CORPORATE GOVERNANCE PRINCIPLES AND FINANCIAL MANAGEMENT OF NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND IN NYANZA REGION, KENYA

BY

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MASTER OF SCIENCE COMMERCE (FINANCE)
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DECLARATION

I declare that this dissertation is my original work and has not been previously published or submitted anywhere for award of a degree. I also declare that this contains no material written or published by other people except where due reference is made and author duly acknowledged.

Signed: **REG NO. 21/01855**

Date: 01/11/2023

I do hereby confirm that I have examined the master's dissertation of

Juliet Anyango Ochieng.

And I have certified that all revisions that the dissertation panel and examiners recommended have been adequately addressed.

Signed: Date: 01/11/2023

Dr. Brigitte Wabuyabo-Okonga

Dissertation Supervisor.

ABSTRACT

The main objective of the research was to determine the influence of corporate governance principles on financial management of NG-CDF in Nyanza Region, Kenya. The study's specific objectives were; to establish the influence of the principle of accountability on the financial management of NG-CDF in NG-CDF in Nyanza Region, Kenya, to determine the influence of the principle of transparency on the financial management of NG-CDF in Nyanza Region, Kenya, to establish the influence of the principle of fairness on the financial management of NG-CDF in Nyanza Region, Kenya, to determine the influence of the principle of integrity on the financial management of NG-CDF in Nyanza Region, Kenya. Descriptive research design was adopted for the study. The total population of the study was 420 respondents from all the 42 constituencies across Nyanza Region, Kenya represented by 42 fund managers and 378 NG-CDF committee members. Proportional sampling, developed by Taro Yamane, was used to calculate the study's sample size of 205. The study used questionnaire as data collection tool for primary data. The test for normality was done using Q-Q normal plots as generated by use of SPSS version 26 and the data used were normally distributed. There was no multicollinearity between independent variables used as the Variance Inflation Factor (VIF) of the variables fell between 1.564 and 1.683. The study concluded that the four corporate governance principles account for up to 77.8% significant variance in financial management (R square =.778, P=0.000). There was linear relationship between independent variables and dependent variable as tested by the Pearson Correlation Analysis. The corporate governance principles had correlation coefficients as follows: Accountability (r=0.757, p=0.000), Transparency (r= 0.702, P=0.000), Fairness (r= 0.618, P=0.000) and Integrity (r= 0.587, P=0.000). The study therefore recommended that for public resources to be efficiently managed, the four corporate governance principles which are accountability, transparency, integrity and fairness guidelines should be adhered to. The also recommended that policy makers should put in place enabling policies and procedures to help put in place a board that is independent, accountable, well structures and committed in regards to Chapter VI of the Constitution of Kenya 2010 on integrity and leadership.

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DEDICATION

To my family for their understanding, care and support, both financially and emotionally; to my parents for their endless prayers to complete my project work successfully.

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ABBREVIATIONS AND ACRONYMS

CEO	Chief Finance Officer
CCG	Centre for Corporate Governance
OAG	Office of the Auditor General
OECD	Organization for Economic Co-operation and Development
PFM	Public Finance Management
ROA	Return on Assets.
SPSS	Statistical Package of Social Scientist
VIF	Variance Inflation Factor

OPERATIONAL DEFINITION OF TERMS

Transparency: Turnbull (2018) defined transparency as conducting oneself in a manner that allows others to easily see one's behavior. As defined by Hunger (2019), transparency is the degree to which the recipient is able to trust the information that the sender has chosen to make public.

Fairness: When dealing with one's own stakeholders, fairness, as defined by Verhezen (2017), is treating them fairly.

Accountability: Acceptance and responsibility for one's own deeds, outputs, decisions, and policies, as well as their administration, governance, and implementation within one's role or employment position, along with the accompanying obligations to report on, explain, and take responsibility for the outcomes of these activities and decisions (Collier, 2016).

Integrity: Integrity, as defined by Arneson (2016), is the unwavering commitment to a rigorous moral and ethical code, as well as a high level of moral virtue.

Corporate Governance: Body of laws, regulations, and generally accepted business practices that governs the relationship between corporate insiders and outside investors in a capitalist market economy (Raheja, 2015).

Financial Management: refers to the practice of ensuring that allotted funds are spent as intended, that county resources are used effectively, that ongoing operations and maintenance costs are minimized, that development expenditures are spent wisely, that services are provided effectively, and that the county's recurring expenditure does (Parliamentary Budget Office, 2019).

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The aims of financial management in public sector are the provision of services to citizens and optimum and sustainable use of public resources through aggregate fiscal discipline, allocative efficiency, equity, redistribution of wealth and value for money in a transparent and accountable way (Cheruiyot, 2018). Effective institutions and systems of public financial management play a critical role in the implementation of government policies and sound economic management. Adequate decisions that are made in financial management are based on principles of corporate governance which include accountability, flexibility, predictability and transparency. For these principles to be realized, a proper functioning financial and accounting system is vital to assist Governments in developing countries to allocate and use resources effectively and efficiently (World Bank, 2019).

Despite adopting many financial reforms, reports on public expenditures in the majority of emerging and developing countries indicate considerable financial mismanagement. This result in a low return on investment for the money spent. In most nations, efforts to rein in wasteful spending on the public sector have resulted in the dramatic overhaul of public financial management systems. An effective government must have a robust public finance management (PFM) system as an integral component of its institutional architecture. Achieving the global poverty reduction target requires countries to have strong public finance management systems that allow for transparent and accountable service delivery (Lawson, 2015).

Mulyadi, Anwar, and Ikbal (2012) state that the public sector throughout the world is increasingly interested in the issue of corporate governance. Guidelines on how to implement corporate governance principles and practices in the public sector have been produced, for instance, in both the United Kingdom and Australia. These principles are meant to be the cornerstone of public sector corporate governance (Okike, 2019). The United Kingdom is widely recognized as the birthplace of what we now term corporate governance in the public sector. When it comes to public sector institutions, the United Kingdom has also been an early adopter of corporate governance best practices. The Commonwealth countries were likewise quick to implement this trend inside their own government agencies. But this kind of government has only recently been implemented at the highest levels of government in the United States. The push for corporate governance reform in Europe has reached a crossroads. Over the course of the past 15 years, the European Union (EU) has pursued a plan to improve corporate boards, boost the flow of information, and raise the scrutiny of institutional investors. In some ways, this policy has been effective (Bridgen & Naczyk, 2019).

Stakeholders' contributions to the enhancement of institutional practices for all corporations have been given special emphasis, as stated by Kyazze (2017), as a result of the implementation of corporate governance reforms in sub-Saharan Africa. Reforms were carried out in an effort to increase transparency and accountability within businesses. Zimbabwe, Ghana, Uganda, and South Africa are among the African nations that have established institutional corporate governance frameworks at the national level (Tait & Megan, 2017). World Bank and the Commonwealth Secretariat supported most African countries establish mechanisms to promote good corporate governance by offering training and raising awareness (Waweru, 2020). For the correct management of publicly held assets, South Africa has recognized the need of sound corporate governance. This acknowledgment occurred in 2010. New concepts for corporate governance owe a great deal to the first and second King Commission Reports on Corporate Governance in South Africa. Despite the points made above, there is still need for improvement in the corporate governance in Africa.

The difficulty is in taking into account the specifics of the sub-region while also devising processes and techniques to accomplish this goal (Nakpodia, Adegbite & Owolabi, 2018).

Public sector in Kenya adheres to the same Governance Principles as other developed and developing nations. Even though there is a strong legal framework in place, Oruke, Iraya, and Omoro (2020) point out that corporate governance is deteriorating in Kenya. Several institutions in Kenya have been stained by scandals of varied intensity and scale, as reported by Koech and Ogollah (2018). In addition, emerging nations such as Kenya are often confronted with a myriad of challenges, such as unstable economies, lax legal restrictions, inadequate protection for investors, and frequent involvement by the government (Ayandele, & Emmanuel, 2013) Because of these issues, the implementation of efficient corporate governance frameworks in emerging nations is becoming an increasingly greater need. Improvements in corporate governance have been proposed as a means of attracting investment from companies and investors outside of the company (Barako & Brown, 2016).

CDF funded projects have not achieved the intended objectives in some constituencies. According to National Taxpayers Association (NTA), taxpayers have lost between 20 per cent and 30 per cent to corrupt activities by officials overseeing implementation of the funds. Further, 13.4 per cent of the allocation to Constituency Development Fund (CDF) was wasted, unaccounted for or misused in the financial year 2019/2020. Since the CDF was established in the 2003/2004 fiscal year, almost Sh25.77 billion has been frittered away in poorly completed projects, both full and partial, in various regions of the country, according to study findings by NTA in 28 different constituencies. The funds that were intended for local initiatives are often wasted in overpriced contracts that are mostly sealed via the single-sourcing of contractors picked from inside CDF committees. Some unscrupulous people have taken advantage of weak legal and institutional frameworks by using CDF as a political tool and conduit to steal public resources. They have done this by using CDF as a conduit to steal public resources. The National Management Committee has been known to put a hold on the bank accounts of constituent organizations that have been doing a bad job of administering the CDF money. This has had a significant impact on the livelihood of the constituents in such organizations (Barrett, 2015).

In order to overcome the challenges to Kenya's national development, Mwongozo was established to fill the need;- Mwongozo Code of Governance for State Corporations and Organizations. Therefore, Mwongozo was published, currently being used as a crucial part of the Presidential Task Force's suggested changes (PSC, 2015). In order to firmly establish the principles and ideals of public service as well as the most effective procedures in corporate governance, Mwongozo was designed as an essential building block. The directive may be seen in Executive Order number 7, which was just published. Mwongozo's primary purpose is to implement strong corporate governance practices, and it touches on a number of different topics in the process. The appointment and duties of boards, openness and disclosure, accountability, risk management, and internal control, ethical leadership and corporate citizenship, shareholder rights and responsibilities, stakeholder relationships, sustainability and performance management, and legal and regulatory adherence are all important topics, according to the World Bank (2016).

However, Githiri (2020) indicated that State Corporations have not fully implemented the Mwongozo Code which has led to deterioration of State Corporations and their poor performance is attributed to weak legal frameworks, corruption and political interference. The boards of state corporations have been found to be the source of faults and gaps that hinder effective implementation of the Mwongozo Code and the State Corporations Act. The Mwongozo Code was published through an executive order but it is not a law. In the forward to the Mwongozo code it is states that the code was to be issued as a regulation under the SCA. This is yet to happen.

1.1.1 Corporate Governance Principles

Generally, corporate governance is about policies, laws, rules, and regulations directing the management and control of an organization with a view of attaining transparent and objective performances (Odhiambo, 2019). Corporate governance is the system used for promoting and enhancing efficiency, transparency, and accountability of an organization (Kamau, et. al., 2018). The idea is to ensure available resources are effectively and efficiently used in a transparent and accountable manner aimed at achieving set goals (Grace, Vincent, & Evans, 2018). For private entities, the goal is usually to make profits while for public organizations, the goal is to offer effective public service. In such systems, organizations need to follow guidelines in proper utilization and management of the available resources for a common good (Paniagua, Rivelles, & Sapena, 2018). Unlike in the private sector where corporate governance is about having in place measures to promote profitability, corporate governance in public sector organization is about sound development management requiring techniques of disclosing transparent information as well as improving accountability within the organizational structure under a legal frame to deliver dependable public service.

Ethical practice is the application of ethical values in organizational behaviour (Arjoon, 2015). It applies in all aspects of organizational conduct, including corporate governance, employment practices, sales techniques, stakeholder relations, accounting practices, and issues of product and corporate responsibility. It’s about the discretionary decisions that organisations and the people who work for them make, and transparency with all stakeholders about those decisions. El-Kassar, Messarra and Elgammal (2015) examined effects of ethical practices on corporate governance in developing countries: evidence from Lebanon and Egypt. Results of the study show that higher ethical behavior and practices lead to a greater level of corporate governance in terms of all five categories including transparency, fairness and accountability.

Corporate governance principles form the basis of coordinating, directing, and controlling the activities of an institution or organization. It is through the laid down principles that organisations are able to effectively implement corporate governance. Despite the attempts to extend corporate governance as a principle in various contexts, the core principles remain accountability, fairness, transparency, integrity and responsibility (Council, 2003). Management's transparency, candor, and accountability are fundamental tenets of Corporate Governance (Chandima & Markeset, 2011).

The principle of accountability posits that every involved stakeholder has the obligation and responsibility of giving an explanation or reason for any actions or conducts within an organisation (Muda, et. al., 2018). Since board of governors or directors direct and control most of the organisations or institutions, the principle of accountability demands that boards should give the status of the company besides being responsible for determination of the nature as well as extent of the significant risks the institution should take (Botha, 2009). Accountability principle also provides for effective management of risk, adequate internal controls, transparent processes in reporting and regular, fair, balanced, and understandable assessments and communications to all stakeholders.

Under the principle of fairness, corporate governance demands that there should be equal treatment (Council, 2003). This means that all shareholders, irrespective of their influence and power, should receive equal considerations (Rodriguez-Fernandez, 2016). However, the considerations should be proportionate to the shareholding. Other stakeholders apart from shareholders should also receive fair and equal treatment (Muda, et. al., 2018). The principle of responsibility, on the other hand, posits that boards have the authority to act on behalf of their companies (Council, 2003). In this case, board members are expected to accept full responsibility for powers and authorities bestowed upon them. Transparency principle of corporate governance is anchored on the need for information on the company activities, future plans, and any possible risks associated with the business strategies (Rodriguez-Fernandez, 2016). Transparency principle calls on boards and their companies to ensure openness, clarity, and honesty in offering information. It is through transparency that stakeholders develop confidence to be part of the decision-making as well as management process of their companies. Boards direct and control their organisations based on these core principles of corporate governance.

Integrity should be seen in the actions taken by administrators both directly and indirectly in an organization. The integrity that characterizes individual pioneers of respectability may facilitate the formation of a consensus around a culture of dependability within an organization. This center's dedication to the long-term success of its clients, representatives, and financial experts will make the company a highly sought-after place to work, and the company will perform above and above industry standards as a direct consequence of the efforts of its employees.

1.1.2 Financial Management

Financial management is concerned with helping a society achieve its objectives by careful planning, organization, acquisition, and use of its financial resources, as well as the development of appropriate regulations. Public financial management, according to Cangiano, Curristine and Lazare (2013), links a community's aspirations and resources, both now and in the future. It is at the very center of both the operational and financial policies that govern the government. Mobilization of resources, establishment of program priorities, development of a budget, implementation of controls, and effective administration of available resources are all components of public finance management. PFM is the foundation of all government operation. It involves the collection of income, the distribution of these money to a variety of activities (expenditure), as well as the accounting for the monies that have been spent (Natasha et al, 2011).

The governments of developing nations are making greater efforts to investigate new approaches and structures that might help them modernize and enhance public finance management. Since its inception, the Integrated Financial Management Information System (IFMIS) has become one of the most widely used practices for the reform of financial management. Its primary goals include the enhancement of effectiveness, transparency, safety in data management, and comprehensive financial reporting in order to facilitate timely and accurate decision-making. IFMIS operates in a manner that differs from country to country, both in terms of its breadth and its functionality; yet, in most cases, it is a very extensive and intricate strategic reform process (Chene & Hodess, 2009).

The method of directing, controlling, and influencing the many financial elements of the operations of public service organizations in order to facilitate the achievement of the sector's objectives is known as public financial management (PFM). It gives regulations to ensure that public resources are utilized effectively and that those funds are stretched as far as they can go. It gives leaders and managers the knowledge they need to make choices and to determine whether or not they are efficiently using available resources. The management of finances in the public sector involves a great deal more than simple accounting; rather, it is an essential component of providing services to the general public.

Planning, organizing, procuring, and using government financial resources, as well as formulating suitable policies, are all aspects of financial management that contribute to the realization of a society's goals and ideals. It also considers how best to implement policies that help people in that society realize their aspirations. Public financial management, as described by Cangiano et al. (2013), connects the community's goals with its resources, both now and in the future. It is at the very center of both the day-to-day operations of the government and its overall budgetary policies. There are a number of steps involved in the management of finances, including

Policy Formulation, as described by Cangiano et al. (2013), is a crucial part of the framework of financial management. At its foundation, financial management, is translating social goals into actionable policies with quantifiable costs and benefits. The budget goes through a process called "budget formulation" before it is forwarded to the legislature for review and approval. According to Appah (2009), the process of formulating a budget requires the articulation of the government's goals with regard to its finances, money, politics, economy, social welfare, and other areas of concern. Auditing the government's financial reports is an essential part of Kenya's public sector financial management, and it's one of the most often debated topics in the process. A business's compliance with applicable laws and regulations, as well as with the terms of its employees' contracts, may be determined by an audit, in which an outside party checks the company's records and financials.

1.1.3 Corporate Governance Principles and Financial Management

Corporate Governance Principles discussed within the theoretical framework developed for the establishment of the research model involve the variables of transparency, fairness, accountability and responsibility as well as the variables of social awareness, independence, and discipline (CLSA, 2001). In this sense, businesses are demonstrated by a scientific analysis that there is a relationship between corporate governance principles and financial management. The theory of corporate governance suggests that there is a positive relationship between corporate governance and company performance. An attempt to explain the relationship between corporate governance and company performance was made by many empirical studies carried out in different countries. (Muktiadji, Mulyani, Djanegara &

Pamungkas, 2020; Harnovinsah, Al-Hakim, Erlina & Muda, 2020; Salman & Juniarti, 2021; Natision, Esien, Harjo, Agoestyowati & Lestari, 2022).

Even though most studies have indicated a positive relationship between corporate governance and financial management, there are studies indicating negative relationship between corporate governance and financial performance (Shahwan, 2015; Saidat, Silva, & Seaman, 2019; Kyere & Ausloos, 2021; and Amba, 2014). However, majority of the studies have focused on private entities, which focus on making profits. In this case, there are inconsistencies in establishing relationship between corporate governance and financial management. Such relationship is not explicitly known. Moreover, from a research perspective, majority of the studies are on private entities and not public organizations, which are not-for-profit making. Therefore, in a bid to find out if constituencies in Nyanza region can enhance the effectiveness and ability of the NG-CDF in meeting its aims, the proposed study seeks to find out the relationship between corporate governance principles and financial management.

1.1.4 National Government Constituencies Development Fund (NG-CDF)

The CDF Act of 2003 established the Constituency Development Fund (CDF) in Kenya, and further amendments in 2007 and 2013 and 2015 reorganized the fund's administration to prioritize projects and engage residents more directly. The changes are intended to make the fund more user-friendly. The National Government CDF Board, constituency CDF committees, and community Project Management Committees (PMC) all play roles in the Fund's management. The Ministry of Devolution and Planning is responsible for the Community Development Finance Board (CDF Board). The Ministry provides the Fund with funding and sets its overall policy direction. The National Treasury provides the resources for the CDF and also establishes financial guidelines to ensure the Fund is handled efficiently and effectively. The National Government CDF committees work with local residents to develop project ideas through regular public participations, seek approval of those proposals from CDF Board, then provide support to the PMCs throughout the projects' development, implementation, and ongoing maintenance. Effective project management is achieved via the combined efforts of the Community Development Fund (CDF) Committee and the Project Management Committee.

Changes in administration have happened throughout time, however the following aspects of them have not been scientifically examined: Analysis of the variables that led to changes in the Fund's administration structure; Analysis of the effect of these changes on constituents' familiarity with the Fund; Analysis of the impact of these changes on community participation in project selection and execution.

The High Court declared the CDF Act 2013 null and unenforceable because it violated the Constitution in a ruling issued on February 20, 2015. As government institutions, CDF operated contrary to the constitution, the court said (see footnote 139 of the verdict). It is possible that the delegated authorities by central government to county levels of government, as well as autonomy of county governments, might be jeopardized as a result of the fact that section 22 of the CDF Act places responsibility for local initiatives on county administrations. It is a violation of the concept of separation of powers for the CDF Act to mandate that members of parliament be involved in the planning, vetting, and implementation of CDF projects. It also undermines numerous important national ideas and notions of government, including accountability and good governance.

