as part of corporate governance. In line with analytical findings, it was advised that the management of the foregoing education institutions should demonstrate high level commitment towards the sustainability of cooperative societies and also these entities are supposed to embrace the principles of good corporate governance. By so doing, there would be a likelihood of fostering absolute accountability, adequate transparency, sound internal controls and also full disclosure of the activities of tertiary institutions.

The management and governance of tertiary institutions in Kenya is vested in different bodies [6]. It is stated that the higher education in Kenya has been liberalized. However, the sub-sector has been facing its own share of challenges which include financial difficulties [7]. Some of the initial financial challenges were witnessed when the present 8-4-4 education system came to effect in 1987. The financial difficulties obliged the State to intervene and provide additional physical infrastructure in order to enable the institutions to cope with the increased enrollment of students. The demand for higher education in Kenya has been increasing over the years; a scenario that demands for exploration of other options of provision of higher education as a way of alleviating financial pressures on expenditure for higher education.

Financial mismanagement and misappropriation in educational institutions in Kenya is attributed to a number of factors [8]. It was observed that the level of financial mismanagement in public tertiary institutions in the country is quite high. The foregoing misappropriation of funds has been attributed to corroboration amongst the heads of institutions, accounts officers, sponsors and auditors. Financial mismanagement is attributed to corrupt mode of corruption, lack of financial training, weak internal control mechanisms, lack of qualified account officers, irregular auditing, weak board of management, and also interference from sponsors and the community. Proper budgeting has emerged as one of mitigating measures that can address financial mismanagement and misappropriation [8].

II. Statement of the Problem

The Government of Kenya has already introduced mechanisms for cost sharing and user charges in higher education due to austerity in the public budget for higher education and poor performance of the sector to promote access and equity. It is stated that in spite of the government investment in primary and secondary education increasing tremendously in the past several years, the same is not reflected in higher education funding with the budget stagnating at only 15% of the total education expenditure [9]. The ratio between the change in the number of higher education students and the amount of public resources allocated to the current expenditure on higher education in Kenya between 1991 and 2006 stood at only 3% [10].

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

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

III. Objectives of the Study

The study was guided by the following objectives.

1.1 General Objective

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

1.2 Specific Objectives

i. To assess the influence of corporate leadership on financial management in tertiary institutions in Nakuru County
ii. To evaluate the influence of transparency on financial management in tertiary institutions in Nakuru County

IV. Research Hypotheses

H_{01}: There is no significant influence of corporate leadership on financial management in tertiary institutions in Nakuru County.

H_{02}: There is no significant influence of transparency on financial management in tertiary institutions in Nakuru County.

V. Theoretical Review

This section covers a review of theories pertaining corporate governance and financial management. The model of corporate social responsibility, institutional-centric theory of finances and agency theory.

5.1 Stewardship Theory

The stewardship theory was developed by Donaldson and Davis in 1991 and advanced in 1993 [11]. The theory states that if managers are left on their own, they will execute their roles as responsible stewards of the assets they control and to the interest of the stakeholders. The theory further states that, interests of shareholders are maximized by shared incumbency of roles of the persons in management or leadership of a corporate entity [11]. The stewardship holds that ownership does not necessarily mean owning a firm; rather it is merely holding it in trust. Stewardship theory is one of the leading theories of corporate governance [11].

The stipulations of the stewardship theory hold that executive manager purposes to do a good job and be a good steward of the corporate assets [12]. Thus the theory posits that there is no inherent and general problem of executive motivation. Stewardship theory emphasizes on the importance of corporate leadership structures. The theory holds that performance variations result from whether the structural situation in which the executive is located facilitates effective action by the leaders or executives. The arising issue is whether or not the organization structure facilitates the executive to formulate and implement plans for high corporate performance [13]. In this regard, structures are bound to facilitate the achievement of the foregoing goal to the extent that they provide clear, consistent role expectations and also authorize and empower senior management [11].

In regard to the role of the top leadership, structures will assist these leaders to attain superior performance by their corporate entities to the extent that the leaders or top managers exercise complete authority over the corporation and that their role is unambiguous and unchallenged. In respect to this scenario, power and authority are concentrated in one person. This implies that the stewardship theory is concerned not with motivation of management but instead facilitative and empowering structures [11]This theory underscores the importance of stewardship in corporate leadership and corporate governance even in tertiary institutions.

