INFLUENCE OF ADOPTION OF ACCOUNTABILITY PRINCIPLE ON PERFORMANCE OF COMMERCIAL STATE CORPORATIONS IN KENYA

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ABSTRACT

The purpose of the study was to establish the influence of adoption of accountability principles on the performance of commercial state corporations in Kenya. The study was guided with specific objectives which was; to establish the influence of accountability principle on performance of commercial state corporations in Kenya, The study used cross tabulation research survey design. The target population was 55 commercial state corporations in Kenya. The study sample size was 55 commercial State Corporation, the sample use censused since the sample was small. The study used primary data, which was collected using questionnaires. The questionnaires were open and close ended. Data collected from the field was coded, cleaned and categorized according to questionnaire items. The gathered data was analyzed using computer aided IBM Statistical Package for Social Scientists (SPSS) version 21 premium. Both descriptive and inferential statistics were used to analyze the data collected. Descriptive statistics involved computation of mean scores, standard deviation, percentages, cross tabulation and frequency distribution which will describe the demographic characteristics of the organization and the respondents. Both descriptive and inferential statistics were used to analyze the data collected. Inferential statistics was used to determine the relationships and significance between independent and dependent variable. The data was presented using tables, graphs and charts. The number of questionnaires that were administered to all the respondents were 55 questionnaires. A total of 38 questionnaires were properly filled and returned from the Commercial State Corporation. This represented an overall successful response rate of 69%. The study also found that principle of accountability, transparency and fairness had a high influence on the performance of commercial state corporations in Kenya. Further the study established that principle of integrity was very low on influencing the performance of commercial state corporations in Kenya. The study recommended on the adoption of accountability principles on the performance of commercial state corporations.
in Kenya. The study concludes that principle of accountability influence on the performance of commercial state corporations in Kenya. The study recommended that principle of accountability influences on the performance of commercial state corporations in Kenya to a great extent and therefore it should be adopted in state corporates.

**Key Word:** adoption of accountability principle, performance of commercial state corporations

**Introduction**

The critical areas to be addressed by Principles of governance can be easily described as, efficient, responsible, transparent and honest governance of economic entities, whether they are private or state owned, large, medium or small. The principles set out by the Commonwealth Association for Principles of governance are a well-recognized benchmark within the Commonwealth; but similar codes and principles, for example the Cadbury and King Reports, are available in other jurisdictions (Dawes, 2010). According to Dobson, (2011) principles of governance is a concept that is still at its evolution stage.

Forker, (2012) state that Principles of governance is both the promise to repay a fair return on capital invested and the commitment to operate a institution efficiently given investment from the perspective of the investor (Metrick & Ishii, 2002). The importance of governance lies in the power that is given to the people running the affairs of the organization. In recent period, this power has not always been used in the best interest of shareholders, employees or the society in general. Keeping morale high among workers can be of tremendous benefit to any organization, as happy workers will be more likely to produce more, thus enhancing the institution’s financial performance, and staying loyal to the organization.

Principles of governance therefore are about corporate democracy and just like in any democracy; it has various stakeholders who comprise of shareholders, employees, government, management and the Board of Directors. They all have an interest in the prosperity of the organization. If there is no good Principles of governance, then stakeholders can demand for a change. It is important to realize that corporate organizations exist to provide specific services (satisfaction) to their stakeholders. Success in the provision of these services is interpreted as good Principles of governance (Wheelen & Hunger, 2009).
Parastatals play a major role in most economies through the provision of public services such as transport and energy. Also because they were established to foster wider developmental goals, some of them such as the Kenya Power have its commitments towards communities. The Company is aware that its activities affect the environment and communities in which it operates (Wood, 2010).

**General Objective**
The general objective of the study was to determine the influence of adoption of accountability principles on the performance of commercial state corporations in Kenya.

**Research Hypothesis**
The following research hypothesis guided the study;

H1: adoption of accountability principles has a significant influence on performance of commercial state corporations in Kenya.

**Significance of the Study**

**Policy Makers;** The study gives great importance to policy maker since they will understand how adoption of governance principles affect performance of commercial State Corporation. The study will help policy maker understand the importance compliance to the governance principle by the state corporation.

**Researchers;** The study gives great importance to the researchers since they will have available reference materials on influence of adoption of governance principle on the performance of commercial state corporations in Kenya.