To give the National Government time to resolve the anomalies in the Act, the court stayed the ruling of invalidity for twelve (12) months, during which time the National Government might choose to either alter the Act or abolish the whole CDF Act. While this was going on, the court provided the National Government a chance to fix the Act's flaws. The Constituencies Development Fund (CDF) Act 2013 was finally repealed and replaced by the National Government Constituencies Development Fund (CDF) Act 2015 on 19th February, 2016. This change took effect immediately.

The National Government Constituency Development Fund Act of 2015 brought about a number of key changes. The most important of which are as follows: a) The first is the Fund's stated purposes are laid out in detail in the Act (section 3 of the CDF Act). This is accomplished by establishing the Fund as one that serves just the needs of the National Government. b) The second one is specified in Section 4 of the NG- CDF Act, which was enacted in response to Article 218 of the Constitution, that the fund shall be formed using money derived from the National Government's share of income determined in line with the Division of Revenue Act. According to the judgment of the High Court, this clause is meant to disprove the notion that the CDF Act violates the constitution by creating a third tier of Revenue Sharing, which has been a common misconception. c) The third one is the types of projects that is be eligible for funding (section 24 of the CDF Act): According to the CDF Act, the only types of projects that are eligible for funding are those that include the provision of works or services that are included in the constitutionally mandated responsibilities of the national government. Based on the High Court's finding that the original text of the Act gave the impression that CDF may undertake any project regardless of whether it fits within the obligations of the County or National governments, the Act has been revised to reflect this concept of separation of powers.

d) The fourth one is that each member of the Constituency Committee shall serve for a term of two (2) years, which may be renewed once, but which shall end upon the appointment of a new Constituency Committee in accordance with paragraph 8 of section 43 of the Constituency Development Fund Act. Section 53 of the CDF Act creates a new body at the Constituency level called the Constituency Oversight Committee whose main role is to oversee CDF-funded projects and to gather public feedback at special meetings held for that purpose (NGCDF Act, 2015).

1.1.5 Constituencies in Kenya

Ever since the formation of county governments, which were expected to transform the livelihoods of its citizens, there have been concerns over mismanagement of resources and overall poor performance especially in Nyanza Region. Kenya has 290 constituencies and 47 counties. Nyanza region has six counties with 42 constituencies as shown in the Appendix III.

While the involved stakeholders in management of NG-CDF include the national government, the management at the constituency levels, the members of public, and the agencies responsible for oversight of the usage of the funds such as the OAG among others, the county government plays an essential role (Akinyi & Kisimbii, 2020). In every constituency, there is NG-CDF Committee responsible for overseeing the projects implemented by the NG-CDF. The NG-CDF Committee is responsible for implementing the provisions of different regulations and rules especially in identifying and implementing constituency projects (Harris, 2021). It is the work of the committee to engage with the community in identifies the most feasible projects. The committee members are community representatives selected from various wards within a particular constituency (Bagaka, 2010). It is evident that there are different levels of management when it comes to the usage of NG-CDF. This makes corporate governance concept relevant. It is also important to indicate that the members of public are at the center of operations (Biwott, Egesah, & Ngeywo, 2017). The projects implemented through the NG-CDF are aimed at enhancing socio-economic developments and attaining regional balances. Therefore, the general public would be at the receiving end. Since there are other bodies and agencies in-charge of oversight, it also confirms the significance of corporate governance.

The indication is that different levels of management surround the implementation of the NG-CDF as the main stakeholders and there is need for effective corporate governance. In this case, there should be concerns over rule of law, participation of the different parties, full disclosure of information in a transparent manner, installation of effective and accountable structures, and improving on the equity and inclusivity (Al-ahdal, et. al., 2020). The idea was to engage in project with high levels of transparency as well as accountability. Responsibility is also necessary especially in ensuring that every stakeholder attached to a given role is held accountable in the event of a failure or challenges. Corporate governance in such aspects would also include improving effectiveness and efficiency of service delivery to the public by successfully implementing projects that would solve major societal challenges (Owiredu & Kwakye, 2020). Of the numerous aspects of corporate governance, the guiding principles are accountability, fairness, transparency, and integrity. These principles touch on all the stakeholders affected by the NG-CDF.

1.2 Statement of the Problem

From inception the National Government Constituency Development Fund (NG-CDF), counties of Siaya, Homa Bay, Kisii, Nyamira, Migori and Kisumu County have recorded poorer financial management over the years compared to several other counties in Kenya as explained in the 2019/2020 report by the Office of the Auditor General. The region has received criticisms for poor financial management of the funds obtained from the NG-CDF in implementing projects that would contribute towards socio-economic development (Munene & Kinoti, 2020). All constituencies are expected to address socio-economic development of people within the constituency. The idea was to assist in the reduction of poverty and enhancement of regional equity (Ndanyu, Kiarie, & Nyaboke, 2017). However, since its establishment in 2004, approximately 18 years ago, the levels of socio-economic development in most Constituencies are still below the national levels with wide variations.

In regard to the status of audit reports on financial management, between 2017 and 2021, one audit report indicated disclaimer opinion (Gem) while 15 reports indicated adverse opinion an indication that there was poor management of resources. The performance was worse as compared to Western region where none had disclaimer opinion and 6 had adverse opinion. In Central region, during the same study period, none had disclaimer opinion while 8 had adverse opinion while in Rift Valley Region, during the same study period, none had disclaimer opinion while 12 had adverse opinion. These statuses are as per the reports presented to the Parliamentary Public Accounts Committee.

In the utilization of the fund, the integrity, accountability and transparency has been brought to force by the Office of Auditor General. In Kabondo Kasipul, the accountability and value for money for the expenditure of Kshs.7,161,965 for the year ended 30 June, 2020 could not be confirmed. In Nyando constituency the accuracy, validity and completeness of other grants and transfers figure of Kshs.46,901,817 for the year ended 30 June, 2020 could not be confirmed. In Bonchari, the value for money and regularity of the expenditure of Kshs.37,519,168 for the year ended June, 2020 could not be confirmed. In Bomachoge, the approved final budgeted expenditure was Kshs.163,774,982 and actual expenditures of Kshs.93,861,824 resulting to under absorption of Kshs.69,913,158 or 57% (OAG, 2021)

The genesis of poor financial management of the NG-CDF in Nyanza Region is the inadequate corporate governance. Among the challenges identified that continue to adversely affect the performance of the NG-CDF include failure to comply with the approved budget of the NG-CDF and non-conformity to the required principles of public procurements. The

OAG has pointed out that in the past, majority of the constituencies in Nyanza region failed to comply with the approved budget, which then makes it deviate from fulfilling identified projects for attaining socio-economic development and regional equality. From a research perspective, majority of the studies are on private entities and not public organizations, which are not-for-profit making. Therefore, in a bid to find out if constituencies in Nyanza region can enhance the effectiveness and ability of the NG-CDF in meeting its aims, the proposed study seeks to find out the relationship between corporate governance principles and financial management.

1.3 Objectives of the Study

The main objective of the research was to determine the influence of corporate governance principles on financial management of NG-CDF in Nyanza Region, Kenya. The following were the specific objectives;

i. To establish the influence of the principle of accountability on the financial management of NG-CDF in NG-CDF in Nyanza Region, Kenya.
ii. To determine the influence of the principle of transparency on the financial management of NG-CDF in Nyanza Region, Kenya.
iii. To establish the influence of the principle of fairness on the financial management of NG-CDF in Nyanza Region, Kenya.
iv. To determine the influence of the principle of integrity on the financial management of NG-CDF in Nyanza Region, Kenya.

1.4 Study Hypotheses

H_{01}: *There is no significant influence of the principle of accountability on the financial management of NG-CDF in Nyanza Region, Kenya.*

***H_{02}*:** *There is no significant influence of the principle of transparency on the financial management of NG-CDF in Nyanza Region, Kenya.*

H_{03}: *There is no significant influence of the principle of fairness on the financial management of NG-CDF in Nyanza Region, Kenya.*

H_{04}: *There is no significant influence of the principle of integrity on the financial management of NG-CDF in Nyanza Region, Kenya.*

1.5 Significance of the Study

Some of the expected beneficiaries from the study findings include the County governments, policymakers, and academicians.

1.5.1 Policy Makers

The policy makers will benefit from these research findings by getting insights on the role of corporate governance principles on financial management. Therefore, policymakers will institute enabling rules and processes to facilitate the establishment of a board that is impartial, accountable, well-structured, and fully dedicated. This, in turn, would encourage responsible government spending.

The study's results might be used to shape CDF policy at the national assembly, county government, and CDF secretariat levels, all of which have a hand in distributing funds to constituents. The extent to which the NG-CDF has benefited local citizens, as measured by a comparison of outputs to the Fund's stated objectives, and the factors that led to changes in the Fund's administration structure are all areas where empirical research might inform policy.

1.5.2. CDF Committee

Financial management usually entails various stakeholders and resources such as budgetary, technical and human resources. Furthermore, a lot of CDF project are initiated in unpredictable, dynamic, political and turbulent environment. The study's finding would provide the NG-CDF Management with a better understanding of corporate governance principles and its effect on the financial management of NG-CDF. This would help the Ministry of Treasury to decide whether or not to make changes in the NG-CDF system. The findings would enable the NG-CDF Management to re-evaluate their activities and apply the recommendations made by the study to improve its effectiveness especially in matters of operation. The study will help in improving prudent financial management.

1.5.3 Academicians and Scholars

The scholars and research organizations interested in carrying out further research in this area would benefit from background information provided in this research. The study is timely in adding to the existing knowledge and theory. Based on the areas of further study recommendations, the study would also open an avenue for future scholars to conduct research in order to strengthen and contrast findings on the topics in the field.

1.6 Justification of the Study

The main goal of NG-CDF is to have immediate impact on socio-economic development. Thus, the purpose of the NG-CDF is to alleviate poverty, improve lives, infrastructural development and other aspect of local development. To sum up, the CDF kitty seek to address the regional development imbalances, targeting pro-poor as well as expanding and improving development coverage in the republic. However, constituencies lose junk of money through misappropriation of financial resources. This has led to stalled projects and poor service delivery to the public. Various interventions have been put in place to allow vibrant development in key areas especially corporate governance. The success of corporate governance especially in financial management lies deeply on strong will power to utilize available resources efficiently in the deep interest of the general public. Corporate governance is a tool to curb the pitfalls and brand the NG-CDF to a new level of development and improving peoples' lives. Unfortunately, according to Office of Auditor General, financial management in Nyanza region has been dismay compared to other neighboring regions. Hence there is need to investigate relationship between corporate governance principle and financial management.

1.7 Scope of the Study

The study was done in six counties of Siaya, Homa Bay, Kisumu, Migori, Nyamira and Kisii of Nyanza Region (GoK, 2023). Siaya County consist of six constituencies, Nyamira County four constituencies, Kisii County nine constituencies, Kisumu County seven constituencies, in Migori County eight constituencies and Homa Bay County have eight constituencies. None of Auditor General Reports had unqualified opinion in regards to 42 constituencies in Nyanza Region. Further, in the previous three financial years, Office of the Auditor General Reports indicated adverse opinion for Ugenya, 2017 and Rarieda, 2020 while disclaimer opinion for Gem, 2018. In Homa Bay Ndhiwa Constituency (2018), Karachuonyo Constituency (2016) and Homa Bay Town Constituency (2017) had adverse opinion from Auditor General Reports. In Kisii, adverse Auditor General Report was associated with Bobasi Constituency (2018), Bomachoge Borabu Constituency (2018), Nyaribari Chache Constituency (2017), Bomachoge Chache Constituency (2017), South Mugirango Constituency (2017), Nyaribari Masaba Constituency (2017), and Bobasi Constituency (2017). In Nyamira County, adverse report was evidence in North Mugirango Constituency (2017). In regard to the status of audit reports on financial management, between 2017 and 2021, one audit report indicated disclaimer opinion (Gem) while 15 reports indicated adverse opinion an indication that there was poor management of resources. The performance was worse as compared to Western region where none had disclaimer opinion and 6 had adverse opinion. In Central region, during the same study period, none had disclaimer opinion while 8 had adverse opinion while in Rift Valley Region, during the same study period, none had disclaimer opinion while 12 had adverse opinion. The Study focused on corporate governance principles which include accountability, transparency, fairness and integrity. The study used primary data which was collected from CDF committee members.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This introduction includes the study's guiding ideas, a conceptual evaluation of study variables, an empirical evaluation and criticism of relevant literature, a summary of the reviewed material, and research gaps. The chapter's topics have been guided by a topical approach.

2.2 Theoretical Framework

The theoretical underpinnings are dissected in this part, with links shown between three theoretical traditions and the achievement of the stated aims. The accountability concept of corporate governance has parallels in agency theory, stewardship theory in integrity, and stakeholder theory in openness and fairness. In addition to that, an empirical review that is organized according to certain research goals is presented below. Using analysis, comparison, and synthesis, knowledge gaps have been found; this research intends to address those gaps by analyzing how corporate governance principles affect money management.

2.2.1 Agency Theory

The originators of agency theory are Jensen and Meckling (1976). According to this theory, principals, like shareholders, have a more nuanced grasp of the interaction between agents, such the company's leaders and managers. According to this plan, the responsibilities at hand would be delegated to employees by the shareholders, who would act as the owners or leaders of the company. Directors and managers are agents who are entrusted with management responsibilities by the company's principals so that those individuals may focus on serving the shareholders. Costs incurred due to disagreements between managers and shareholders (agency costs of equity) or between shareholders and debt holders are defined by Jensen and

Meckling (1976) as "agency costs" (agency costs of debt). According to agency theory, when control is separated from ownership, the Principal and the Agent are put in a position of competing interests (Aguilera et al., 2008).

According to Temouri, Driffield and Anon (2008), agency theory is concerned with analysing and addressing difficulties that occur in the interaction between principles (owners or shareholders) and their agents. In other words, the theory focuses on the relationship between owners or shareholders and their agents (top management). Specifically, the theory focuses on how problems can arise when owners or shareholders try to exert control over top management. The fundamental tenet of this idea is that the responsibility of businesses is to increase their owners' or shareholders' financial well-being to the greatest possible extent (Arneson, 2011). According to the agency hypothesis, the majority of organizations function in an environment characterized by imperfect knowledge and uncertainty. The agency theory maintains that agents should be held responsible for the responsibilities they have toward the principles they serve. In addition, the idea places an emphasis on the agent's accountability for any negligent behavior. On the other hand, moral hazard refers to a circumstance in which a principle is unable to determine for certain whether or not an actor has made their utmost effort (Bierstaker, 2009). According to the agency hypothesis, the fact that professional managers have access to better knowledge gives them an advantage over the owners of public organizations. It is possible that the top administrators of an organization are more concerned with their own personal well-being than they are with the well-being of the organization's shareholders. Collier (2013) It is possible that managers won't do what's needed to maximize shareholder returns if there aren't the appropriate governance mechanisms in place to protect shareholder interests. This is something that may be disputed. As a result, according to agency theory, the purpose of governance should be to eliminate, or at least reduce as much as possible, the likelihood of managers behaving in a way that is adverse to the interests of shareholders.

The proponents of the agency hypothesis argue that when a big number of people buy a company's stock but the board of directors is comprised of strangers to the company, the top management has more power. The concept suggests that a company's senior management should own a sizable stake in the business to strengthen the correlation between corporate governance and executive stock ownership (Mallin, 2004). Dobson's (2011) theory of organizational dysfunction posits that top-level managers (agents) avoid taking personal accountability for their actions unless they have a significant financial interest in the company. This makes it impossible for top management to solve issues. Additionally, the agency theory supports the establishment of guidelines and rewards for the purpose of bringing the actions of managers into line with the objectives of business owners (Forker, 2012). On the other hand, it is next to impossible to draft a set of regulations that covers every potential situation that workers may find themselves in.

According to Hall's argument, boards of directors use the agency theory to better align management incentives with those of shareholders in for-profit companies (2012). Jennifer (2007) contends that the expectations of stakeholders, like as shareholders, local communities, workers, and consumers, are distinct from those of profit-making enterprises. Depending on the group of stakeholders, the contradictory demands might be used to explain behaviour that may be criticized by some as being unethical or immoral. Nevertheless, it seems that the agency issue will continue to exist regardless of the many contemporary approaches to corporate governance. Contracting an agent who makes choices that have an impact on both his personal well-being and the well-being of the principal is impossible to do in a fool proof manner. The question that arises from this predicament is how to coerce the agent into acting in the way that is most beneficial to the principal. In addition, the majority of these studies that put the agency theory to the test have been carried out in industrialized countries, whereas relatively few of them have been carried out in emerging economies.

This theory asserts that individuals are motivated by their own self-interest rather than by altruism and that they cannot be relied upon to behave in a way that is in the best interests of others. On the other hand, individuals strive to increase their own usefulness as much as possible. The agency thesis argues that board members' and shareholders' relationships should be modelled after legally binding contracts (Adams, 2002). Directors, as the shareholders' representatives, should be subjected to a very high degree of scrutiny to ensure that they are acting in the shareholders' best interests. This hypothesis is lacking in its capacity to describe how accountability affects the financial management of NG-CDF.

2.2.2 Stewardship Theory

Donaldson and Davis are credited with the development of the stewardship theory in 1991, and it was further expanded in 1993. Managers, in this perspective, would be better able to act in the best interests of all stakeholders and carry out their duties as responsible stewards of the assets for which they are accountable if they were allowed unfettered discretion. Furthermore, the theory suggests that the interests of shareholders may be maximized by the distribution of roles within an organization's management or leadership (Schillemans, 2013). The stewardship suggests that ownership of a corporation need not include legal title to the business; in certain cases, it might mean nothing more than trust responsibility for the organization. Stewardship theory is one of the most prominent frameworks for analyzing corporate governance (Keay, 2017).

The stewardship theory proposes that the managers and executives of a firm should be seen as stewards of the company's owners since both parties work for the same ends. It is important for the board to play a supporting role by delegating authority to the executive team, which will, in turn, boost the possibility for better levels of performance (Glinkowska & Kaczmarek, 2015). In the liberalist perspective, this idea may also be used because of the promise it makes to better serve the interests of shareholders. The theoretical foundation is normative, and it is predicated on the idea that the directors to whom power is granted would behave in a stewardly manner. Extrinsic motivating variables, such as complex pay structures and incentive schemes, have to be made available to the executive team and the board of directors.

According to Chrisman (2019), the conditions of the stewardship theory state that the objective of senior management is to perform a good job while also being a good custodian of the assets of the corporation. As a result, the theory proposes that there is no difficulty with executive motivation that is both innate and generic. The philosophy of stewardship places a strong emphasis on the significance of organizational leadership structures. According to this theory, differences in performance are caused by the degree to which the structural circumstance in which an executive or leader is positioned makes it easier for those leaders or executives to take successful action. The question that has been raised is whether or not the organizational structure makes it easier for executives to devise and carry out strategies that are geared toward high levels of corporate performance (Segal & Lehrer, 2012). In this respect, organization resources are certain to be beneficial toward the accomplishment of the aforementioned objective, inasmuch as they make clear and consistent role expectations available, in addition to authorizing and empowering senior management (Glinkowska & Kaczmarek, 2015).

In the context of the study of corporate governance, the Stewardship Theory evolved as an alternative to the Agency Theory (Keay, 2017). It is thus not surprising that the fundamental assumptions are specified in a manner that is unique from the Agency Theory's fundamental assumptions. According to Joslin and Müller (2016), the agency relationship places a focus on the establishment of institutional and contractual structures designed to prevent managers from achieving their personal aims at the cost of the company's owners. The assumptions of the Agency Theory are refuted by the Stewardship Theory, which proposes that managerial behavior should be pro-organizational and collaborative in order to maximize managers' chances of attaining better value by serving an organization. It also presupposes that managers, when left to their own devices, would behave in a responsible manner with regard to the assets that they are in charge of (Schillemans & Bjurstrm, 2019).

The stewardship theory was determined to be the most appropriate by this research. This theory outlines the function of boards of directors and management in the process of obtaining corporate success. The stewardship thesis contends that the effective control possessed by professional managers provides such managers the ability to optimize both the performance of the company and the revenues of the corporation. According to the Stewardship Theory, higher levels of organizational performance are directly correlated with more effective resource management on the part of management. It is believed that these executive directors have a deeper understanding of the workings of the business world and can make more sound choices about the organization's resources (Grace, Vincent & Evans, 2018). It is recommended to work with the senior management due to their high level of professionalism, extensive technical competence, and dedication to the firm (Dumay, La Torre & Farneti, 2019).