5.2 Institutional-centric Theory of Finances

The institutional-centric theory of finances was pioneered by Arestis, Nissanke and Stein in 2003 [14]. The theory stated that there exists imperfect information and both informal and formal institutions and that efficiency is the engine of development. It is premised on the theory of imperfect markets. The institutional-centric theory of finances is an alternative to the flawed theory of financial liberalization which is credited to increasing instability of developing countries in 1990's [15].

Every financial system constitutes five institutions which include norms, incentives, regulations, capacities, and organizations [14]. It is further indicated that financial regulations help to overcome issues of moral hazard, financial conglomerates, transparency and also accountability. According to this theory, integration of financial supervision is likely to result in increased effectiveness and efficiency when regulatory institutions are integrated into one.

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

5.3 Agency Theory

Agency theory was proposed by Jensen and Meckling in 1976 [16]. The theory states that in an agency relationship, there exists two parties; the principal and the agent and that there exists conflict between the two parties. In agency relationship, one party (agent) acts on behalf of the other (principal) [17]. The principals are ordinarily the owners of the organization while agents are the individuals tasked with managing the operations of the entity. Conflict arises due to the fact that the two parties (agents and principals) may have contrasting interests in the organization. Each seeks to maximize their return while minimizing the cost implication.

The owners require payouts for their investments thus reducing internal resources controlled by managers [18]. On the other hand, managers or agents are compensated on the premise of accounting profits. In this regard, there is a motivation to manipulate financial information in order to favour projects or initiatives with poor net present value (NPV) if such provide immediate profits [19]. Consequently, there is a likelihood of potential loss in value of the organization [20]

It is stated that the desire of managers (agents) for high rewards encourages them to manipulate, overestimate or underestimate indicators in order to make them more achievable. This is to the detriment of the value of the entity concerned. Manipulation of financial indices may include low budgets and also inefficient debt targets. The agency theory holds that the self-interests of managers (agents) should be reduced in order to bolster the success of the firm [16]. Agency relationships are common in financial management due to the nature of the sector. It is exemplified that when one person manages the finances of another, an agency relationship arises by default. Executives of corporate bodies such as tertiary institutions and shareholders of those entities illustrate an agency relationship. Such managers make financial decisions on behalf of other stakeholders including owners of the aforesaid educational institutions.

VI. Empirical Review

A number of studies on corporate governance and financial management have been done locally and internationally. A past study analyzed the effect of organizational culture on financial performance of firms in Turkey [21]. The results of the study indicated that the dimensions of organizational or corporate culture do not have any effect on financial performance of firms. However the study was conducted in a developed country.

In relation to corporate leadership, a study was conducted on the role played by transformational leadership style in enhancing job satisfaction among lecturers [22]. The study was delimited to research universities in Malaysia. The study concurred that leadership styles adopted in institutions of higher education playa fundamental part in achieving job satisfaction among lecturers. The study findings indicated that both inspirational motivation and idealized influence were the most frequently used practices of transformational leadership particularly by heads of departments. Moreover, it was observed that transformational leadership enhances job satisfaction among lecturers more than other styles of leadership.

A comparative study of private and public tertiary institutions evaluated transformational leadership and teacher job satisfaction [23]. The study investigated the nexus between transformational leadership style of the heads of departments and employee job satisfaction in both private and public tertiary institutions in Ghana. The study results indicated that there existed a positive correlation between transformational leadership and employee job satisfaction. The findings further revealed that how transformation leadership impacted on job satisfaction among lecturers did not vary between private and public tertiary institutions in Ghana. Moreover, it was observed that the heads of departments did not differ in their transformational leadership practices in the two types of institutions.

In Kenya, a study on the effect of leadership styles of principals on students' academic performancewas carried out [24]. The study was done among public secondary schools in Homa-Bay County in Kenya. The study adopted an ex-post facto research design. The study revealed that school heads employed leadership styles that were not in cue with teacher-student interactive learner-centred learning. The findings further indicated that there was a significant relationship between the leadership styles adopted by school heads and academic performance of students as perceived by teachers. It was, moreover, indicated that schools which embraced more democratic and participatory leadership styles that encouraged group work and team spirit performed far much better than those that had adopted autocratic leadership styles that were largely dictatorial in nature.