It is the contention of the stewardship theory that board members and the chief executive officer of an organization are more inclined to act in the organization's best interests than in their own. As a result, successful business leaders often come to see their companies as personal extensions of themselves (Shapiro & Stefkovich, 2010). Stewardship is the concept that stockholders should prioritize the long-term success of the company or organization in which they have invested (Hall, 2012). This idea is relevant to the investigation because it expands upon our understanding of how the integrity principle affects the management of NG-CDF funds in Kenya's Nyanza Region.

2.2.3 Stakeholder Theory

Freeman (1984) proposed the concept of stakeholders; subsequent scholarly works on the topic by authors such as Donaldson and Preston (1995), Mitchell et al. (1997); Friedman and Miles (2001); and Phillips (2003) are all relevant to the present investigation. At its core, this theory rests on the assumption that business values are both inherent to the enterprise and intentionally chosen by its actors. Managers need to articulate the holistic value they provide for their organizations and pinpoint the commonalities among the group's most important constituencies. In addition to this, it compels managers to have a crystal clear understanding of the manner in which they want to do business and the sorts of connections they wish to develop with the various stakeholders in their organization in order to fulfill their mission. According to Wicks (1994), the central thrust of stakeholder theory may be summed up in two fundamental issues.

This compels management to articulate the obvious benefits they bring to the table and the characteristics of the company that unite its most important constituencies. This propels the business forward and helps it achieve outstanding success, as evaluated by both its purpose and financial indicators in the market. Second, the stakeholder theory is predicated on the question, "what responsibility does management have to stakeholders?" This necessitates that managers articulate their preferred methods of doing business and the kind of relationships they want and need to achieve their goals.

The core idea behind stakeholder theory is that for a company to be successful, it must first demonstrate that it can successfully manage all of the many connections it maintains with its various stakeholders (Sievanen, 2013). When presented with the identical stimuli, the internal stakeholders, who include workers, managers, and owners, respond in a manner that is distinct from the behavior shown by the external stakeholders. According to Fernando (2014), value creation is comprised of all individuals who either make or capture value, are exposed to risk as a result of their relationship to the company (including owners, managers, and employees), or are negatively affected by the company's externalities or misinformation. Fernando describes stakeholders as "those who produce or capture value, or who incur risk or are impacted by the firm's success" (local communities, environment, future generations, and society at large).

Because companies affect so many people's lives, businesses are social entities, according to stakeholder theory. Stakeholders are groups and people that have some say in how a business operates and stand to gain or lose from its success (Donaldson & Preston, 2015; Freeman, 2010; Reed, 2012). Giving workers who provide or manage vital, specialized inputs (organization-specific human capital) greater voice in the business and granting them ownership-like benefits were key, they said. Aligning important stakeholders' interests with independent, passive shareholders was also emphasized. According to Mulili (2011), a company's success is measured by its capacity to fulfil customer requirements. In addition, he said that many academics regard the natural environment to be an important stakeholder. In addition, the capacity to effectively engage with one's surroundings in the outside world. This idea is relevant to the study at hand since an effective Board of Directors is essential for any business that wants to provide its shareholders with the greatest possible return on their investment. Those stakeholders who have had negative experiences in the past as a result of mistakes in management and poor decision making will argue for a competent Board of

Directors and for those who adhere to the corporate governance standards and board rules, among other things. Experienced stakeholders will endeavour to reduce the likelihood of agency disputes and the accompanying consequences, which might have an effect on the long-term profitability of the organization.

Umalomwa et al. (2012) say stakeholder theory helps with CSR. Social and environmental information is shared upon stakeholder request. This theory led the current research, which examines whether the corporate governance concept of transparency affects the financial management of the NG-CDF in Kenya's Nyanza Region. Goodwill and trust from customers not only contribute to the company's bottom line, but also provide the business an edge in the marketplace. This method of corporate governance, which places a priority on the health and happiness of all of the company's constituents, seems to be the most successful of those that are now accessible. This is true not just because it contributes to the company's bottom line, but also because it drives that bottom line. Moreover, there is a school of thought in organizational management and corporate ethics known as stakeholder theory, which focuses on the moral and ethical dimensions of business management. This theory serve as a foundation for the study at hand, which seeks to answer whether or not the idea of fairness in corporate governance affects the fiscal management of NG-CDF in Kenya's Nyanza Region.

2.2.4 New Public Management Theory

Hood (1991) proposed New Public Management theory in the 1980s and 1990s. Hood was looking at the reconfiguration of the public sector in line with efficiency and effectiveness (Sunday & Lawal, 2016). The aim of NPM reforms was to improve public service delivery, public expenditure saving, efficiency of governmental operations and effective policy implementation (Kihoro et al., 2017). The emergence of NPM was driven by the belief of inefficiency in large and monopolistic public bureaucracies (Prasetyo et al., 2018). Gumede and Dipholo (2014) stressed the relevance of restructuring government, instilling entrepreneurial skills in a bid to transform public sector and doing away with bureaucracy. As Bourgon (2017) states, NPM spells out ideas, values and practices that public sector should emulate from private sector practices. Furthermore, AlOtaibi (2015) argues that NPM looks at government from the perception of markets productivity, and management's methods of achieving productivity which is in line with public choice theory.

According to New Public Management (NPM) philosophy, modern government should be customer oriented, competitive and result oriented, and thus corporate governance principles has a role to play for enhancing the effectiveness of financial management hence the concept of new public management is used to strengthen the need and importance of corporate governance principles in public sector Geentanjali (2011). In a bid to respond to widespread public criticism of public service, NPM model suggested different way of managing public sector efficiently and effectively by introducing different tools and techniques for financial management (Pretorius & Pretorius, 2008). NPM model has two key aspects of giving managers the opportunity to manage and holding them accountable for their actions. NPM objectives included: to form a management culture that is customer oriented and results focused; to separate policy making from service delivery; and to suggest structural or organizational alternatives that promote decentralized authority and control. Another aspect is for improved operational efficiency and bureaucratic responsiveness to political principals (Manning, 2001).

New Public Financial Model (NPFM) is a financial management efficiency measure introduced by the NPM. Olson et al. (1998), describe NPFM as an integral part in reforming public sector that brought about restructuring spirit that was aimed at improving financial awareness while making decisions in public sector. The five key NPFM dimensions as identified by Guthrie et al. (2005) are: making changes in financial reporting systems; budgets devolution; market based costing and pricing systems; a performance measurement approach and performance based auditing. The direction and speed of making NPFM reforms in OECD countries is affected by social, political and organizational factors in public sector accounting and management (Pretorius & Pretorius, 2008). Newberry and Pallot (2005) argues that initial expectations by the reforms have not been met and some concerns have been raised about the increasing complexity of the financial management systems, actually reducing rather than enhancing political accountability and control. They also agree that there has been commendable progress with the reforms. This model was relevant in acknowledging the importance of corporate governance principles as financial management indicators in constituencies in Nyanza region.

2.3 Empirical Review

Empirical research on loan management practices and the effectiveness of economies throughout the globe was the primary focus of this investigation. This included not only a detailed examination of prior work but also an illustration of connections between different pieces of literature and how they each add to the overall picture, as well as the naming of new avenues for investigation. Additionally, this required showing how the many works connect to one another and how they all add to the analysis.

2.3.1 Principle of Accountability and Financial Management

Every organization has a duty to hold its leadership and members responsible for the financial resources they manage. Because of this, having an effective financial management system makes it feasible for the relevant parties to voluntarily accept responsibility for the resources in question. The study by Salman and Juniarti (2021) set out to test the hypothesis that fiscal responsibility has an effect on the regional financial management practiced by the Bekasi municipal government. Employees of Bekasi's Regional Financial and Asset Management Agency participated in the study. The use of questionnaires as the major technique of data gathering has been the primary strategy. In light of the findings of the examinations that have been carried out on the study, one may reach the following conclusions: (1) There is a degree of influence that the variable of financial accountability has on the regional management of finances. The research was carried out in Nigeria, which results in a substantial lack of contextual information. In addition, the research used many financial performance metrics in order to establish financial management.

Natision, Esien, Harjo, Agoestyowati, and Lestari (2022) examined the effect of government transparency on the administration of public funds in Indonesia. A descriptive quantitative case study is how we do our research. We conducted 60 interviews and used linear regression to evaluate the data. The study shows that there is a robust, though indirect, connection between the Public Accountability Mechanism and the Financial Management Mechanism. In addition to the study's location in Indonesia, neither quantitative nor qualitative data were combined.

Onuorah and Appah (2018) investigated the administration of public finances via the lens of the accountability reports that holders of public office are required to submit about their stewardship. The Statistical bulletin published by the Central Bank of Nigeria was mined for information covering the years 1961 through 2008 on the overall revenues and expenditures of the federal government as well as those of the state governments. According to the findings, the level of accountability in Nigeria is extremely low. This is because people are unable to adequately assess the performance of public officials, most of whom hold political office, owing to the lack of or inadequate availability of economic, social, and political information regarding government activities. Not only were contextual elements ignored, but no evidence that accountability affected financial management was found.

Jeriansyah and Mappanyukki (2020), in the course of their work at the Inspectorate of the Special Capital Region of Jakarta, made an attempt to evaluate the connection that exists between the responsibility of regional financial management and the performance of local governments (DKI Jakarta Province). This study used both primary data and information obtained via the use of a questionnaire-based collection method. The population for this study consisted of 265 individuals. There were a total of eighty people included in the samples used for this study, and the sampling procedure comprised non-probability sampling techniques. Results from this research indicate that accountability standards for regional financial management may have a significant beneficial impact on the effectiveness of local governments. The study did not include any background information or explain how the final sample size of 80 participants was determined out of a higher proportion of 265.

Osho and Afolabi (2014) examined and ascertained the extent to which accountability, effectiveness and efficiency mechanism are being promoted and the problems that serve as hindrances to this in Ekiti State. All the data used were both the primary and secondary. Data were primarily gathered through questionnaires administered to the employees of the Nigerian Government Enterprises selected from ministries of Health, Education, Agriculture and Finance sectors at all levels of management. Cross tabulation and chi-square were used to analysed the data and the study revealed that the internal control system in the state are very weak, accountability are as well ineffective due to political interference. The study failed to indicate how accountability influenced financial management among Nigerian Government Enterprises. Further, the study did not explain how secondary and primary data were triangulated.

Alfarizi, Juniarti and Ak (2020) intended to examine whether the effect of financial accountability on regional financial management of the Bekasi city government (2015-2018 period). Respondents in the study were employees who worked at the Regional Financial and Asset Management Agency of Bekasi city. The number of respondents who became the sample in this study were 100 respondents with civil servants and non-civil servants. The primary data collection method used is a questionnaire method. The results of the tests that have been carried out indicated that the financial accountability variable has a partial effect on regional financial management. The study used same questionnaire to collect data from civil servants and non-civil servants which has a bearing on the external validity of the results.

Mwaura (2018) sought to establish the effects of financial accountability on the performance of nongovernmental organizations in Kenya. The research design used in this study was descriptive survey. Stratified random sampling design was used to select the sample. Using stratified random sampling design, the researcher selected 52 respondents on whom to conduct the survey. Semi structured questionnaire were used to collect the primary data. Descriptive statistics was employed to analyze the data. The study also established a significant relationship between financial performance of NGOs in Kenya and the independent variable financial accountability. However, the study was conducted among NGO making it difficult to be applicable among public sector. Secondly, the study failed to indicate how responses from open-ended statement were analyzed.

2.3.2 Principle of Transparency and Financial Management

Transparency in financial management is very necessary in order to accomplish the goal of providing quality service. Therefore, management have to make an effort to make public the procedures that are followed inside the organization in order to raise awareness. The researchers Harnovinsah, Al-Hakim, Erlina, and Muda (2020) studied how transparency and supervision influence the performance of the Value for Money concept in relation to budgetary constraints. Forty-three local workplaces within Jakarta Province's Special Capital Region (DKI) were surveyed. Structural Equation Modeling (SEM) is used to test the study's hypotheses, and 86 public servants make up the study's sample. The findings of this study have shown that increased levels of openness have no impact on an organization's ability to provide results while staying within its allotted budget.

Research undertaken by Njeri (2013) sought to answer the question "what is the relationship between corporate openness, disclosure, and the performance of companies?". The empirical investigation was conducted with Kenyan insurance firms as the primary respondents. According to the findings of this research, there are thirty characteristics that are not included in the rules for corporate governance. The five years (2008-2012) and forty different firms that make up the transparency qualities. According to the findings of the research, ownership and investor connection, return on assets, and financial information disclosure all have positive correlations, and the model that was utilized has substantial predictive power. The study's author concluded that insurance firms' bottom lines benefit from more openness and disclosure since doing so lowers the cost of capital and eliminates knowledge asymmetry. The favorable benefits of openness and disclosure on insurance firms' bottom lines explain this conclusion, suggesting that regulators should strive to raise such parameters. However, the emphasis of the research was on insurance firms, which are organizations that generate a profit, and the performance of the businesses was utilized as the dependent variable.

The purpose of the research that was conducted by Pratolo, Jatmiko, Anwar, and Widiyanta (2018) was to evaluate and experimentally show the influence that transparent financial management has on the performance of local governments by employing a value-for-money approach through the utilization of information technology. The targets of the research include 34 provinces, but only 30 provinces may be accessible. Additionally, disclosure of average financial statements is at 43.5 percent, disclosure of budget realization is at 60 percent, and records disclosure of financial statements is at only 17 percent. The survey approach is used here, along with observation and questionnaire methods. In the Bantul District, the whole population is SKPD, and the primary emphasis is on financial management. The findings indicated that the openness of financial management has a favorable and substantial impact on the performance of local governments when a value-for-money strategy is implemented via the use of information technology. The study solely used cost-effectiveness as a metric of financial management, and it found that IT use mitigated the effect of openness on budgeting. The research also suffers from a lack of background.

Wanjau, Muturi, and Ngumi (2018) set out to investigate the connection between financial transparency and the success of publicly listed enterprises in East Africa. Understanding the impact of various financial policy, investment policy, and liquidity disclosures on firm performance was the primary purpose of this research. This study used a correlational research approach and a purposeful selection strategy to choose 73 of the most frequently referenced papers published between 2006 and 2015. Analysis of secondary data included descriptive, correlation, and regression methods. There is a positive, statistically significant correlation between financial policy, investment policy, liquidity, and performance. Although secondary data were employed throughout the study's development, primary sources were collected and analyzed for this report's purposes. Disclosure was used as the construct through which transparency was examined; however, different metrics of transparency principles were used in the present research.

The purpose of Jeriansyah and Mappanyukki's (2020) study at the Inspectorate of the Special Capital Region of Jakarta was to evaluate whether or not there is a correlation between the transparency of regional financial management and the performance of local governments (DKI Jakarta Province). This research included both primary data and data gathered using a questionnaire approach. The population for this study consisted of 265 individuals. Non-probability sampling methods were used, and 80 people were included in the study's samples. The results of this study suggest that local government efficiency improves when there is more openness and transparency in regional financial management. Not only was there no background information provided, but the researchers also failed to explain how their 80 respondents were selected from a larger pool of 265.

2.3.3 Principle of Integrity and Financial Management

It is essential for the financial management system of any organization to have integrity since all parties involved are counted on to demonstrate an inner commitment and a readiness to speak truthfully with one another. The management team should always be motivated by a genuine desire to do what is ethical in every situation. The researchers Fadillah, Azwardi, and Yuliana (2022) investigated the impact that honesty has on the overall performance of government external auditors. The total number of respondents was 182, all of them were auditors working in various capacities for the Audit Board of Indonesia and hailing from the Southern Sumatra area. The auditors were given questionnaires as a means of data gathering, and those questionnaires were utilized. Multiple linear regression analysis was the method that was used to analyze the data. According to the findings of the research, the fundamental principles of BPK, which include honesty and professionalism, had a favorable and appreciable impact on the performance of government external auditors. In addition to the lack of contextual information, the research did not specify how performance was evaluated.

Excellent governance systems, as manifested by corporate integrity systems, have been the subject of research by Said, Alam, Radzi, and Rosli (2020) for their potential role in the creation of value for Malaysian government-linked corporations (GLCs). The basic data for this research came from a survey of one hundred GLCs in Malaysia that was comprised of a series of questionnaires. According to the findings of this research, which were derived from a regression analysis, corporate integrity systems and internal control systems are essential components in the process of assuring value generation in GLCs. Siyad and Sasaka (2018) set out to study the effects of effective corporate governance on the success of Hormud Telecommunication Company. The workers of Hormuud Telecommunication Company, both full and part time, made up the 879 people who were included in this survey as members of the population for this particular study. 275 people participated in the research as part of the sample size. The results of this research show that good corporate governance is significantly related to Hormuud Telecom's bottom line. In particular, the research confirmed instances of trustworthy leadership.

Yin and Zhang (2020) undertook a study to assess the link between corporate honesty and the risk of a financial meltdown. As an example, let's look at the 1,419 businesses trading on China's Shenzhen Stock Exchange. The Shenzhen Stock Exchange's website provided the bulk of the information utilized to test the system's legitimacy. The CSMAR Database was used for the collection of additional financial data. According to the findings, maintaining corporate integrity may greatly reduce the likelihood of a stock market meltdown. Even after making adjustments to the sample selection, model estimation techniques, and the proxy variable representing the likelihood of a stock price drop, the result remains sound. Further investigation reveals that a correlation between corporate integrity and the probability of a drop in stock prices is only seen in companies that have poor internal control and that operate in regions with an inadequate legal framework. In addition to the contextual gap, the previous research employed the risk of a drop in stock prices as the dependent variable, and also made use of secondary data, while the new study made use of primary data.

In order to better understand the relationship between corporate integrity and internal control quality, researchers Shu, Chen, and Lin (2018) analyzed data from a novel survey they created to evaluate corporate integrity. The findings point to a statistically significant negative association between internal control inadequacies and business honesty. Our study shows that the quality of internal controls may be enhanced by using a combination of formal and informal institutions. That is to say, the negative correlation between corporate honesty and control flaws becomes more evident in environments with less regulation and less market rivalry. This is because the relationship is detrimental to the reputation of the firm. We also find that improved corporate governance has the potential to reinforce the connection between corporate integrity and the efficiency of internal controls. There is evidence from these studies to suggest that an organization's internal controls function better when its leaders prioritize honesty and transparency.

Finding a correlation between the fairness principle and the bottom line results of banks in Uganda's Mukono District was the focus of Lukowe's (2019) study. This study used a descriptive survey design and integrated qualitative and quantitative approaches to data collection and analysis. In the study, researchers used both strategies of simple random sampling and of purposive sampling. In order to gather primary and secondary sources of data, questionnaires were sent to sixty out of seventy-two respondents who were selected at random. There was a significant correlation between respondents' ratings of centennial bank's integrity and their ratings of the bank's ability to develop and provide services; 69% of respondents strongly agreed, and 17% agreed, suggesting that honesty is valued in the banking industry at centenary bank. The number of those who responded "strongly agree” to the statement that "integrity assists in the expansion of every bank to deliver its services” is indicative of this. The research only focused on the instance of a single commercial bank, thus it is impossible to extrapolate its conclusions beyond that. Ethical principles were used to determine whether or not anything was fair. There was no indication of triangulation, which would be the collection of data from qualitative and quantitative sources.

A major goal of Oluoch's (2015) research was to ascertain whether or not the success of state-run TVET institutions in Kenya's Nyanza region is affected by safeguarding their financial records. The correlation research design was used for this investigation. There were a total of 99 principals, vice principals, and heads of department at TVET Institutions in the Nyanza area of Kenya, and they all participated as members of the study's population. A census-style survey was used for the investigation. These results suggest that the integrity of financial reporting has a major impact on a company's success. Decision-makers, board members, and other interested parties may all utilize the study's findings to inform policy decisions, improve TVET institutions' governance, and provide the groundwork for future research. The research did not specify which components were utilized to evaluate the success of TVET, and it restricted itself to investigating the truthfulness of financial reporting alone.

2.3.4 Principle of Fairness and Financial Management

When managing public money, one of the most essential factors that has to be taken into consideration is how resources should be distributed fairly among those who might need them. In each given ethical circumstance, each individual ought to provide a judgment that is fair and impartial. According to Verhezen (2017), fairness refers to the perception that one is treated equally while interacting with internal stakeholders. According to Friedman (2015), fairness is the capacity to arrive at a judgment that is equitable in a specific ethical circumstance. The impact that ethical business practices have on a company's bottom line was analyzed by Adjei-Mensah (2020) in a study conducted in Ghana. Independent factors included ethical conduct (abbreviated GEB), a decrease in corruption (abbreviated C), and a decrease in nepotism (abbreviated N) (N). For the main data, we used a methodology called a cross-sectional survey, and for the secondary data, we used sources like the financial records of companies. For the purpose of the research, thirty (30) business entities that were already registered on the stock market were chosen. According to the findings, companies that stick to fairness principles while operating their businesses have a greater probability of enhancing their financial success. According to the data, the ROA of businesses has a positive and high correlation to the degree to which they adhere to fairness business norms. This is in relation to the firms' financial success. In addition to the absence of contextual information, the research employed financial success as the dependent variable, and there was no indication that the findings were triangulated using secondary and primary sources.

Rose and Yanti (2016) examine the application of ethics and fairness, as well as the ways in which it contributes to the overall effectiveness of an organization. The objectives of this research were accomplished by the use of a genuine case study in the form of HEP UUM. In the process of data collecting, a mix method approach was used, and questionnaires and interviews were conducted. The research indicates that the presence of ethics in organizational culture, leadership, and training all make significant contributions to the effectiveness of HEP UUM's financial management. Most employees also agree that their firm has high ethical standards in terms of its leadership and culture, as well as the ethics training it offers in the field of financial management, as shown by the data.

The authors Mbithi and Wasike (2019) set out to study the effect fairness has on the success of financial institutions. The approach of this study was grounded on a descriptive design. The population of interest consisted of 495 individuals who were employed in the banking sector in Kenya. A sample size of 222 individuals who participated in the survey was chosen to be representative. Both primary and secondary data were collected with the use of a questionnaire and an overall data strategy. The study's results suggest that justice plays a crucial role in the success of the banking industry. Previous research was carried out in the private sector, but the new research was carried out in the public sector. In addition, the sustainability of the banking industry was employed as the dependent variable in that research, but the dependent variable in the present study was financial management.

Using a more in-depth discussion of the principles of corporate governance that organizations employ to effectively assure their sustainability, Burak, Erdil, and Altinda (2017) examine whether or not these principles have an impact on company performance. Their goal is to determine whether or not these principles have an effect on the performance of businesses. This article presents the findings of an exploratory study that was conducted on participants holding management roles in companies that are active in the Marmara Region. In addition, an effort was made to gather data by distributing questionnaires to management positions inside firms located in a variety of locations throughout Turkey in order to create a more credible sample population representative of the whole country of Turkey. The SPSS software was used to conduct an analysis of the data that was supplied by the 304 questionnaires that were acquired as a consequence of the different phases. The investigation's findings led to the conclusion that corporate governance's notion of fairness is related to the firm's success. Nonetheless, the investigation's results somewhat corroborate those of previously published investigations.

Research on the impact of fairness principles on corporate success was undertaken by Karabulut, Civelek, Başar, Sabri, and Kücükcolak (2020). Based on a field survey that included a questionnaire with five-point Likert scales, the information was gathered in 2019 from 116 different businesses in Istanbul by random sampling. The analysis was conducted using the SEM method of structural equation modeling. The results of the study indicate that no correlation exists between fairness and business success. Aside from the fact that the research was conducted outside of Kenya, the concept of corporate governance did not substantially affect business performance.

The issue that motivated Barare and Wambua's (2018) research was this: "How does training in integrity and ethics for executives influence the performance of state companies in Kenya?" Descriptive survey research was employed in this study. The intended audience was the Kenya Revenue Authority's 320 employees. The sample consisted of 175 people from from the ranks of the Kenya Revenue Authority's upper, middle, and lower management. Everyone who filled out the survey is a member. The sample was constructed using stratified random sampling since this method makes it possible to include representatives from all divisions in the final product. In order to collect this information, questionnaires were used. These questionnaires included both open-ended and closed-ended questions. According to the findings of the research, there is a favorable and substantial association between the performance of state enterprises and the integrity of their leaders as well as the ethics training they get.

2.4 Research Gaps

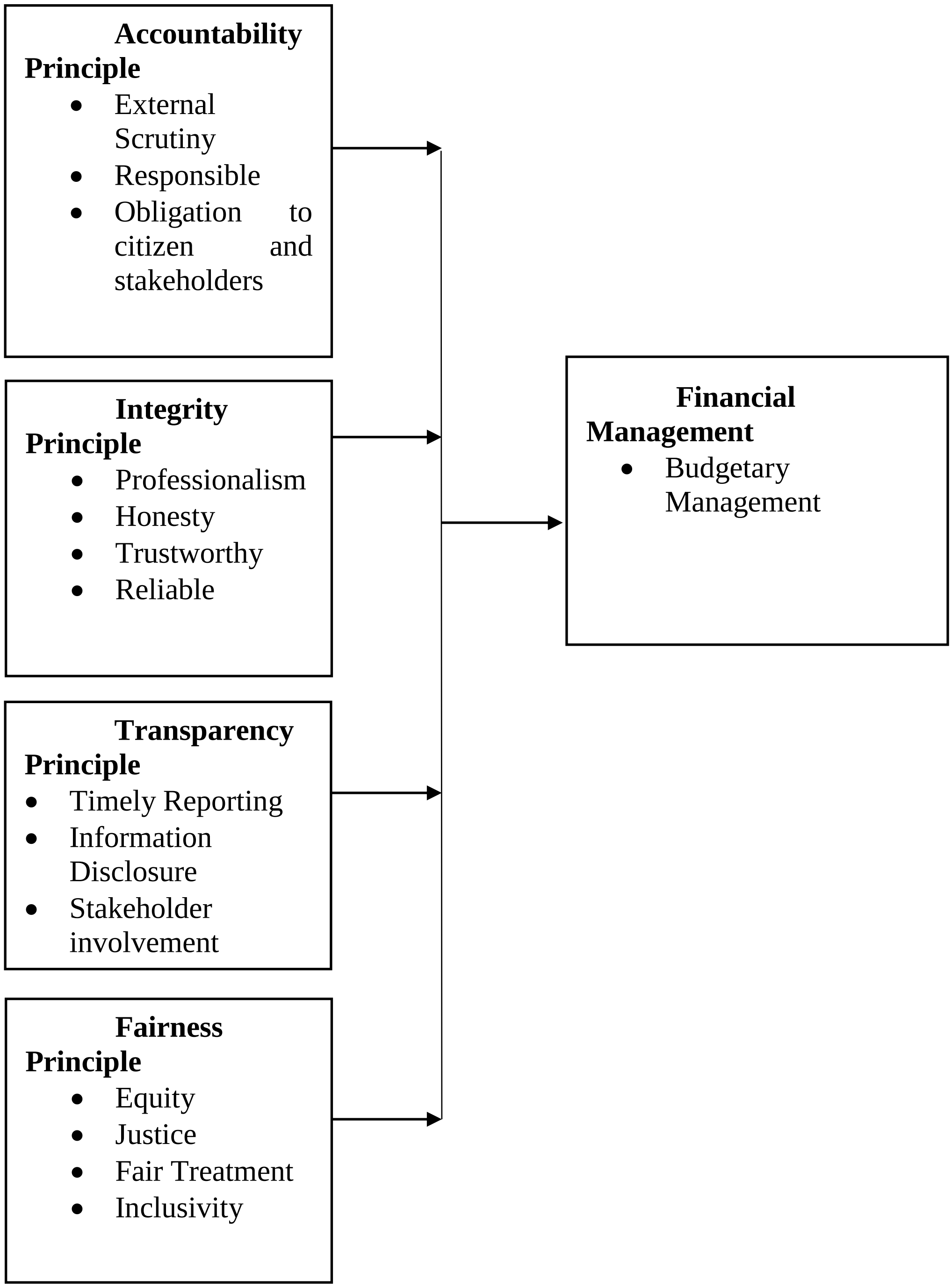
It is abundantly evident that there is a void in the literature after reviewing the empirical research that was previously conducted. Many investigations into the topic of corporate governance have been carried out, but most of them have either neglected the principles or narrowly examined one aspect of them. The recent research, on the other hand, has broken down the concepts of corporate governance into its component parts, which include things like integrity, fairness, accountability, and openness. Listed East African enterprises' financial performance was studied by Wanjau, Muturi, and Ngumi (2018) to determine the effect of financial openness on the region's stock markets. In the research, secondary data were used, however primary data was utilized in the subsequent investigation. Disclosure was used as the construct through which transparency was examined; however, different metrics of transparency principles were used in the present research.

The purpose of the research conducted by Salman and Juniarti (2021) was to determine whether or not there is an impact of financial responsibility on the regional financial management of the Bekasi municipal administration. Having said that, the research was carried out in Nigeria, which means there are substantial gaps in the contextual information. Additionally, in order to evaluate financial management, the research used several metrics of financial performance. Natision, Esien, Harjo, Agoestyowati, and Lestari (2022) sought to examine the impact of public accountability on the administration of public finances in Indonesia. Only Indonesia was included in the research, and no indication was found that quantitative and qualitative data were triangulated.

2.5 Conceptual Framework

FIGURE 2.1

Conceptual Framework



Independent Variables **Dependent Variable**

TABLE 2.1

Operationalization of the Variables

Variable Type	Variable	Indicators	Measurement scale	Section in Questionnaire
Independent	Accountability	• External Scrutiny • Responsible • Obligation to citizen and stakeholders	Interval/ Ordinal	Part B, 1
Independent	Transparency	• Timely Reporting • Information Disclosure • Stakeholder involvement	Interval/ Ordinal	Part B, 2
Independent	Fairness	• Equity • Justice • Fair Treatment • Inclusivity	Interval/ Ordinal	Part B, 3
Independent	Integrity	• Professionalism • Honest • Competence	Interval/ Ordinal	Part B, 4
Dependent	Financial Management	• Budgetary Management	Interval/ Ordinal	Part C

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discussed the research design for the study, the target population, sample size and sampling methodologies, data collecting tools, data analysis, and assumptions for multiple regression models.

3.2 Research Design

According to Dooley (2007) refers to research design as the structure of the research that holds together all the elements in a research project. When a study aims to characterize the features of particular groups, estimate the percentage of individuals who have certain traits, and make predictions, a descriptive research design is the best method to use (Cooper and Schindler, 2011). Data collection, fact tabulation, in-depth analysis, description, comparison, and the documentation of trends and relationships are all required steps in this process. This study used a descriptive research technique to account for the necessity to tabulate data and make use of charts and graphs to illustrate the distribution of the data. The descriptive research approach permits the use of a number of different factors in the examination of the data.

3.3 Target Population

Target population refers to the whole set of instances or objects from which a representative sample is drawn for research purposes, whereas population element refers to a single measurable item within that set. Both are used in the pursuit of scientific knowledge (Cooper & Schindler, 2014). Siaya, Migori, Homa Bay, Kisii, and Kisumu counties, together with Nyamira County, were polled for a total of 420 replies representing 42 distinct constituencies.

As may be seen in Table 3.1 below, the information required for this inquiry is held by the following respondents.

TABLE 2.1

Target Population

County	Constituency	Funds (1)	Manager	NG-CDF Committee (9)	Total
Nyamira	4	4		36	40
Kisii	9	9		81	90
Migori	8	8		72	80
Kisumu	7	7		63	70
Siaya	6	6		54	60
Homa Bay	8	8		72	80
Total	**42**	**42**		**378**	**420**

Source: NG-CDF Board (2021)

3.4 Sample Size and Sampling Techniques choice

The term "sample size" refers to the proportion of a larger population that is representatively selected for study (Mugenda & Mugenda, 2003). Sample is defined as selecting some component of an aggregate or totality in order to make a judgment or inference about the aggregate or totality based on the outcomes of the sampling (Kothari, 2006). Out of a total population of 420 subjects, a stratified random sample was used to choose 205 respondents to participate in the study. The responses were divided into six different groups based on the counties. The respondents were chosen using methods of random selection from each individual county. Proportional sampling, developed by Taro Yamane, was used to determine the study's sample size. The formula is computed as follows;

$n= N/(1+ (e)^{2})$

Where n = Sample size

N = population under study

e = margin error (0.05)

1 = constant

Therefore;

n=420/ (1+420 (0.05)$^{2)}$

n=420/ (1+420(0.0025)

n= 204.8780 rounded off to 205

The number of participants in the study is 205, and it was allocated in accordance with Table 3.2.

TABLE 3.2

Sample Size

County	Funds Manager	NG-CDF Committee	Total
Nyamira	2	18	20
Kisii	5	39	44
Migori	4	35	39
Kisumu	4	30	34
Siaya	3	26	29
Homa Bay	4	35	39
Total	**22**	**183**	**205**

3.5 Research Instrument and Data Collection

A self-administered questionnaire that contains a variety of short-structured questions was developed as part of the planned research project. The choice of a questionnaire as a technique for data collection was influenced, not only by the need to gather the maximum amount of data possible, but also by the fact that using a questionnaire is scientific and enables the data acquired to be statistically examined (De Bosscher, et. al., 2010). A huge number of individuals were surveyed using questionnaires for one study (Wheeldon, 2010). Self-administered surveys were preferable because of the anonymity they provide respondents, the time and money they save, their accessibility, and the simplicity with which their results may be measured (Cooper & Schindler 2014). The structured (closed-ended) surveys on research variables contained a Likert scale with five points, ranging from one to five, with one representing strong disagreement and five representing strong agreement. The first part of the survey focused on basic demographic information about the respondent, the second on principles of good corporate governance, and the third on financial management.

Prior to meeting with potential participants, the researcher received a letter of introduction from KCA University, a letter introducing themselves as a researcher, and letters of authorization from the appropriate CDF offices in Siaya, Homa Bay, Kisumu, Kisii, and Migori. With these letters, the researcher was able to gather information. Both paper and digital versions of the survey were made available to respondents; once completed, responses were picked or emailed back to us. During the exercise in data collecting, a method known as "drop and pick" was used. Checklist was kept to make sure that all of the questionnaires that have been distributed are collected on time for the data analysis.

3.6 Reliability and Validity of Research Instruments

Repeatability is the degree to which a measuring equipment yields the same results when used repeatedly under same conditions, as described by Adams et al (2007). All study variables should have a Cronbach alpha of 0.7 or above, as stated by Kothari (2007). The reliability of a research instrument guarantees that it accurately assesses the study's variables, guaranteeing consistency (consistency of results). The Cronbach alpha test was used to determine the reliability of our surveys since it is a measure of internal consistency.

The ability of a research instrument to offer valid responses in addition to accurate data is what is meant by validity. According to Kothari, validity refers to the ability of an investigation to create valid findings (2007). This was done via the use of content validity, which included making sure the questionnaire is consistent and putting it through a content validity pre-test before giving it to the study's subjects. In addition, making sure that all questions have been proofread helped ensure that the study's clarity, objectivity, and goal are communicated in an understandable manner.

3.7 Pilot Test

A preliminary inquiry on a smaller size that is carried out in advance of a larger-scale investigation to evaluate the validity and reliability of the data collection equipment is known as a pilot study (Kothari, 2007). According to Mugenda & Mugenda (2003), doing pre-testing allows for the identification of faults before to the actual process of data gathering. Twenty (20) respondents were selected at random from Vihiga County, more particularly the Luanda and Vihiga constituencies, which is located in close proximity to the research site. This was consistent with the findings of Cooper and Schinder (2008), who said that the appropriate sample size for a pilot research should be between ten and thirty participants. Before the research questionnaires are piloted, each individual component was checked and tagged to verify that the phrases used are understandable and that the assertions being made are accurate in relation to the particular research questions.

3.8 Data Analysis and Presentation

In order to make data accessible for interpretation and discussion, researchers must systematically transcribe, compile, edit, code, and report it (Jwan & Ong'ondo, 2011). Before being examined in SPSS version 26, the collected data underwent editing, cleaning, and coding. The presence of a linear or multiple link between the explanatory variables and the dependent ones was tested using inferential statistics, such as Pearson's correlation coefficient or multiple regression analysis. Data was described using descriptive statistics like frequencies, percentages, and averages, while inferential statistics like the Pearson correlation coefficient and multiple regression analysis were used to identify associations between the study's independent and dependent variables.

For the purpose of illustrating the relationship between the y-axis variable and the independent variables, I used the following multiple regression equation;

$$\mathbf{Y=\alpha + \beta_1X_1 + \beta_2X_2+\beta_3X_3+\beta_4X_4+\varepsilon} \qquad \mathbf{(1)}$$

Where **γ**= Dependent variable [Financial Management]

α=Constant; the y intercept or the average response when both predictor variables are Zero (0)

$\mathbf{X_1}$= Independent variable 1 [Accountability]

$\mathbf{X_2}$= Independent variable 2 [Transparency]

$\mathbf{X_3}$= Independent variable 3 [Fairness]

$\mathbf{X_4}$= Independent variable 4 [Integrity]

ε= error term

$\mathbf{\beta_{1....}}$ $\mathbf{B_4}$ = Beta Coefficients

3.9 Diagnostic Tests

In order to verify the premise that Pearson correlation and multiple regression analyses are valid, diagnostic analyses were done before inferential statistics could be carried out. The details are as follows:

3.9.1 Normality tests: Errors in statistics are quite prevalent in published works; the assumption of a Gaussian or normal distribution underlies many parametric processes used in correlation, regression, analysis of variance, and the t-test. For this study, Ghasemi and Zahedias (2012) suggest utilizing the Q-Q plot to visually assess deviations from normality and flag where the line of fit approximation breaks down.

3.9.2 Multi collinearity: The connection that exists between the several independent variables is referred to as multi-collinearity. When there is a significant degree of correlation between the independent variables (r=0.9 or above), multi-collinearity is present. The sensitivity of this in multiple regressions is really high. According to Tabachnick and Fidell (2001), you should give serious consideration to the decision to include in the same study two variables that have a bivariate correlation of 0.7 or higher or higher. The Variance Inflation Factor and the Tolerance level were used to check for multi-collinearity. It is allowed for there to be a tolerance level that is larger than 0.1 or a VIF that is less than 10.

3.9.3 Testing of linearity- examines the correlation between shifts in the independent and dependent variables. That example, since regression evaluates linear connections, the relationship between the independent and dependent variables must be linear. The Pearson correlation was used in this investigation to determine whether or not a significant relationship exists between each predictor variable and the variable that is being investigated.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

The analysis and research findings in line with the study objective which was to examine the influence of corporate governance principles on financial management of NG-CDF in Nyanza Region, Kenya are presented in this chapter. The study focused on four corporate governance principles of Accountability, transparency, fairness and integrity. Findings are presented using descriptive analysis, Pearson correlation and regression analysis. Questionnaire was the primary tool for data collection. Data collected was edited, coded and analyzed using SPSS version 26 and presented using tables

4.3 Response Rate

The total number of questionnaires distributed to respondents were hundred and five (205). Response rate was 76.6% that is, received responses totaled one hundred and fifty-seven (157). 23.4% which is equivalent to 48 questionnaires were not responded to. According to Babbie (2004) 60% response rate is good enough while 70% response rate is excellent for data analysis. To achieve the 76.6% response rate, drop and pick and emailing was used as administration methods. The findings are presented below in Table 4.1.

TABLE 4.1

Response Rate

	Frequency	**Percentage**
Returned	157	76.6
Not Returned	48	23.4
Total	**205**	**100.0**

4.2 Validity and Reliability of research instruments

The content validity of research instruments was evaluated to ensure that they captured all elements of the conceived study variables. All questions were reviewed for spelling errors and substance to ensure that they captured every aspect of each independent and dependent variables. Additionally, the opinion of the supervisor was important in determining the validity of the study tools. The study employed expert judgment from supervisor and respondents from Vihiga County during pilot study in determining content validity of the research instruments.

Cronbach alpha test was used to test the reliability; the internal consistency of the questionnaire. SPSS version 26 was used in calculation of Cronbach's alpha coefficient. The results showed that Cronbach alpha coefficient values were 0.7 and above, thus confirming reliability of the research instruments which were then used to collect data from sampled respondents of NG-CDF in Nyanza Region. The results of the pilot test are shown in table 4.2.