On transparency dimension, an empirical study of universities in Australia on governance and performance was conducted [25]. The study noted that governance structures have come to constitute part of the most discussed subjects of the public sector. Since 2000, corporate governance practices have come to be regarded as crucial in enhancing performance of all government-funded institutions. When quoting previous works [26], [27], the study concurred that there is emphasis on the importance of the board processes and transparency in reporting practices in relation to good governance in universities. More so, it is observed that corporate governance involves various inter-related and mutually supportive component which serve to create transparency and accountability. It is further emphasized that the board of educational institutions should be structured in such a way that the governing bodies of such institutions are more accountable and transparent to their stakeholders.

Still on the theme of transparency, a regional study analyzed open data in the governance of higher education in South Africa [28]. The study postulated that both the availability and accessibility of open data has a likelihood to enhance transparency and accountability. The foregoing would in turn result in improved governance of universities. Open data play a leading role in promotion of governance. Governance, on the other hand, entails processes of decision making and implementation through increased transparency of decision making. In agreeing with a previous study's assertion [29], the study noted that production and sharing of data makes universities more transparent; a factor that opens up the 'black box' of higher education, an issue that improves decision making [28].

A local study examined higher education as an instrument of economic growth in Kenya [30]. The study noted that reforms cannot be complete in the absence of requisite restructuring of governance in public higher education institutions. The foregoing is aimed at improving administrative efficiency, transparency and accountability to the array of stakeholders involved. Institutions of higher learning are not supposed to operate absolutely independently. In this regard, it is acknowledged that it is the responsibility of the Commission of University Education (CUE) to play oversight role. CUE is advised to formulate a robust framework for substantive oversight that links autonomy to both accountability and transparency.

VII. Conceptual Framework

A conceptual framework represents the perceived interaction or relationship between study variables [31] as shown in Figure 1. The study was guided by a set of two variables which were independent and dependent. Independent variables, also called predictor variables, characterized corporate governance and included corporate leadership and transparency. Financial management was the dependent variable. It was hypothesized that the foregoing elements of corporate governance influenced financial management in tertiary institutions.

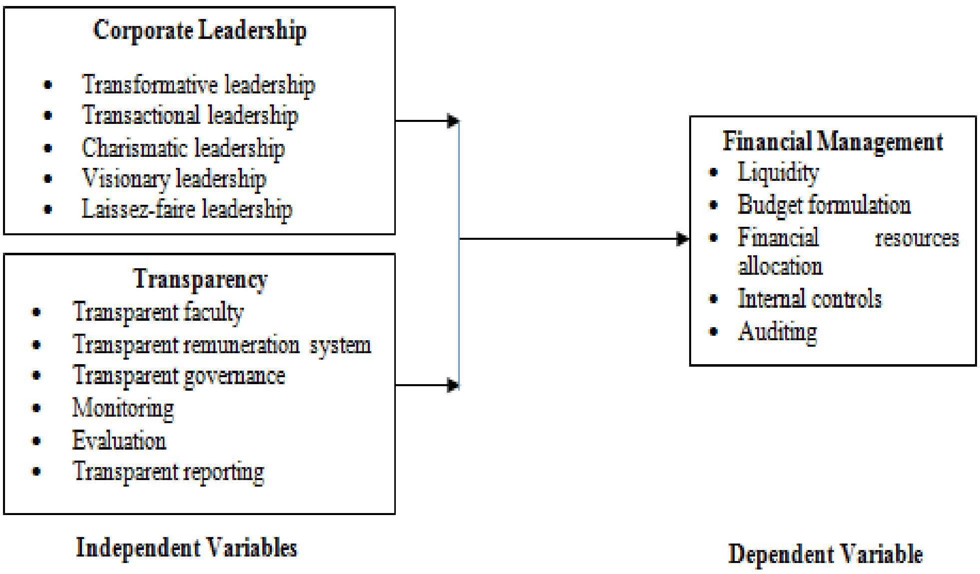

Figure 1: Conceptual Framework

VIII. Research Methodology

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

8.1 Research Design

A research design describes a blueprint for conducting a study [32]. This study adopted a cross-sectional research design which is part of descriptive research design. The choice of this design was founded on the assertion that cross-sectional studies make comparisons at a single and specific point in time. Besides being snapshot in nature, cross-sectional studies are observational and record information regarding their subjects without manipulating the study environment.