TABLE 5.2

Reliability Test

Variable	Number of Items	Cronbach alpha
Accountability	8	0.894
Transparency	8	0.925
Fairness	8	0.936
Integrity	10	0.978
Financial management	8	0.905
Average	**42**	**0.928**

The lowest Cronbach alpha coefficient is 0.895 while the highest is 0.978 indicating that all variables had Cronbach alpha coefficient above the minimum threshold of 0.7 therefore corresponds with (Kendell & Jablensky, 2003) who posted Cronbach alpha of

0.928. This study therefore, concluded that the 5-point scale items were reliable and acceptable for further analysis.

4.4 Respondents Distribution

The background of the general population used in the study as collected by the questionnaire is summarized in this section because different target population had varied characteristics. The respondent's demographic information was important in authenticating and generalizing of the results. The study analyzed the target population's demographic characteristics among them being gender, age and respondents' level of education.

TABLE 6.3

Distribution of Respondents

		Frequency	Valid %
Gender	Female	44	28.0
	Male	113	72.0
	Total	**157**	**100.0**
Age	36-40	25	15.9
	41-45	63	40.1
	46-50	50	31.8
	51 and above	19	12.1
	Total	**157**	**100.0**
Level of Education	Certificate	19	12.1
	Diploma	63	40.1
	Degree	50	31.8
	Masters	25	15.9
	Total	**157**	**100.0**
County	Nyamira	13	8.3
	Kisii	32	20.4
	Migori	27	17.2
	Kisumu	31	19.7
	Siaya	26	16.6
	Homa Bay	28	17.8
	Total	**157**	**100.0**

According to the study findings, 28% (44) of the respondents were females and the majority 72% (113) were males. It is evident a third gender rule has not been achieved and there is a need for affirmative action to attain this constitutional requirement. According to the findings above, 15.9% (25) of the respondents were between the ages of 36-40 years, 40.1% (63) were aged between 41-45 years, 31.8% (50) were between 46-50 years while 12.1% (19) were above 51 years. From the results above, 12.1% (19) of the respondents had certificate, 40.1% (63) had diploma, and 31.8% (50) had degree while 15.9% (25) had masters. The respondents were literate and therefore, they are aware of various publication on corporate governance such as Mwongozo.

The respondents from Nyamira County with 4 constituencies were 8.3% while from Kisii County with 9 constituencies were 20.4%. Further, respondents from Migori County with 8 constituencies were 19.7%, Kisumu County with 7 constituencies were 19.7%, Siaya County with 6 constituencies were 16.6% and Homa Bay County with 8 constituencies were 17.8%. The study collected data from all 42 constituencies as indicated in Appendix VI.

4.5 Descriptive Statistics

According to Mboya (2019) descriptive statistics are such data and symbols used to explain the properties of a set of data and can be done in form of frequencies, percentages, means or standard deviation of different study variables. The independent variables used for this study were accountability, transparency, fairness and integrity while dependent variable used was financial management. The responses were categorized per different levels of agreements with the statements which were provided as follows: 1 strongly disagree, 2-Disagree, 3-Fairly Agree, 4-agree and 5 strongly agree. The research findings are discussed below.

4.5.1 Principle of Accountability and Financial Management

The first specific objective that guided this research was, to establish the influence of the principle of Accountability on financial management of NG-CDF in Nyanza Region, Kenya. Accountability statements with respect to financial management were constructed to help respondents give their levels of agreement with statements. The responses are as shown in

Table 4.4 below which shows the number of responses received per statement. The figures brackets are percentages while figures inside brackets represent frequency.

TABLE 4.4

Principle of Accountability

Statement	5	4	3	2	1	Mean	SD
1. The CDF committee's reporting on financial management is sustainable.	10.8 (17)	39.5 (62)	35.7 (56)	6.4 (10)	7.6 (12)	3.39	1.02
2. CDF committee provides feedback on their roles.	7.6 (12)	58.6 (92)	21 (33)	6.4 (10)	6.4 (10)	3.55	0.96
3. CDF committee provides accessible information on what it is doing.	21 (33)	51.6 (81)	18.5 (29)	2.5 (4)	6.4 (10)	3.78	1.01
4. The CDF committee submits itself to proper external examination in terms of resource management.	14.6 (23)	33.1 (52)	14.6 (23)	19.7 (31)	17.8 (28)	3.07	1.35
5. CDF committee financial reports are made available to all stakeholders.	3.8 (6)	33.1 (52)	33.8 (53)	12.7 (20)	16.6 (26)	2.95	1.13
6. CDF committee financial reports are audited by internal auditors.	3.8 (6)	52.2 (82)	19.7 (31)	10.2 (16)	14 (22)	3.22	1.14
7. CDF committee financial reports are audited by external auditors.	14.6 (23)	65 (102)	7.6 (12)	6.4 (10)	6.4 (10)	3.75	1.00
8. The CDF committee is accountable to the public in their functions.	4.5 (7)	76.4 (120)	3.2 (5)	9.6 (15)	6.4 (10)	3.63	0.949
Overall Score						**3.42**	

N=157; KEY: 1= Strongly Disagree; 2= Disagree; 3=Fairly Agree; 4= Agree; 5=Strongly Agree; SD= Standard Deviation.

According to the findings of the research, 10.8% (17) of the respondents strongly agreed that the CDF committee's reporting on financial management is sustainable and another 39.5% (62) agreed on the same statement. Moreover, 35.7% (56) of the respondents fairly agreed, 6.4% (10) disagreed while 7.6% (12) strongly disagreed that the CDF committee's reporting on financial management is sustainable. With a mean of 3.39 and an insignificant standard deviation of 1.02, the CDF committee's reporting on financial management is fairly sustainable.

However, the results revealed that, 7.6% (12) of the respondents strongly agreed that CDF committee provides feedback on their roles while 58.6% (92) agreed on the same. Also, 21% (33) of the respondents fairly agreed that CDF committee provides feedback on their roles. On the other hand, 6.4% (10) of the respondents disagreed and 6.4% (10) strongly disagreed on the same assertion. With a mean of 3.55 and an insignificant standard deviation of 0.96 CDF committee provides feedback on their roles.

As illustrated in the table above, of all the individuals who responded to the survey, 21% (33) strongly agreed that CDF committee make information about their undertakings available, 51.6%(81) agreed, 18.5% (29) were fairly, 2.5% (4) disagreed, while 6.4% (10) strongly disagreed that CDF committee make information about their undertakings available. This statement had an average score of 3.78 and a significant standard deviation of 1.01 showing that CDF committee provides accessible information on what it is doing.

On statement that the CDF committee submits itself to proper external examination in terms of resource management, 14.6% (23) strongly agreed with the statement, 33.1% (52) agreed, 14.6% (23) were fairly, 19.7% (31) disagreed, while 17.8% (28) strongly disagree with the statement. With a mean of 3.07 and a significant standard deviation of 1.35, the CDF committee submits itself to proper external examination in terms of resource management at a fair extent.

Furthermore, on statement that CDF committee financial reports are made available to all stakeholders, participants who agreed strongly were 3.8% (6) while those who agreed were 33.1% (52) and respondents who were fairly were 33.8% (53). Conversely, respondents who disagreed strongly were 12.7% (20) and those who disagreed that CDF committee financial reports are made available to all stakeholders were 16.6% (26). Therefore, with a mean of 2.95 and a significant standard deviation of 1.13, CDF committee financial reports are fairly available to all stakeholders.

Results on the table above revealed that, 3.8% (6) of the respondents strongly agreed and a further 52.2% (82) agreed that CDF committee financial reports are audited by internal auditors. Moreover, 19.7% (31) of the respondents were fairly and 10.2% (16) disagreed while another 14% (22) strongly disagreed that CDF committee financial reports are audited by internal auditors. With a mean of 3.22 and an insignificant standard deviation of 1.14, CDF committee financial reports are fairly audited by internal auditors.

On the assertion that CDF committee financial reports are audited by external auditors, participants who agreed strongly were 14.6% (23) while those who agreed were 65% (102), 7.6% (12) were fairly, 6.4% (10) disagreed, while 6.4% (10) strongly disagree with the statement. Similarly, the statement had a mean of 3.75 and a significant standard deviation of 1.00, which indicate that the respondents agreed that CDF committee financial reports are audited by external auditors.

Lastly, 4.5% (7) of the respondents strongly agreed and a further 76.4% (120) agreed that the CDF committee is accountable to the public in their functions. Moreover, 3.2% (5) of the respondents were fairly in agreement and 9.6% (15) disagreed while another 6.4% (10) strongly disagreed that the CDF committee is accountable to the public in their functions. With a mean of 3.63 and an insignificant standard deviation of 0.94, the CDF committees are not accountable to the public in their functions all the six counties of Nyanza Region.

4.5.2 Principle of Transparency and Financial Management

The second specific objective of this study was to examine the influence of the principle of transparency on financial management of NG-CDF in Nyanza Region, Kenya. Transparency statements with respect to financial management were constructed to help respondents give their responses in terms of levels of agreement with statements. The responses are as shown in Table 4.5 below which shows the number of responses received per statement. The figures brackets are percentages while figures inside brackets represent frequency.

TABLE 4.5

Principle of Transparency

Transparency	**5**	**4**	**3**	**2**	**1**	**Mean**	**SD**
1. The CDF committee makes available all relevant information to stakeholders.	9.6 (15)	61.8 (97)	15.9 (25)	7.6 (12)	5.1 (8)	3.63	
2. Before making a decision, the CDF committee invites relevant stakeholders to a meeting for consideration.	12.1 (19)	48.4 (76)	32.5 (51)	3.8 (6)	3.2 (5)	3.62	
3. The CDF committee disseminates information to the appropriate parties.	3.2 (5)	63.1 (99)	21 (33)	5.7 (9)	7 (11)	3.50	
4. CDF committee discloses information in timely manner.	3.2 (5)	55.4 (87)	3.8 (6)	32.5 (51)	5.1 (8)	3.19	
5. CDF committee discloses information in relevant manner.	9.6 (15)	45.9 (72)	6.4 (10)	35 (55)	3.2 (5)	3.24	
6. CDF committee prepares the calendar of important events.	3.2 (5)	66.2 (104)	17.8 (28)	9.6 (15)	3.2 (5)	3.57	
7. A culture of openness and providing input to stakeholders on development initiatives is becoming institutionalized.	3.2 (5)	41.4 (65)	17.8 (28)	34.4 (54)	3.2 (5)	3.07	
8. If the individual affected decides to contest the judgment, the CDF committee notifies them of the decision.	6.4 (10)	77.1 (121)	3.8 (6)	9.6 (15)	3.2 (5)	3.74	
Overall Score						**3.45**	

N=157; KEY: 1= Strongly Disagree; 2= Disagree; 3=Fairly Agree; 4= Agree; 5=Strongly Agree; SD= Standard Deviation.

According to the findings of the research, 9.6% (15) of the respondents strongly agreed that the CDF committee makes available all relevant information to stakeholders and another 61.8% (97) agreed on the same statement. Moreover, 15.9% (25) of the respondents fairly agreed, 7.6% (12) disagreed while 5.1% (8) strongly disagreed that the CDF committee makes available all relevant information to stakeholders. With a mean of 3.63 and a significant standard deviation of 1.30, the CDF committee avail to stakeholders all relevant information.

However, the results revealed that, 12.1% (19) of the respondents strongly agreed that before making a decision, the CDF committee invites relevant stakeholders to a meeting for consideration while 48.4% (76) agreed on the same. Also, 32.5% (51) of the respondents fairly agreed that before making a decision, the CDF committee invites relevant stakeholders to a meeting for consideration. On the other hand, 3.8% (6) of the respondents disagreed and 3.2% (5) strongly disagreed on the same assertion. With a mean of 3.62 and an insignificant standard deviation of 0.92, before making a decision, the CDF committee invites relevant stakeholders to a meeting for consideration.

As illustrated in the table above, of all the individuals who responded to the survey, 3.2% (5) strongly agreed that the CDF committee disseminates information to the appropriate parties, 63.1%(99) agreed, 21% (33) were fairly, 5.7% (9) disagreed, while 7% (11) strongly disagreed that the CDF committee disseminates information to the appropriate parties. This statement had an average score of 3.50 and a significant standard deviation of 1.03 showing that the CDF committee disseminates information to the appropriate parties.

On statement that CDF committee discloses information in timely manner, 3.2% (5) strongly agreed with the statement, 55.4% (87) agreed, 3.8% (6) were fairly, 32.5% (51) disagreed, while 5.1% (8) strongly disagree with the statement. With a mean of 3.19 and a significant standard deviation of 1.40, CDF committee fairly discloses information in timely manner.

Furthermore, on statement that CDF committee discloses information in relevant manner, participants who agreed strongly were9.6% (15) while those who agreed were 45.9% (72) and respondents who were fairly were 6.4% (10). Conversely, respondents who disagreed strongly were 35% (55) and those who disagreed that CDF committee discloses information in relevant manner were 3.2% (5). Therefore, with a mean of 3.24 and a significant standard deviation of 1.13, CDF committee fairly discloses information in relevant manner.

Results on the table above revealed that, 3.2% (5) of the respondents strongly agreed and a further 66.2% (104) agreed that CDF committee prepare the calendar of important events. Moreover, 17.8% (28) of the respondents were fairly and 9.6% (15) disagreed while another 3.2% (5) strongly disagreed that CDF committee prepare the calendar of important events. With a mean of 3.57 and a significant standard deviation of 1.20, CDF committee prepare the calendar of important events.

On the assertion that a culture of openness and providing input to stakeholders on development initiatives is becoming institutionalized, participants who agreed strongly were 3.2% (5) while those who agreed were 41.4% (65), 17.8% (28) were fairly, 34.4% (54) disagreed, while 3.2% (5) strongly disagree with the statement. Similarly, the statement had a mean of 3.07 and a significant standard deviation of 1.03, which indicate that the respondents fairly agreed that a culture of openness and providing input to stakeholders on development initiatives is becoming institutionalized.

Lastly, 6.4% (10) of the respondents strongly agreed and a further 77.1% (121) agreed that if the individual affected decides to contest the judgment, the CDF committee notifies them of the decision. Moreover, 3.8% (6) of the respondents were fairly and 9.6% (15) disagreed while another 3.2% (5) strongly disagreed that if the individual affected decides to contest the judgment, the CDF committee notifies them of the decision. With a mean of 3.74 and an insignificant standard deviation of 0.90, if the individual affected decides to contest the judgment, the CDF committee notifies them of the decision.

4.5.3 Principle of Fairness and Financial Management

The study's third specific objective was to examine the influence of the principle of fairness on financial management of NG-CDF in Nyanza Region, Kenya. Fairness principle statements with respect to financial management were constructed to help respondents give their responses in terms of levels of agreement with statements. The responses are as summarized in Table 4.6 below which shows the number of responses received per statement. The figures brackets are percentages while figures inside brackets represent frequency.

TABLE 7.6

Principle of Fairness

Statement	5	4	3	2	1	Mean	SD
1. Stakeholders are equally treated by CDF Committee.	7.6 (12)	65.6 (103)	4.5 (7)	8.9 (14)	13.4 (21)	3.45	
2. There are adequate measures in place to prevent possible conflicts among stakeholders.	7.6 (12)	65 (102)	5.1 (8)	19.1 (30)	3.2 (5)	3.55	
3. There are adequate measures for settlement of possible conflicts among various stakeholders.	7.6 (12)	70.1 (110)	8.3 (13)	8.3 (13)	5.7 (9)	3.66	
4. Diversity is embraced in the CDF Committee.	1.9 (3)	40.1 (63)	6.4 (10)	44.6 (70)	7 (11)	2.85	
5. Employees are treated equally.	1.9 (3)	64.3 (101)	8.3 (13)	18.5 (29)	7 (11)	3.36	
6. Comprehensive information on the proposed projects is available to various stakeholders.	1.9 (3)	58.6 (92)	17.8 (28)	13.4 (21)	8.3 (13)	3.32	
7. Opportunities are distributed fairly to all stakeholders.	5.7 (9)	36.3 (57)	30.6 (48)	19.1 (30)	8.3 (13)	3.12	
8. The CDF committee considers various opinions from different stakeholders before implementing a project/initiative	13.4 (21)	29.3 (46)	30.6 (48)	18.5 (29)	8.3 (13)	3.21	
Overall Score						**3.32**	

N=157; KEY: 1= Strongly Disagree; 2= Disagree; 3=Fairly Agree; 4= Agree; 5=Strongly Agree; SD= Standard Deviation.

According to the findings of the research, 7.6% (12) of the respondents strongly agreed that stakeholders are equally treated by CDF Committee and another 65.6% (103) agreed on the same statement. Moreover, 4.5% (7) of the respondents fairly agreed, 8.9% (14) disagreed while 13.4% (21) strongly disagreed that stakeholders are equally treated by CDF Committee. With a mean of 3.45 and a significant standard deviation of 1.89, stakeholders are fairly equally treated by CDF Committee.

However, the results revealed that, 7.6% (12) of the respondents strongly agreed that there are adequate measures in place to prevent possible conflicts among stakeholders while 65% (102) agreed on the same. Also, 5.1% (8) of the respondents fairly agreed that there are adequate measures in place to prevent possible conflicts among stakeholders. On the other hand, 19.1% (30) of the respondents disagreed and 3.2% (5) strongly disagreed on the same assertion. With a mean of 3.55 and a significant standard deviation of 1.92, there are adequate measures in place to prevent possible conflicts among various stakeholders..

As illustrated in the table above, of all the individuals who responded to the survey, 7.6% (12) strongly agreed there are adequate measures for settlement of possible conflicts among various stakeholders, 70.1%(110) agreed, 8.3% (13) were fairly, 8.3% (13) disagreed, while 5.7% (9) strongly disagreed that there are adequate measures for settlement of possible conflicts among various stakeholders.. This statement had an average score of 3.66 and a significant standard deviation of 1.00 showing that there are adequate measures for settlement of possible conflicts among various stakeholders.

On statement that diversity is embraced in the CDF Committee, 1.9% (3) strongly agreed with the statement, 40.1% (63) agreed, 6.4% (10) were fairly, 44.6% (70) disagreed, while 7% (11) strongly disagree with the statement. With a mean of 2.85 and a significant standard deviation of 1.60, diversity is fairly embraced in the CDF Committee.

Furthermore, on statement that employees are treated equally, participants who agreed strongly were 1.9% (3) while those who agreed were 64.3% (101) and respondents who were fairly were 8.3% (13). Conversely, respondents who disagreed strongly were 18.5% (29) and those who disagreed that employees are treated equally were 7% (11). Therefore, with a mean of 3.36 and a significant standard deviation of 1.10, employees are fairly treated equally.

Results on the table above revealed that, 1.9% (3) of the respondents strongly agreed and a further 58.6% (92) agreed that comprehensive information on the proposed projects is available to various stakeholders. Moreover, 17.8% (28) of the respondents were fairly and 13.4% (21) disagreed while another 8.3% (13) strongly disagreed that comprehensive information on the proposed projects is available to various stakeholders. With a mean of 3.32 and a significant standard deviation of 1.32, comprehensive information on the proposed projects is partially available to various stakeholders.

On the assertion that opportunities are distributed fairly to all stakeholders 5.7% (9) strongly agreed, 36.3% (57) agreed, 30.6% (48) fairly agreed, and 19.1% (30) disagree while 8.3% (13) with the statement. Similarly, the statement had a mean of 3.12 and an insignificant standard deviation of 0.94, which indicate that the respondents agreed that opportunities are partially distributed fairly to all stakeholders.

Lastly, 13.4% (21) of the respondents strongly agreed and a further 29.3% (46) agreed that's Stakeholders are equally treated by the CDF Committee. Moreover, 30.6% (48) of the respondents were fairly and 18.5% (29) disagreed while another 8.3% (13) strongly disagreed that stakeholders are equally treated by the CDF Committee. With a mean of 3.21 and an insignificant standard deviation of 0.90, stakeholders are fairly equally treated by the CDF Committee.

4.5.4 Principle of Integrity and Financial Management

The fourth objective of this study was to determine the influence of principle of integrity on the financial management of NG-CDF in Nyanza Region, Kenya. So as to achieve this objective, the researcher sought to find out how integrity principle influences financial management. The results are presented in Table 4.7 in which percentage are presented outside brackets while frequency inside brackets.

TABLE 8.7

Principle of Integrity

Statement	5	4	3	2	1	Mean	SD
1. Members of the NG-CDF committee operate with professionalism.	6.4 (10)	57.3 (90)	8.9 (14)	12.1 (19)	15.3 (24)	3.27	1.22
2. Various constituency stakeholders are permitted to utilize their rights to unfettered involvement in decision making.	5.7 (9)	50.3 (79)	17.8 (28)	10.8 (17)	15.3 (24)	3.20	1.19
3. The statutes regulating the NG-CDF outline the specific competencies of the numerous stakeholders engaged in the financial management of the NG-CDF.	1.9 (3)	70.7 (111)	3.2 (5)	8.9 (14)	15.3 (24)	3.35	1.17
4. The NG-CDF committee recruits' candidates who are professionally competent to work on a variety of projects.	1.9 (3)	61.8 (97)	1.9 (3)	19.1 (30)	15.3 (24)	3.16	1.22
5. The NG-CDF acts provide the conditions for professional expertise.	4.5 (7)	67.5 (106)	3.2 (5)	9.6 (15)	15.3 (24)	3.36	1.20
6. The NG-CDF acts provide the standards for expert experience.	3.2 (5)	47.1 (74)	24.8 (39)	9.6 (15)	15.3 (24)	3.13	1.14
7. The selection of CDF committee members guarantees that possible candidates are qualified to represent the constituency with the requisite honesty.	1.3 (2)	38.9 (61)	8.9 (14)	21 (33)	29.9 (47)	2.61	1.30
8. The appointment of the third parties by the CDF committee ensures that potential nominees are suitable to serve the residents with expected integrity.	6.4 (10)	66.2 (104)	3.2 (5)	8.9 (14)	15.3 (24)	3.39	1.213
9. Various constituency stakeholders are allowed to use their rights to unfettered involvement in activities and decision making.	3.2 (5)	49 (77)	23.6 (37)	8.9 (14)	15.3 (24)	3.16	1.141
10. Various constituency stakeholders are permitted to utilize their rights to unrestricted involvement in NG-CDF operations.	3.8 (6)	49 (77)	29.3 (46)	2.5 (4)	15.3 (24)	3.24	1.110
Overall Score						**3.19**	

N=157; KEY: 1= Strongly Disagree; 2= Disagree; 3=Fairly Agree; 4= Agree; 5=Strongly Agree; SD= Standard Deviation.

According to the findings of the research, 6.4% (10) of the respondents strongly agreed that Members of the NG-CDF committee operate with professionalism and another 57.3% (90) agreed on the same statement. Moreover, 8.9% (14) of the respondents fairly agreed, 12.1% (19) disagreed while 15.3% (24) strongly disagreed that Members of the NG-CDF committee operate with professionalism. With a mean of 3.27 and a significant standard deviation of 1.22, Members of the NG-CDF committee fairly operate with professionalism.

However, the results revealed that, 5.7% (9) of the respondents strongly agreed that various constituency stakeholders are permitted to utilize their rights to unfettered involvement in decision making while 50.3% (79) agreed on the same. Also, 17.8% (28) of the respondents fairly agreed that various constituency stakeholders are permitted to utilize their rights to unfettered involvement in decision making. On the other hand, 10.8% (17) of the respondents disagreed and 15.3% (24) strongly disagreed on the same assertion. With a mean of 3.20 and a significant standard deviation of 1.19, various constituency stakeholders are fairly permitted to utilize their rights to unfettered involvement in decision making.

As illustrated in the table above, of all the individuals who responded to the survey, 1.9% (3) strongly agreed that the statutes regulating the NG-CDF outline the specific competencies of the numerous stakeholders engaged in the financial management of the NG-CDF, 70.7%(111) agreed, 3.2% (5) were fairly, 8.9% (14) disagreed, while 15.3% (24) strongly disagreed that the statutes regulating the NG-CDF outline the specific competencies of the numerous stakeholders engaged in the financial management of the NG-CDF. This statement had an average score of 3.35 and a significant standard deviation of 1.17 showing that the statutes regulating the NG-CDF outline the specific competencies of the numerous stakeholders engaged in the financial management of the NG-CDF are at moderate extent.

On statement that The NG-CDF committee recruits candidates who are professionally competent to work on a variety of projects, 1.9% (3) strongly agreed with the statement, 61.8% (97) agreed, 1.9% (3) were fairly, 19% (30) disagreed, while 15.3% (24) strongly disagree with the statement. With a mean of 3.16 and a significant standard deviation of 1.22, The NG-CDF committee partially recruits candidates who are professionally competent to work on a variety of projects.

Furthermore, on statement that the NG-CDF acts provide the conditions for professional expertise, participants who agreed strongly were 4.5% (7) while those who agreed were 67.5% (106) and respondents who fairly agreed 3.2% (5). Conversely, respondents who disagreed strongly were 9.6% (15) and those who disagreed that the NG-CDF acts provide the conditions for professional expertise were 15.3% (24). Therefore, with a mean of 3.36 and a significant standard deviation of 1.20, the NG-CDF acts fairly provide the conditions for professional expertise.

Results on the table above revealed that, 3.2% (5) of the respondents strongly agreed and a further 47.1% (74) agreed that the NG-CDF acts provide the standards for expert experience. Moreover, 24.8% (39) of the respondents were fairly and 9.6% (15) disagreed while another 15.3% (24) strongly disagreed that the NG-CDF acts provide the standards for expert experience. With a mean of 3.13 and a significant standard deviation of 1.14, the NG-CDF acts fairly provide the standards for expert experience.

On the assertion that the selection of CDF committee members guarantees that possible candidates are qualified to represent the constituency with the requisite honesty 1.3% (2)strongly agreed, 38.9% (61) agreed, 8.9% (14) fairly agreed, and 21% (33) disagree while 29.9% (47) with the statement. Similarly, the statement had a mean of 2.61 and a significant standard deviation of 1.30, which indicate that the respondents agreed that the selection of CDF committee members fairly guarantees that possible candidates are qualified to represent the constituency with the requisite honesty.

However, 6.4% (10) of the respondents strongly agreed and a further 66.2% (104) agreed that's CDF committee observes professionalism in their work. Moreover, 3.2% (5) of the respondents were fairly and 8.9% (14) disagreed while another 15.3% (24) strongly disagreed that CDF committee observes professionalism in their work. With a mean of 3.39 and a significant standard deviation of 1.213, CDF committee partially observes professionalism in their work.

Moreover, 3.2% (5) of the respondents strongly agreed and a further 49% (77) agreed that's various constituency stakeholders are allowed to use their rights to unfettered involvement in activities and decision making. On the other hand, 23.6% (37) of the respondents were fairly and 8.9% (14) disagreed while another 15.3% (24) strongly disagreed that various constituency stakeholders are allowed to use their rights to unfettered involvement in activities and decision making. With a mean of 3.16 and a significant standard deviation of 1.141, various constituency stakeholders are partially allowed to use their rights to unfettered involvement in activities and decision making.

Lastly, 3.8% (6) of the respondents strongly agreed and a further 49% (77) agreed that's various constituency stakeholders are permitted to utilize their rights to unrestricted involvement in NG-CDF operations. Moreover, 29.3% (46) of the respondents were fairly and 2.5% (4) disagreed while another 15.3% (24) strongly disagreed that various constituency stakeholders are permitted to utilize their rights to unrestricted involvement in NG-CDF operations. With a mean of 3.24 and a significant standard deviation of 1.110, various constituency stakeholders are partially permitted to utilize their rights to unrestricted involvement in NG-CDF operations.

4.5.5 Financial management

This study's general objective was to examine the influence of corporate governance principles on financial management of NG-CDF in Nyanza Region, Kenya. The results are presented in Table 4.8 in which percentage are presented outside brackets while frequency inside brackets.

TABLE 9.8

Financial Management

Financial Management	**5**	**4**	**3**	**2**	**1**	**Mean**	**SD**
1. There are efficient absorption rates for development expenditures	3.2 (5)	69.4 (109)	7 (11)	14 (22)	6.4 (10)	3.49	0.99
2. There is efficient utilization of NG-CDF resources	5.1 (8)	72.6 (114)	13.4 (21)	2.5 (4)	6.4 (10)	3.68	0.87
3. There are efficient recurrent operations and maintenance	1.9 (3)	76.4 (120)	10.8 (17)	4.5 (7)	6.4 (10)	3.63	0.86
4. Development spending reflects value for money	4.5 (7)	60.5 (95)	9.6 (15)	19.1 (30)	6.4 (10)	3.38	1.05
5. There is parity on the share of actual expenditure out of the budgeted expenditure	4.5 (7)	45.2 (71)	41.4 (65)	2.5 (4)	6.4 (10)	3.39	0.87
6. Due to effective financial management, the NG-CDF has had remarkable success in implementing its development programs	10.2 (16)	55.4 (87)	13.4 (21)	8.3 (13)	12.7 (20)	3.42	1.18
7. There is prudent budgetary utilization in NG-CDF.	5.1 (8)	55.4 (87)	14 (22)	16.6 (26)	8.9 (14)	3.31	1.09
8. Previous five Audit Reports have indicated qualified opinion	24.2 (38)	10.8 (17)	43.3 (68)	4.5 (7)	17.2 (27)	3.20	1.334
Overall Score						**3.44**	

N=157; KEY: 1= Strongly Disagree; 2= Disagree; 3=Fairly Agree; 4= Agree; 5=Strongly Agree; SD= Standard Deviation.

According to the findings of the research, 3.2% (5) of the respondents strongly agreed that there are efficient absorption rates for development expenditures and another 69.4% (109) agreed on the same statement. Moreover, 7% (11) of the respondents fairly agreed, 14% (22) disagreed while 6.4% (10) strongly disagreed that there are efficient absorption rates for development expenditures. With a mean of 3.49 and a significant standard deviation of 0.99, there are fair absorption rates for development expenditures.

However, the results revealed that, 5.1% (8) of the respondents strongly agreed that various constituency stakeholders are permitted to utilize their rights to unfettered involvement in decision making while 72.6% (114) agreed on the same. Also, 13.4% (21) of the respondents fairly agreed that various constituency stakeholders are permitted to utilize their rights to unfettered involvement in decision making. On the other hand, 2.5% (4) of the respondents disagreed and 6.4% (10) strongly disagreed on the same assertion. With a mean of 3.68 and a significant standard deviation of 0.87, various constituency stakeholders are permitted to utilize their rights to unfettered involvement in decision making.

Moreover, 1.9% (3) of the respondents strongly agreed and a further 76.4% (120) agreed that's there are efficient recurrent operations and maintenance. On the other hand, 10.8% (17) of the respondents were fairly and 4.5% (7) disagreed while another 6.4% (10) strongly disagreed that there are efficient recurrent operations and maintenance. With a mean of 3.63 and a significant standard deviation of 0.86, there are efficient recurrent operations and maintenance.

As illustrated in the table above, of all the individuals who responded to the survey, 4.5% (7) strongly agreed that development spending reflects value for money, 60.5%(95) agreed, 9.6% (15) were fairly, 19.1% (30) disagreed, while 6.4% (10) strongly disagreed that development spending reflects value for money. This statement had an average score of 3.38 and a significant standard deviation of 1.05 showing that development spending partially reflects value for money.

On statement that there is parity on the share of actual expenditure out of the budgeted expenditure, 4.5% (7) strongly agreed with the statement, 45.2% (71) agreed, 41.4% (65) were fairly, 2.5% (4) disagreed, while 6.5% (10) strongly disagree with the statement. With a mean of 3.39 and an insignificant standard deviation of 0.87, there is parity on the share of actual expenditure out of the budgeted expenditure at moderate extent.

Furthermore, on statement that due to effective financial management, the NG-CDF has had remarkable success in implementing its development programs, participants who agreed strongly were 10.2% (16) while those who agreed were 55.4% (87) and respondents who fairly agreed 13.4% (21). Conversely, respondents who disagreed strongly were 8.3% (13) and those who disagreed that due to effective financial management, the NG-CDF has had remarkable success in implementing its development programs were 12.7% (20). Therefore, with a mean of 3.42 and a significant standard deviation of 1.18, due to effective financial management, the NG-CDF has had partial success in implementing its development programs.

Results on the table above revealed that, 5.1% (8) of the respondents strongly agreed and a further 55.4% (87) agreed that there is prudent budgetary utilization in NG-CDF. Moreover, 14% (22) of the respondents were fairly and 16.6% (26) disagreed while another 8.9% (14) strongly disagreed that there is prudent budgetary utilization in NG-CDF. With a mean of 3.31 and a significant standard deviation of 1.09, there is fair prudent budgetary utilization in NG-CDF.

Lastly, 24.2% (38) of the respondents strongly agreed and a further 10.8% (17) agreed that's previous five Audit Reports have indicated qualified opinion. Moreover, 43.3% (68) of the respondents were fairly and 4.5% (7) disagreed while another 17.2% (27) strongly disagreed that previous five Audit Reports have indicated qualified opinion. With a mean of 3.20 and a significant standard deviation of 1.334, previous five Audit Reports have inadequately indicated qualified opinion.

4.6 Testing of Regression Model Assumptions

Before conducting linear regression analysis, the study sought to find out if the assumptions of linear regression analysis have been met. This includes Multicollinearity (VIF), Normality (Normal Q-Q plot) and Homoscedastic Test (Pearson correlation analysis).

4.6.1 Test for Normality

Ghasemi and Zahedias (2012) urge that normalcy be tested visually rather than using other methods. The breach of the normalcy assumption should not have a significant impact on the results when using big samples (>30 or 40). (Ghasemi & Zahediasl 2012). The findings of the Q-Q normal plot are shown in the SPSS version 26 outputs appended in Appendix V. The divergence from normality in normal Q-Q plots was not as great as the deviation from the line of best fit in the approximation to the line of best fit. Therefore, the data had a normal distribution and could be utilized in a regression analysis because of its near normal distribution.

4.6.2 Test for Multicollinearity

Multicollinearity occurs when the independent variables in a multiple regression analysis are themselves highly correlated or affecting each other, thus, making it statistically difficult to evaluate the actual contribution of each respective independent variable to the variations in the dependent variable (Mnyuny, 2013). Multicollinearity was tested by computing the Variable Inflation Factor (VIF) plus its reciprocal the tolerance. The results in table 4.9 show VIF of less than the threshold value of maximum 10, thus indicating no multicollinearity issues.

TABLE 4.10

Multicollinearity Test

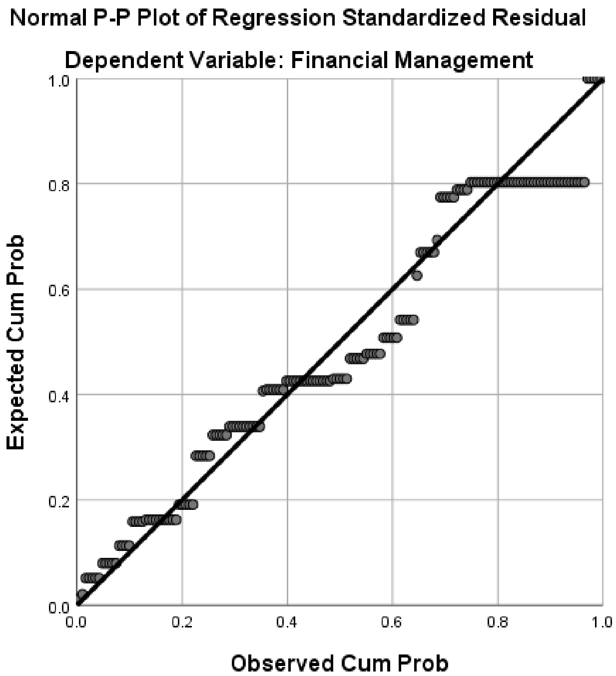
Variable	Tolerance	VIF
Accountability	.639	1.564
Transparency	.630	1.588
Fairness	.616	1.622
Integrity	.594	1.683

4.6.3 Homoscedastic Test of Financial management

In a regression model, residual variance is tested using homoscedasticity test. Distribution of homoscedastic data is shown through probability – probability plot (P-P Plot) (Park, 2008). The normal P-P plot for this study is described in Figure 4.1 below and the plots show very minimal deviation from the straight line cutting cross the plane. The researcher adopted multiple linear regression model because of the homoscedastic nature of data used in the study.

FIGURE 4.2

Homoscedastic Test of Financial Management



4.7 Inferential Statistics Analysis

Two inferential statistics were applied for this study, that is, Pearson Correlation Analysis and multiple linear regression analysis.

4.7.1 Correlation Analysis

To determine the strength of relationship between independent and dependent variables used for the research, the study performed correlation analysis. Linear and nonlinear elements of different pairs of principles were calculated using Pearson Correlation analysis, thus testing for linearity. Linear regression analysis concluded that there was linear relationship between the independent and dependent variables. This is so because all variables used for the study had a significance level less than 0.05. As illustrated in table 4.10, linear relationships were significant at 0.01 (99.0% confidence level).

TABLE 4.110

Pearson Correlation Analysis

		Acc	**Tran**	**Fairness**	**Integrity**
Acc: Accountability	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	157			
Tran: Transparency	Pearson Correlation	.397**	1		
	Sig. (2-tailed)	.000			
	N	157	157		
Fairness	Pearson Correlation	.481**	.533**	1	
	Sig. (2-tailed)	.000	.000		
	N	157	157	157	
Integrity	Pearson Correlation	.540**	.506**	.469**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	157	157	157	157
Financial management	Pearson Correlation	.757**	.702**	.618**	.587**
	Sig. (2-tailed)	.000	.000	.000	.000
	N	157	157	157	157

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

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

The results indicate that accountability has a strong positive Pearson correlation (r=0.757, p=0.000) influence on financial management of NG-CDF in Nyanza Region, Kenya. This indicates that Accountability play a major role in financial management. The results indicate that there is a strong relationship between transparency and financial management of NG-CDF in Nyanza Region, Kenya (Pearson correlation coefficient= 0.702, P=0.000). Transparency therefore has a very great influence in financial management.

The analysis in table 4.10 show that fairness has a moderate positive Pearson correlation coefficient (r= 0.618) influence on financial management. This indicates that fairness factors cannot be ignored when considering the financial management among NG-CDF in Nyanza Region, Kenya. This research shows there is positive relationship between integrity and financial management (Pearson correlation coefficient, r= 0.587). This implies that integrity is very necessary in financial management.

4.7.2 Multiple Regression Analysis

This study adopted four independent variables which are accountability, transparency, fairness and integrity therefore; this is the reason why multiple regressions analysis was used. Mugenda & Mugenda (2008) postulates that in order to know whether independent variables used in a study can predict a dependent variable multiple regression analysis should be used. The research objective was to establish whether and how accountability, transparency, fairness and integrity influence financial management of NG-CDF in Nyanza Region, Kenya. Tables 4.11, 4.12 and 4.13 present the outcome of the multiple linear regression analysis undertaken for the study.

The study made use of R^2 to determine the level of percentage change in financial management that could be explained by the four principles of corporate governance that were used in the study. The R, R^2, Adj $R^{2,}$ F ratio and Sig. value are outlined in Table 4.11 below.

TABLE 4.121

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics R Square Change	F Change	df1	df2	Sig. F Change
1	.882[a]	.778	.772	.386109	.778	133.186	4	152	.000

a. Predictors: (Constant), Integrity, Accountability, Fairness, Transparency
b. Dependent Variable: Financial management

The outcome illustrated in Table 4.11 gives out information on the overall summary of the model. The study conclude that the four corporate governance principles account for up to 77.8% significant variance in financial management (R square =.778, P=0.000) justifying that 22.2% of the concept of financial management is accounted for by some other aspects that were not captured in the model. The corrected value of R^2 otherwise known as adjusted R^2 was obtained to give out relevant estimate of true study population. The variance in R^2 and adjusted R^2 values is computed by subtracting the adjusted R^2 value from R^2 value. In this case .778 - .772 giving 0.006, which is then multiplied by 100% to give 0.6 percent. The variance of 0.6% explains the levels of difference that would be there in the study outcome had the researcher used the whole population rather than taking a sample to represent the whole population. The next Table 4.12 is ANOVA which is also known as model of fit (goodness of fit; F Ratio, Sig Value).