8.2 Population of the Study

Study population refers to the members of a group that share related character traits. Moreover, it describes the entire set of units for which the study data are to be used to be conclusions [33]. The finance and management officers working with the tertiary institutions in Kenya constituted the target population. Accessible population is part of the target population that can be accessed by the researcher. In the context of the present study, the 324 finance officers working with the aforementioned educational institutions in Nakuru County comprised the accessible population.

8.3 Sampling Technique and Sample Size

A sample is defined as a subset of the study population. It is observed that in the event that the study population exceeds 100, then sampling is necessitated [32]. In this study, a formula by Nassiuma [34] was employed to determine the size of the sample as outlined below.

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

Where

n = sample size;
N = population size;
C = coefficient of variation which rangesfrom 21% to 30%
e = error margin which is which rangesfrom 2% to 5%

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

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

n = 57.33
n = 58 respondents

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

8.4 Research Instrument

A research instrument refers to a tool that facilitates collection of data for a given research study. In survey studies like the present one, the use of questionnaires in data collectionis emphasized[35]. In this respect, a structured questionnaire which was self-administered was used to facilitate data collection.

8.5 Pilot Testing

A pilot test is a minor study that is conducted prior to the main study with the sole objective of assessing both the validity and reliability of the data collection instrument [36]. A pilot study was carried out amongst randomly selected management and finance staff working with tertiary institutions in Narok County. The choice of the area of pilot study was based on the fact that it had a number of tertiary institutions and the respondents in this study were not to participate in the main study.

8.5.1 Validity testing

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

8.5.2 Reliability testing

Reliability testing is aimed at determining how consistent the research instrument is if and when administered on similar study populations. The researcher tested the internal consistency of the instrument since the external consistency was beyond control. The Cronbach alpha coefficient is the most widely recommended test of internal consistency of a research instrument which is structured on a Likert scale [36]. The instrument was considered reliable when all its three constructs (corporate leadership, transparency and financial management) returned alpha coefficients greater than 0.7 as illustrated in Table 1.

Table 1: Results of reliability test

Variables	Test Items	α
Corporate leadership	5	0.801
Transparency	6	0.820
Financial management	6	0.781

8.6 Data Collection Procedure

The researcher collected data from the sampled respondents using a structured questionnaire. However, prior to data collection, the necessary consent was obtained from the university and also the management of tertiary institutions whose finance and management staff were considered to participate in the study. The questionnaires were self-administered.

8.7 Data Processing and Analysis

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

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

Where:

Y represents Financial Management

$\beta_0$represents constant

X_1 and X_2 represent corporate leadership and transparency respectively

β_1 and β_2 represent coefficients of determination of the independent variables

ε represents the error term

IX. Study Findings and Discussions

9.1 Response Rate

Response rate is defined is the proportion of the appropriately filled and returned questionnaires out of the total number of questionnaires issued to the respondents [37]. In this study, the researcher issued a total of 58 questionnaires to the respondents which was equivalent to the sample size. The filled and returned questionnaires were 45. This translated to 77.59% response rate which was enough in generalizing the findings of the present study to the study population.

9.2 Descriptive Analysis and Discussions

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

9.2.1 Corporate leadership

In respect of corporate leadership, the views of the managers, accountants and finance officers working with tertiary institutions in Nakuru County were examined. The respective findings are as shown in Table 2.

Table 2: Descriptive statistics for corporate leadership

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

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

9.2.2 Transparency

The study further looked into the views of the sampled respondents in respect to transparency as a component of corporate governance in tertiary institutions. The findings on this issue are as shown in Table 3.

Table 3: Descriptive statistics for transparency

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

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

9.2.3 Financial management

The study, lastly, evaluated the opinions of the sampled staff in regard to financial management in tertiary institutions in Nakuru County. The opinions of the aforesaid staff are as shown in Table 4.