TABLE 4.132

Model of Fit (ANOVA Table)

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	79.422	4	19.855	133.186	.000[b]
	Residual	22.660	152	.149		
	Total	102.082	156			

a. Predictors: (Constant), Integrity, Accountability, Fairness, Transparency
b. Dependent Variable: Financial management

For the researcher to establish the relevance and level of significance the independent variables had on financial management rather than using mean scores, the study used the F

Ratio. F value was found to be 1.33186, a figure which is more than 1 implying that the errors obtained as a result of using the model adopted for the study is greater than errors that were not included in the model (F (4,152) = 133.186, P=0.000) The big F value is an indicator that the study has used relevant models of corporate governance as indicators of financial management.

Table 4.13 contained regression coefficient (Unstandardized & standardized), t-value and Sig. value results. The researcher had a choice of either using Standardized Coefficients or Unstandardized Coefficients however, the researcher opted to use unstandardized coefficient column because it enabled the study to compare corporate governance principles effect across same measures (Likert Scale 1 through 5).

The coefficients were used to test the effect of the independent variables on the dependent variable. The t-tests indicate the relationship between the independent variables and the dependent variable. A t-test of > 1.96 indicates a strong relationship between the variables, while a significance of <0.05 indicates a strong relationship between the variables.

TABLE 4.143

Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	**Std. Error**	**Beta**		
(Constant)	-.254	.165		-1.536	.127
Accountability	.501	.047	.505	10.569	.000
Transparency	.422	.050	.405	8.403	.000
Fairness	.128	.045	.139	2.852	.005
Integrity	.033	.037	.044	.894	.373

A multiple linear regression model below was formed from the coefficients in Table 4.13 out the four predictor variables of corporate governance against financial management.

$$\mathbf{Y=-.254+ 0.501X_1+0.422X_2+0.128X_3+ 0.033X_4} \qquad \mathbf{(2)}$$

Where:

Y= Financial management

$\mathbf{X_1}$= Accountability

$\mathbf{X_2}$= transparency

$\mathbf{X_3}$= fairness

$\mathbf{X_4}$= integrity

From the findings presented in Table 4.13, all corporate governance principles in this study had significant effect on the financial management apart from integrity. If corporate governance principles are held at zero or it is absent, the financial management of NG-CDF in Nyanza Region, Kenya would be -0.254, t=-1.536, p=0.127. This implies that absence of corporate governance principles would be negative and insignificant financial management.

It was revealed that accountability had unique significant contribution to the model with B=.501; t=10.569; p=.006 suggesting that controlling of other variables (Transparency, Fairness and Integrity) in the model, a unit increase in accountability would result to significant increase in financial management by 0.501 units. This implies that accountability principle has significant effect on the financial management of NG-CDF in NG-CDF in Nyanza Region, Kenya as indicated by $P<0.05$ and $t>1.96$. Therefore, the first null hypothesis was rejected. These results are in agreement with the findings of Akicho, Oloko and Kihoro (2016) study which showed that accountability had a positive and significant relationship with public sector performance in Kenya. This study finding agrees with the findings of Wheelen and Hunger (2019), in their study they found that for accountability to be achieved in public sector governance has to play a role. Natision, Esien, Harjo, Agoestyowati and Lestari (2022) revealed that Public Accountability partially has a significant effect on the Financial Management Mechanism in Indonesia. However, the results are not supported by Muktiadji, Mulyani, Djanegara and Pamungkas (2020) study which showed that IQAS implementation has an important role in the performance HEIs' while on the other hand, it did not have any influence on financial management accountability of HEIs'.

The coefficient of transparency was 0.422, which was significant (p=.000, t=8.403) and also positive. When the variance explained by all other variables (Accountability, fairness and Integrity) in the model is controlled, a unit increase in transparency would result to significant increase in financial management by 0.422 units. This implies that transparency principle has significant effect on the financial management of NG-CDF in NG-CDF in Nyanza Region, Kenya as indicated by $P<0.05$ and $t>1.96$. Therefore, the second null hypothesis was rejected. The findings concurred with Njeri (2013) reported that transparency and disclosure have positive and significant effects on the financial performance. Further, Pratolo, Jatmiko, Anwar and Widiyanta (2018) showed that financial management transparency has a positive and significant effect on local government performance with value for money. However, Harnovinsah, Al-Hakim, Erlina and Muda (2020) showed that transparency showed no effect on the effectiveness on-budget performance of the same concept.

Another variable that also had a unique significant contribution to the model was the value for fairness (B=.128, t=2.852, p=.005). When other variables in the model are controlled (Transparency, Accountability and Integrity), a unit increase in fairness would result to significant increase in financial management by 0.128 units. This implies that fairness principle has significant effect on the financial management of NG-CDF in NG-CDF in Nyanza Region, Kenya as indicated by P<0.05 and t>1.96. Therefore, the third null hypothesis was rejected. This finding is in agreement with Fadillah, Azwardi and Yuliana (2022) findings which revealed that basic values of BPK which are integrity and professionalism had positive and significant effect on the Performance of Government External Auditors. However, Yin and Zhang (2020) investigated the impact of corporate integrity on performance. The study shows that the relationship between corporate fairness and financial performance is only found in firms with weak internal control and firms in poor legal system areas.

However, integrity had an insignificant contribution to the model with B=0.033, t=0.984, p=.373 implying that when other variables in the model are controlled (Transparency, fairness and Accountability), a unit increase in integrity would result to insignificant increase in financial management by 0.033 units. This implies that integrity principle has insignificant effect on the financial management of NG-CDF in NG-CDF in Nyanza Region, Kenya as indicated by P>0.05 and t<1.96. Therefore, the fourth null hypothesis was not rejected. This study was not unique since some studies have supported this insignificant effect. Karabulut, Civelek, Başar, Sabri and Küçükçolak (2020) analyzed the effects fairness principles on the firm performance. Analysis results have been concluded that relationship between fairness and firm performance were not supported. Nevertheless, some studies have contradicted current findings. Said, Alam, Radzi and Rosli (2020) revealed that there was statically significant effect of corporate governance practices on organizational performance in Hormuud Telecom; specifically leadership integrity. Barare and Wambua (2018) in there study revealed that leader's integrity and ethics training have a positive significant influence on performance of state corporations.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The study objective was to examine influence of corporate governance principles on financial management of NG-CDF in Nyanza Region, Kenya. From the overall objective, the aims of specific objectives were to achieve the influence of accountability, transparency, fairness and integrity on financial management of NG-CDF in Nyanza Region, Kenya. This chapter presents summarized research findings, the study conclusions, and the researcher's recommendations. This chapter will also state areas that future researchers should focus on.

5.2 Summary of the Findings

The questionnaires distributed were two hundred and five (205), the questionnaires received from respondents were one hundred and fifty-seven (157) which represented 76.6% response rate. The researcher did not receive 48 questionnaires from respondents which represented 23.4% of the total questionnaires distributed. Using the Statistical Package for Social Sciences (SPSS) version 26, the research instrumental was reliable since the Cronbach Alpha was greater than 0.7. Further, corporate governance principles account for 77.8% significant variance in financial management (R square =.778, P=0.000) implying that 22.2% of the variance in financial management is accounted for by other variables not captured in this model. The summary is presented in regard to key findings of the four specific objectives as follows.

5.2.1 Principle of Accountability on Financial Management

The study established that majority of the respondents were in agreement with various statements in regard to accountability on financial management. Descriptive statistics indicated majority of the respondents were in agreement that CDF committee provides feedback on their roles and CDF committee provides accessible information on what it is doing. Further, CDF committee financial reports are audited by external auditors and is accountable to the public in their functions. Averagely, the level of accountability had a mean of 3.42 implying that majority of the respondents fairly agreed with most accountability statements. This is in line with the findings of Douglas, Mertens and Wasley (2012) who argued that when the duties and responsibilities of each party are clearly outlined in an entity’s manuals, policies and other binding documents like agreements, each party become accountable of their actions and can be held liable for particular conduct that affect any organisation they are working for which ensures that accountability is enhanced at all level. These results are in agreement with the concept of accountability as spelt out by Currall and Epstein (2013) who argued that decisions taken by public officials should be subjected to oversight to ensure that their overall objectives corresponds with government initiatives of poverty reduction by taking into consideration the needs of the community they represent. This will ensure that all public officials are held accountable as they discharge their duties.

Pearson correlation revealed that there is significant relationship between accountability and financial management of NG-CDF in Nyanza Region, Kenya. This implied that improved accountability would results to improvement in financial management. Salman and Juniarti (2021) indicated that the financial accountability variable has a partial effect on regional financial management in Nigeria public sector. The study is also in agreement with a study conducted by Starik and Rands (2017) where they argued that accountability improve the organization performance and governance structure of companies. Jeriansyah and Mappanyukki (2020) indicated that the accountability of regional financial management have a positive and significant effect on local government performance.

While using unstandardized beta coefficients the results of multiple linear regression revealed that Accountability had a positive and significant influence on financial management of NG-CDF in Nyanza Region, Kenya. Therefore, the first null hypothesis was rejected as accountability has significant influence on financial management of NG-CDF in Nyanza Region, Kenya. These results are in agreement with the findings of Akicho, Oloko and Kihoro (2016) study which showed that accountability had a positive and significant relationship with public sector performance in Kenya. This study finding agrees with the findings of Wheelen and Hunger (2019), in their study they found that for accountability to be achieved in public sector governance has to play a role. Natision, Esien, Harjo, Agoestyowati and Lestari (2022) revealed that Public Accountability partially has a significant effect on the Financial Management Mechanism in Indonesia. However, the results are not supported by Muktiadji, Mulyani, Djanegara and Pamungkas (2020) study which showed that IQAS implementation has an important role in the performance HEIs' while on the other hand, it did not have any influence on financial management accountability of HEIs'.

5.2.2 Principle of Transparency on Financial Management

Descriptive statistics indicated that most respondents agreed with different indicators of transparency. For instance, that the CDF committee makes available all relevant information to stakehoders, before making any decision, the CDF committee invites relevant stakeholders to a meeting for consideration, the CDF committee disseminates information to the appropriate parties and if the individual affected decides to contest the judgment, the CDF committee notifies them of the decision. Transparency principle had an average mean of 3.45 an indication that most of the respondents fairly agreed to different statements of transparency principle. The study finding agreed with the study findings of Wheelen and Hunger (2019) which attributed transparency in public sector and organizations to the level of governance in such organisation. Their study also revealed that internal and external cooperation and communications in organizations are attributed by the open nature of Internet

Technology systems. This research is also in line with the study finging of Yermack (2019) who reported that transparency has an impact on company performance.

Pearson correlation revealed that there is significant relationship between transparency and financial management of NG-CDF in Nyanza Region, Kenya. This implied that improved transparency would results to improvement in financial management. Similar results were obtained by Starik and Rands (2020) who stated that availability of information can lead to improved accountability and governance by people responsible. Wheelen and Hunger (2019) reported that for transparency to be achieved within public sector and organizations, governance has to play a role in that achievement. Jeriansyah and Mappanyukki (2020) in their research reported that the transparency of regional financial management have a positive and significant effect on local government performance at the Inspectorate of the Special Capital Region of Jakarta (DKI Jakarta Province).

While using unstandardized beta coefficients the results of multiple linear regression revealed that transparency has a positive and significant influence on financial management of NG-CDF in Nyanza Region, Kenya. The second null hypothesis was rejected based on the values of B and P, which evidently showed that transparency has a significant influence on financial management of NG-CDF in Nyanza Region, Kenya. The findings concurred with Njeri (2013) reported that transparency and disclosure have positive and significant effects on the financial performance. Further, Pratolo, Jatmiko, Anwar and Widiyanta (2018) showed that financial management transparency has a positive and significant effect on local government performance with value for money. However, Harnovinsah, Al-Hakim, Erlina and Muda (2020) showed that transparency showed no effect on the effectiveness on-budget performance of the same concept.

5.2.3 Principle of Fairness on Financial Management

Result from descriptive analysis revealed that NG-CDF in Nyanza region has adequate measures in place to prevent possible conflict of interest among stakeholders and adequate measures to settle such cases if they arise. Fairness principle had an average mean of 3.32 indicating that most respondents were fairly in agreement with most of fairness principle statements (6 out of 8). The research findings are in line with the study conducted by Shapiro and Stefkovich (2010) which concluded that fairness principle is fundamental in enhancing stakeholders communication, information and resource sharing which attribute to success. This research is also in agreement with the findings of Abor (2017) who reported that, justice perceptions is strongly associated with the quality of the relationship between supervisor and employee.

Pearson correlation revealed that there is significant relationship between fairness and financial management of NG-CDF in Nyanza Region, Kenya. This implied that enhanced fairness would results to improvement in financial management. This result is supported by Acquah and Addo (2011) indicated that collateral security is shown to be a significant predictor of accountability in the regression study. These results are in agreement with other previous studies. A research conducted by Gotsis and Kortezi (2020) reported moderately strong association between organizational fairness and performance of the organization. This study results concurs with study findings of Hermalin, (2015) who concluded that organizational fairness is important to individuals at work.

While using unstandardized beta coefficients the results of multiple linear regression revealed that fairness has a positive and significant influence on financial management of NG-CDF in Nyanza Region, Kenya. The second null hypothesis was rejected based on the B values and P value which showed that fairness has a significant influence on financial management of NG-CDF in Nyanza Region, Kenya. This finding is in agreement with Fadillah, Azwardi and Yuliana (2022) findings which revealed that basic values of BPK which are integrity and professionalism had positive and significant effect on the Performance of Government External Auditors. However, Yin and Zhang (2020) investigated the impact of corporate integrity on performance. The study shows that the relationship between corporate fairness and financial performance is only found in firms with weak internal control and firms in poor legal system areas.

5.2.4 Principle of Integrity on Financial Management

Results from descriptive analysis indicated that integrity is an issue since none of the 10 statement recorded a mean greater than 3.49. The average mean was 3.19 implying that all the respondents fairly agreed on the integrity principle as practices in NG-CDF in Nyanza Region, Kenya. The selection of CDF committee members guarantees that possible candidates are qualified to represent the constituency with the requisite honesty recorded lowest mean of 2.61 with 1.3% strongly agreeing and 38.9% agreeing on the same. Most respondents relating to 50.9% of the respondents did not support this assertion. This study disagrees with the study findings of Chandima and Markeset (2011) which concluded that Corporate Governance have an influence on various principles such as transparency, integrity and accountability of the management; both executive and non-executive directors. Chandima and Markeset further stated that institutional Board Directors should play a major role in ensuring corporate governance principles mainly accountability, transparency and integrity are practiced in discharging their duties which is taking care of shareholders' interests. According to Rothman and Friedman (2011) the protection of stakeholders' interests is an essential element for corporations and financial institutions integrity and maintenance of market confidence. Hall, (2018) stated the objective of Corporate Governance should be to protect the interest of diverse stakeholders. Rights, structure and control mechanisms of listed public limited companies should be outlined with good corporate governance in practice.

Pearson correlation revealed that there is significant relationship between integrity and financial management of NG-CDF in Nyanza Region, Kenya. This implied that enhanced integrity would results to improvement in financial management. Mbithi and Wasike (2019) sought to determine effect of fairness on banking sector sustainability. The study established that fairness have significant effect on sustainability of the banking industry. Burak, Erdil and Altindağ (2017) concluded that there is a relationship between the corporate governance principle fairness and business performance

Multiple linear regression results using unstandardized beta coefficients showed that integrity has insignificant positive influence on financial management of NG-CDF in Nyanza Region, Kenya. Basing on the values of B and P, there was adequate evidence not to reject fourth null hypothesis as integrity has insignificant influence on financial management of NG-CDF in Nyanza Region, Kenya. This study was not unique since some studies have supported this insignificant effect. Karabulut, Civelek, Başar, Sabri and Küçükçolak (2020) analyzed the effects fairness principles on the firm performance. Analysis results have been concluded that relationship between fairness and firm performance were not supported. Nevertheless, some studies have contradicted current findings. Said, Alam, Radzi and Rosli (2020) revealed that there was statically significant effect of corporate governance practices on organizational performance in Hormuud Telecom; specifically leadership integrity. Barare and Wambua (2018) in there study revealed that leader's integrity and ethics training have a positive significant influence on performance of state corporations.

5.3 Limitations of the Study

It is important to note that the study had limitations. First, the study's focus was only on NG-CDF in Nyanza region, Kenya which constitutes only six constituencies. Therefore, it would be more significant if further studies could focus on all the 47 counties in Kenya to come up with a better conclusion. Second, the study made use of only four independent variables and one dependent variable. Third, the study sought response from NG-CDF Committee members only who are tasked with oversight role.

5.4 Conclusions

The study rejected the first null hypothesis and concluded that accountability has significant influence on financial management of NG-CDF in Nyanza Region, Kenya. Accountability as corporate governance principle was mainly manifested through CDF committee financial reports being audited by external auditors and CDF committee provided accessible information on what it is doing. However, the CDF committee somehow submitted itself to proper external examination in terms of resource management and financial reports were made available to all stakeholders.

The study findings showed that transparency have positive influence on financial management of NG-CDF in Nyanza Region, Kenya hence the second null hypothesis was rejected. Transparency as corporate governance principle was evident by the CDF committee making available all relevant information to stakeholder and before making a decision, the CDF committee invited relevant stakeholders to a meeting for consideration. On the other hand, some NG-CDF committee failed to institutionalized culture of openness and providing input to stakeholders on development projects and disclosing information in relevant manner.

The findings also concluded that fairness have significant influence on financial management of NG-CDF in Nyanza Region, Kenya. Thus, the study's third null hypothesis was not supported. The positive influence was mainly as a result of prevention and settlement mechanisms established for possible conflicts among various stakeholders. However, opportunities are not distributed fairly to all stakeholders in some areas and the CDF committee inadequately considers various opinions from different stakeholders before implementing a project/initiative.

Lastly, the study showed that integrity had insignificant influence on the financial management of NG-CDF in Nyanza Region, Kenya. Therefore, the study failed to reject the fourth null hypothesis. This implies that integrity as corporate governance principle is still an issue so as to enhance its influence on financial management. The selection of CDF committee members does not guarantee that possible candidates are qualified to represent the constituency with the requisite honesty.

5.5 Recommendations

The following recommendations relating to each objective were proposed based on the findings.

In regards to the first objective of the study, the study recommended that the CDF committee should submit itself to proper external examination in terms of resource management. Further, the CDF committee financial reports should be made available to all stakeholders for enhanced accountability and improvement in financial management through expenditure management.

In regards to influence of transparency principle on financial management, the study recommended that there is need to institutionalize openness and providing input to stakeholders on development initiatives and projects. This would ensure timely disclosure of information to relevant parts which is a key component of financial management in regards to budget utilization.

In regards to fairness principle, the study further recommended that Principle of fairness should be effectively implemented to enhance financial management. This can be achieved by the CDF committee considering divergent opinions from different stakeholders before implementing a project/initiative besides even chances available to various stakeholders within the constituency. This would ensure value for money in regards to NG-CDF projects.

Lastly, integrity principle was not meaningful on financial management; the study recommended that the selection of CDF committee members guarantees that possible candidates are qualified to represent the constituency with the requisite honesty and integrity. This can be achieved by hiring individual who are competent, professional and meet other requirements of chapter four of the constitution of Kenya 2010. This would ensure there is efficient budget allocation and utilization, expenditure management, internal control hence value for money.

5.6 Areas for Further Research

The study sought to determine the influence of corporate governance principles on financial management of NG-CDF in Nyanza Region, Kenya. Subsequent research can be done on relationship between corporate governance principles and financial management in other public sector in other regions other than Nyanza or state corporations.

The research majored on four corporate governance principles which are accountability, transparency, fairness and integrity. Other researchers can focus on other principles of corporate governance and include moderating variables in their studies.

Financial management which was used as dependent variable was measured using budgetary utilization, value for money, budget allocation, expenditure management and internal controls. The study recommends that subsequent research to focus on the influence of corporate governance principle on either budget management or expenditure management for the purpose of policy formulation and recommendation for practice.

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APPENDICES

APPENDIX I: INTRODUCTORY LETTER

Dear Respondent,

RE: DATA COLLECTION

I am a Masters student at KCA University conducting a study titled **INFLUENCE OF CORPORATE GOVERNANCE PRINCIPLES ON FINANCIAL MANAGEMENT OF NG-CDF IN NYANZA REGION, KENYA**

Please answer the questions according to the directions. The information you provide is treated with strict secrecy and is only used for academic reasons.

Yours Sincerely,

JULIET ANYANGO OCHIENG

APPENDIX II: RESEARCH QUESTIONNAIRE

PART A: DEMOGRAPHIC DATA

1. What is your gender?

Female [ ]
Male [ ]

2. What is your age in years?

Below 30 years [ ]
31-35 years [ ]
36-40 years [ ]
41-45 years [ ]
46-50 years [ ]
51 & above years [ ]

3. What is your education level?

Certificate [ ]
Diploma [ ]
Degree [ ]
Masters [ ]
PhD [ ]

4. What is your constituency?

…………………………………………………………………………………

PART B: CORPORATE GOVERNANCE PRINCIPLES

1. ACCOUNTABILITY

Indicate your degree of agreement with regard to the impact of accountability on the financial management of the NG-CDF in the Nyanza Region of Kenya. Use the rating criteria listed below.

1. Strongly Disagree 2. Disagree 3.Uncertain 4. Agree 5. Strongly Agree

Accountability	1	2	3	4	5
9. The CDF committee's reporting on financial management is sustainable.					
10. CDF committee provides feedback on their roles.					
11. CDF committee provides accessible information on what it is doing.					
12. The CDF committee submits itself to proper external examination in terms of resource management.					
13. CDF committee financial reports are made available to all stakeholders.					
14. CDF committee financial reports are audited by internal auditors.					
15. CDF committee financial reports are audited by external auditors.					
16. The CDF committee is accountable to the public in their functions.					

2. TRANSPARENCY

Indicate your degree of agreement with regard to the impact of transparency on the financial management of the NG-CDF in Nyanza Region, Kenya. Use the ratings criteria listed below.

1. Strongly Disagree 2. Disagree 3. Uncertain 4. Agree 5. Strongly Agree

Transparency	1	2	3	4	5
9. There is no withholding of relevant information by the CDF committee.					
10. Before making a decision, the CDF committee invites relevant stakeholders to a meeting for consideration.					
11. The CDF committee disseminates information to the appropriate parties.					
12. CDF committee discloses information in timely manner.					
13. CDF committee discloses information in relevant manner.					

14. CDF committee prepare the calendar of important events.					
15. A culture of openness and providing input to stakeholders on development initiatives is becoming institutionalized.					
16. If the individual affected decides to contest the judgment, the CDF committee notifies them of the decision.					

3. FAIRNESS

Indicate your degree of agreement with regard to the impact of fairness on the financial management of the NG-CDF in the Nyanza Region of Kenya. Use the rating criteria listed below.

1. Strongly Disagree 2. Disagree 3. Uncertain 4. Agree 5. Strongly Agree

Fairness	1	2	3	4	5
9. Stakeholders are equally treated by CDF Committee.					
10. There is an established mechanism for prevention of possible conflicts among various stakeholders.					
11. There is an established mechanism for settlement of possible conflicts among various stakeholders.					
12. Diversity is embraced in the CDF Committee.					
13. Employees are treated equally.					
14. Comprehensive information on the proposed projects is available to various stakeholders.					
15. Opportunities are distributed fairly to all stakeholders.					
16. Stakeholders are equally treated by the CDF Committee.					

4. INTEGRITY

Indicate your degree of agreement with regard to the impact of integrity on the financial management of the NG-CDF in the Nyanza Region of Kenya. Use the rating criteria listed below.

1. Strongly Disagree 2. Disagree 3. Uncertain 4. Agree 5. Strongly Agree

Statement	1	2	3	4	5
11. Members of the NG-CDF committee operate with professionalism.					
12. Various constituency stakeholders are permitted to utilize their rights to unfettered involvement in decision making.					
13. The statutes regulating the NG-CDF outline the specific competencies of the numerous stakeholders engaged in the					

financial management of the NG-CDF.					
14. The NG-CDF committee recruits candidates who are professionally competent to work on a variety of projects.					
15. The NG-CDF acts provide the conditions for professional expertise.					
16. The NG-CDF acts provide the standards for expert experience.					
17. The selection of CDF committee members guarantees that possible candidates are qualified to represent the constituency with the requisite honesty.					
18. CDF committee observes professionalism in their work.					
19. Various constituency stakeholders are allowed to use their rights to unfettered involvement in activities and decision making.					
20. Various constituency stakeholders are permitted to utilize their rights to unrestricted involvement in NG-CDF operations.					

PART C. FINANCIAL MANAGEMENT

Indicate your degree of agreement with regard to the financial management of the NG-CDF in the Nyanza Region of Kenya. Use the rating criteria listed below.

1. Strongly Disagree 2. Disagree 3. Uncertain 4. Agree 5. Strongly Agree

Financial Management	1	2	3	4	5
9. There are efficient absorption rates for development expenditures					
10. There is efficient utilization of NG-CDF resources					
11. There are efficient recurrent operations and maintenance					
12. Development spending reflects value for money					
13. There is parity on the share of actual expenditure out of the budgeted expenditure					
14. Due to effective financial management, the NG-CDF has had remarkable success in implementing its development programs					
15. There is prudent budgetary utilization in NG-CDF.					
16. Previous five Audit Reports have indicated qualified opinion					

Thank you for your time.

APPENDIX III: CONSTITUENCIES IN NYANZA REGION

County	Constituencies
Siaya	i. Bondo ii. Rarieda iii. Ugunja iv. Alego Usonga v. Ugenya vi. Gem
Homabay	i. Homa Bay Town ii. Kabondo Kasipul iii. Karachuonyo iv. Kasipul v. Mbita vi. Ndhiwa vii. Rangwe viii. Suba
Kisumu	i. Kisumu Central ii. Kisumu East iii. Kisumu West iv. Muhoroni v. Nyakach vi. Nyando vii. Seme
Migori	i. Awendo ii. Kuria East iii. Kuria West iv. Nyatike v. Rongo vi. Suna East vii. Suna West viii. Uriri
Kisii	i. Bobasi ii. Bonchari iii. Bomachoge Borabu iv. Bomachoge Chache v. Kitutu Chache North vi. Kitutu Chache South vii. Nyaribari Chache viii. Nyaribari Masaba ix. South Mugirango
Nyamiya	i. West Mugirango ii. North Mugirango iii. Kitutu Masaba iv. Borabu

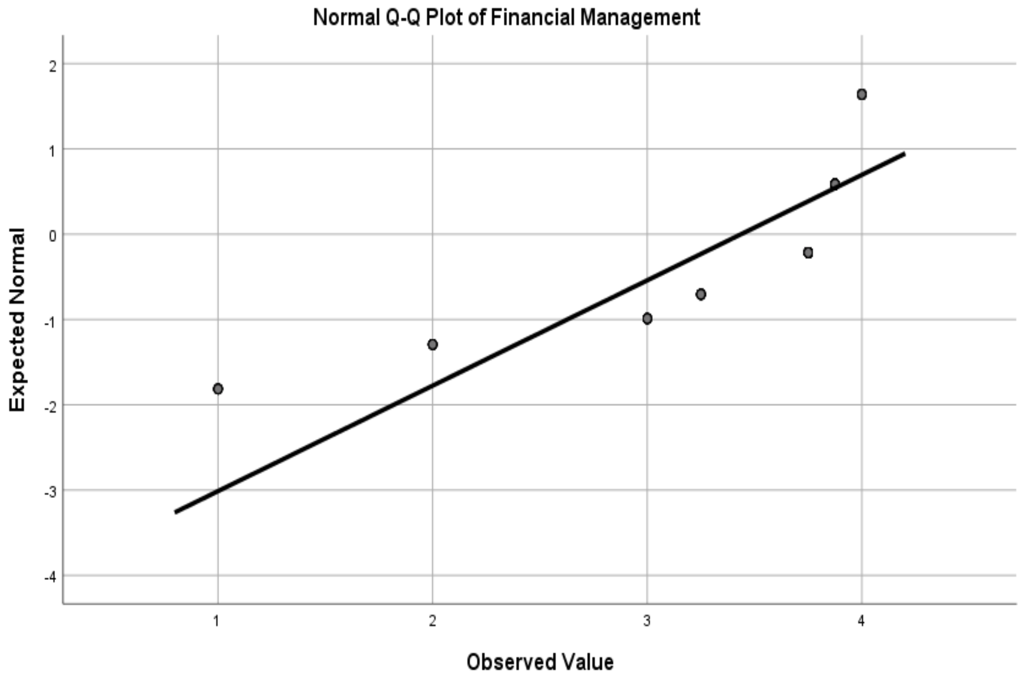
Source: Independent Electoral Boundaries Commission (2019)

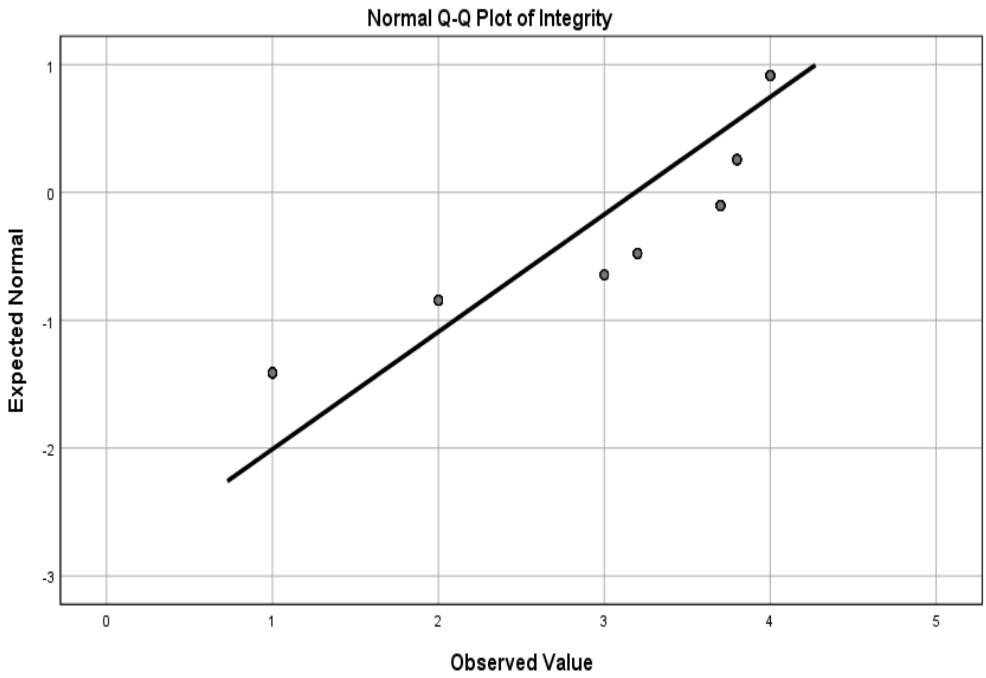
APPENDIX IV: NYANZA CONSTITUENCIES AUDIT OPINIONS

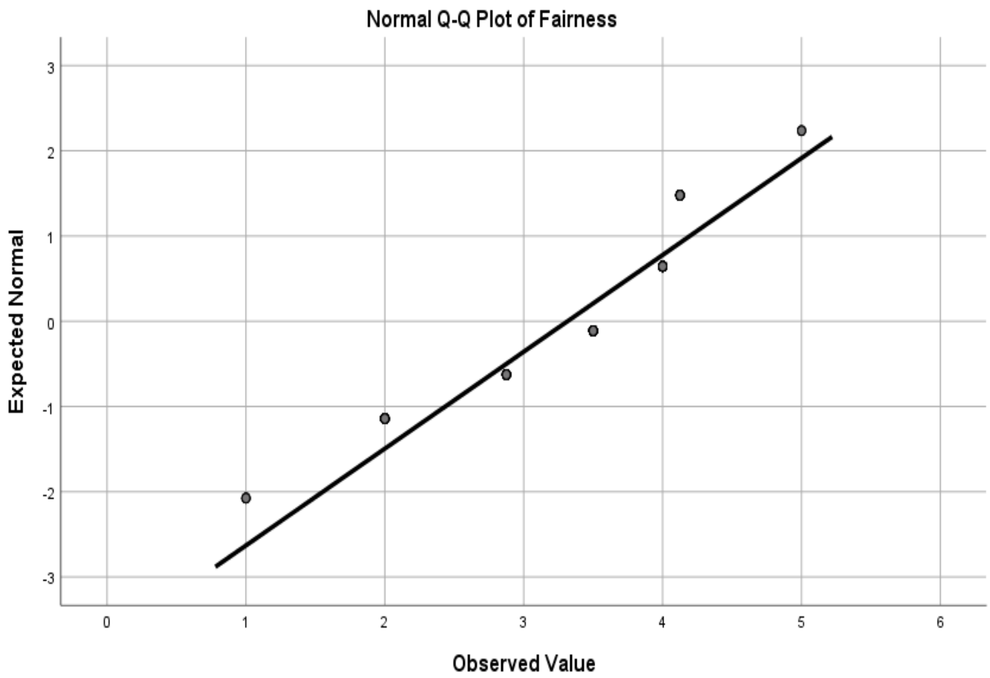
S/NO	County	Constituency	Year	Audit opinion
1.	Siaya	Ugenya	2017	Adverse opinion
2.	Siaya	Rarieda	2020	Adverse opinion
3.	Siaya	Gem	2018	Disclaimer opinion
4.	Homa Bay	Ndhiwa	2018	Adverse opinion
5.	Homa Bay	Karachuonyo	2016	Adverse opinion
6.	Homa Bay	Homa Bay Town	2017	Adverse opinion
7.	Kisii	Bobasi	2018	Adverse opinion
8.	Kisii	Bomachoge Borabu	2018	Adverse opinion
9.	Kisii	Nyaribari Chache	2017	Adverse opinion
10.	Kisii	Bomachoge Chache	2017	Adverse opinion
11.	Kisii	South Mugirango	2017	Adverse opinion
12.	Kisii	Nyaribari Masaba	2017	Adverse opinion
13.	Kisii	Bobasi	2017	Adverse opinion
14.	Nyamira	North Mugirango	2017	Adverse opinion

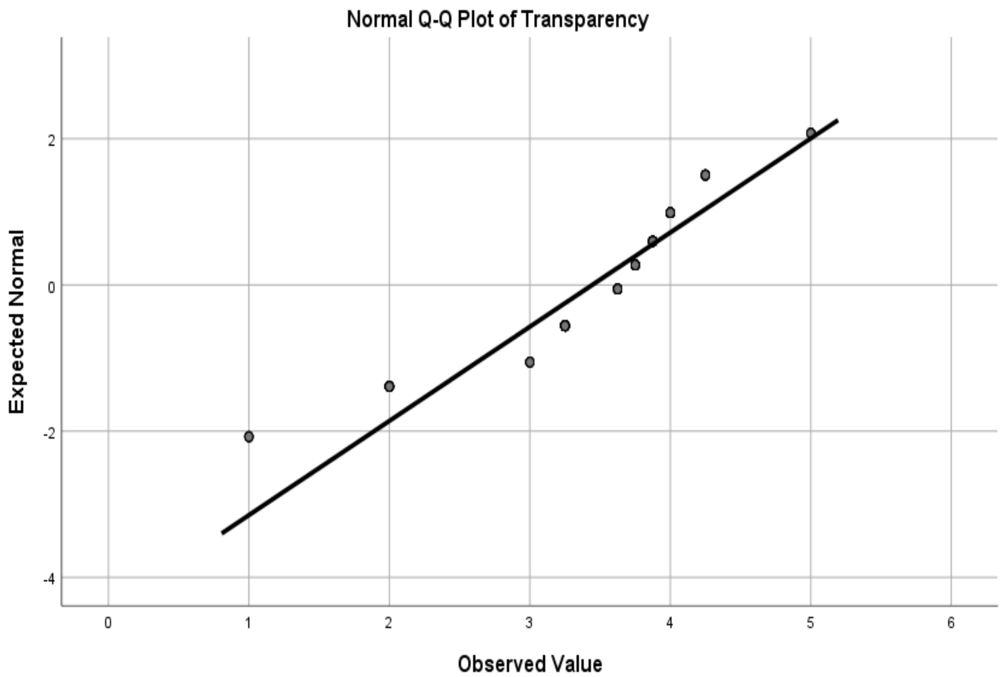
Source: Audit Reports, Office of the Auditor General

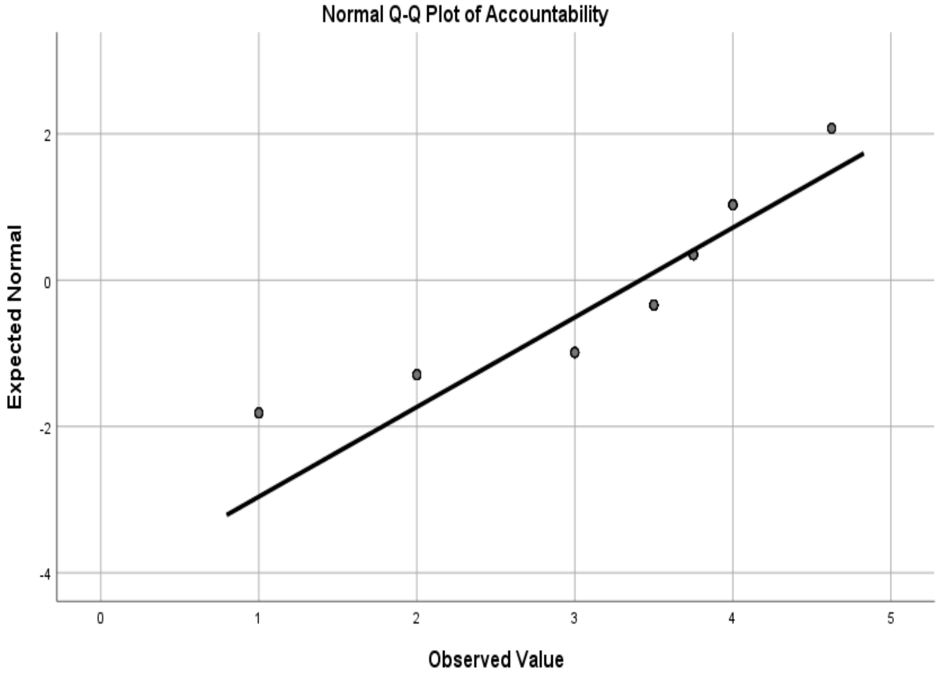
APPENDIX V: NORMALITY TEST






Normal Q-Q Plot of Fairness
Expected Normal
Observed Value
3
2
1
0
-1
-2
-3
0
1
2
3
4
5
6


Normal Q-Q Plot of Transparency
Expected Normal
Observed Value
2
0
-2
-4
0
1
2
3
4
5
6


Normal Q-Q Plot of Accountability
Expected Normal
Observed Value
2
0
-2
-4
0
1
2
3
4
5

APPENDIX VI: RESPONSE PER CONSTITUENCY PER COUNTY

Constituencies	Homa Bay	Kisii	Kisumu	Migori	Nyamira	Siaya	Total
Alego Usonga						4	4
Awendo				4			4
Bobasi		4					4
Bomachoge Borabu		4					4
Bomachoge Chache		4					4
Bonchari		4					4
Bondo						4	4
Borabu					3		3
Gem						5	5
Homa Bay Town	4						4
Kabondo Kasipul	4						4
Karachuonyo	4						4
Kasipul	4						4
Kisumu Central			4				4
Kisumu East			5				5
Kisumu West			5				5
Kitutu Chache North		4					4
Kitutu Chache South		3					3
Kitutu Masaba					3		3
Kuria East				4			4
Kuria West				4			4
Mbita	3						3
Muhoroni			5				5
Ndhiwa	3						3
North Mugirango					3		3
Nyakach			4				4
Nyando			4				4
Nyaribari Chache		3					3
Nyaribari Masaba		3					3
Nyatike				3			3
Rangwe	3						3
Rarieda						4	4
Rongo				3			3
Seme			4				4
South Mugirango		3					3

Suba	3						3
Suna East				3			3
Suna West				3			3
Ugenya						5	5
Ugunja						4	4
Uriri				3			3
West Mugirango					4		4
Grand Total	**28**	**32**	**31**	**27**	**13**	**26**	**157**