Table 4: Descriptive statistics for financial management

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

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

9.3 Inferential Analysis and Discussions

This section presents the findings of the inferential analysis and pertinent discussions. The results of correlation and regression analyses are illustrated in this section. The aim of the foregoing analyses was to evaluate the relationship between the various component of corporate governance (corporate leadership and transparency) and financial management. Moreover, the analyses enabled determination of the influence of the aforementioned components of corporate governance on financial management in tertiary institutions in Nakuru County.

9.3.1 Relationship between corporate leadership and financial management

The relationship between the corporate leadership and financial management was also ascertained. Table 5 captures the relevant correlation findings.

Table 5: Correlation between corporate leadership and financial management

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

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

The findings indicated in Table 5 show that there existed a positive and statistically significant relationship between corporate leadership and financial management in tertiary institutions in Nakuru County ($r = 0.780$; $p < 0.05$). The findings meant that improving corporate leadership could have resulted in significant improvement in financial management of tertiary institutions.

9.3.2 Relationship between transparency and financial management

The correlation findings in respect to the relationship between Transparency and financial management are illustrated in Table 6.

Table 6: Correlation between transparency and financial management

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

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

The study as shown in Table 6 indicated that the relationship between transparency and financial management was positive, and statistically significant ($r = 0.726$; $p < 0.05$). When interpreted, the results meant that enhancing transparency could have led to significant improvement in financial management of tertiary institutions in Nakuru County.

9.3.3 Influence of corporate governance on financial management

The study regressed the data collected with a view of determining the influence of corporate governance on financial management in tertiary institutions in Nakuru County. The findings indicated in Table 7 shows the results of the correlation (R) between corporate governance and financial management, and also the coefficient of determination (R^2) that illustrates the extent to which corporate governance explained financial management.

Table 7: Regression weights for overall model

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

a. Predictors: (Constant), Corporate Leadership, Transparency

The results of the aforestated correlation as outlined in Table 8 were also found to be significant. The results illustrated by the coefficient of determination ($R^2 = 0.579$) meant that 57.9% of financial management in tertiary institutions in Nakuru County could have been explained by the studied elements of corporate governance.

Table 8: Significant Test Results

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

a. Predictors: (Constant), Corporate Leadership, Transparency

b. Dependent Variable: Financial Management

As shown in Table 8, the correlation between corporate governance and financial management in tertiary institutions was found to be statistically significant ($F = 25.614$; $p < 0.05$). This was supported by a significant value of 0.00 which is less than the convection P value of 0.05.The findings implied that the studied elements of corporate governance were of great importance to financial management of tertiary institutions in Nakuru County. The study further examined the influence that each of the components of corporate governance (corporate leadership and transparency) had on financial management in tertiary institutions. The results to this effect are as shown in Table 9.

Table 9: Results for overall model

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	.902	.515		1.753	.086
Corporate Leadership	.452	.096	.791	4.715	.000
Transparency	.361	.192		3.451	.046

a. Dependent Variable: Financial Management

The study as shown in Table 9 illustrates two distinct but related statistical results. Generally, the indicated results were in tandem with the following regression model.

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

The regression model was interpreted as follows.

$$\mathbf{Y = 0.902 + 0.452X_1 + 0.361X_2}$$

The results shown above implied that a change of 1 unit in financial management was subject to a change of 0.452 unit in corporate leadership, and 0.361 unit in transparency while at the same time holding other factors (0.902) constant. In essence, while holding all other factors (including the variables) constant, 0.452 unit in corporate leadership would result in 1 unit change in financial management; and 0.361 unit in transparency would result in 1 unit change in financial management.

The first null hypothesis (**H_{01}:** There is no significant influence of corporate leadership on financial management in tertiary institutions in Nakuru County) was rejected since ($t = 4.715$; $p < 0.05$). The second null hypothesis (**H_{02}:** There is no significant influence of transparency on financial management in tertiary institutions in Nakuru County) was also rejected since ($t = 3.451$; $p <0.05$).

X. Conclusions

The study concluded that tertiary institutions in Nakuru County practiced various forms of leadership including transactional, transformative, visionary, and charismatic leadership styles. However, it was inferred that not all of these institutions practiced laissez-faire leadership. It was also concluded that charismatic leadership influenced financial management in these institutions. Moreover, it was concluded that corporate leadership led to significant improvement of financial management in tertiary institutions in Nakuru County.

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

XI. Recommendations

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

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

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