**State Corporation of Kenya;** The study gives great importance to the commercial State Corporation since they will understand the influence of accountability on the performance of commercial state corporations in Kenya.

**LITERATURE REVIEW**

**Institutional Theory**
Institutional theory is a widely accepted theoretical posture that emphasizes organizations is social cultural systems and it focuses on the deeper and more resilient aspects of social structure. It considers the processes by which structures, including schemes; rules, norms, and routines as authoritative guidelines for social behavior (Arneson, 2011). Different components of institutional theory explain how these elements are created and adapted over time. The emphasis on institutional
theory is normally viewed from the regulatory perspective. Better legal environment encourages the adoption of good corporate governance practices due increased incentives to the firms and countries have different governance codes that serve as templates for practice in the concerned countries (Anon, 2004). The main idea of institutional theory is that the organizations are exposed and linked to external environment accordingly; corporate governance should ensure that, there is a clear link between the organizations and environment based on organizations goals and objectives. Corporate governance should have an effective influence and involvement in formalizing and identifying corporate goals. Bonner (2010) suggested that, in order to formulate a compensation policy senior manager should understand all norms and traditions of the organization. However, those policies are resistant to change even in the face of major changes in job content and technology complexity. The adaptation and rejection of these changes should be examined and investigated based on the historical, social and political issues that are linked to recognizing organizational changes.

**Accountability Principle**

Accountability is one of the cornerstones of good governance; however, it can be difficult for scholars and practitioners alike to navigate the myriad of different types of accountability (Bierstaker, 2009). Recently, there has been a growing discussion within both the academic and development communities about the different accountability typologies (Carpenter & Westpal, 2011). Currall and Epstein, (2013) stated that accountability ensures actions and decisions taken by public officials are subject to oversight so as to guarantee that government initiatives meet their stated objectives and respond to the needs of the community they are meant to be benefiting, thereby contributing to better governance and poverty reduction.

Bonner (2010) argued that accountability is an amorphous concept that is difficult to define in precise terms. However, broadly speaking, accountability exists when there is a relationship where an individual or body, and the performance of tasks or functions by that individual or body, are subject to another’s oversight, direction or request that they provide information or justification for their actions. Scott (2009) reported that accountability involves two distinct stages: answerability and enforcement. Answerability refers to the obligation of the government, its agencies and public officials to provide information about their decisions and actions and to justify
them to the public and those institutions of accountability tasked with providing oversight. Enforcement suggests that the public or the institution responsible for accountability can sanction the offending party or remedy the contravening behavior. As such, different institutions of accountability might be responsible for either or both of these stages.

According to Kaptein and Van (2008) managers accountability to shareholders is an important objective of corporate governance. Corporate governance is concerned with how a company is directed, controlled and managed, so as to ensure that there is an effective framework for accountability of directors to owners. Accountability is enhanced when the roles and responsibilities are clearly articulated in a program charter, memorandum of understanding, or partnership agreement and when these agreements work out such issues as to whom and for what purposes the members of the governing body are accountable to the program or the organization (Douglas, Mertens & Wasley, 2012). Stakeholder participation in the formulation of these agreements and their public disclosure also strengthens the accountability of program governance. All persons in leadership positions should uphold high standards of ethics and professional conduct over and above compliance with the rules and regulations governing the operation of the program (Albuquerque & Wang, 2008). Members of the governing, executive and advisory bodies, as well as members of the management team, must exercise personal and professional integrity, including the avoidance of conflicts of interest. Programs decision-making, reporting, and evaluation processes should be open and freely available to the general (Fasterling, 2005).

The obligation of an individual or organization to account for its activities, accept responsibility for them, and to disclose the results in a transparent manner. It also includes the responsibility for money or other entrusted property. Improving government accountability improves service delivery. Conversely, increasing the resources allocated for public services without fixing the accountability incentive structure will most likely not translate into greater development benefits for the poor. Devolution offers significant opportunities to improve government accountability. Decentralization thus leads to new interactions and contractual relationships between local governments, between small and big private public institutions, and between providers and producers of services, and communities and nongovernmental organizations (Collier, 2013).
According to Ribot (2004), building appropriate local governance structures requires bridging the supply and demand side so that local governments can be downwardly accountable to citizens. A precondition for downward accountability is to simultaneously empower local governments and citizens. That requires setting priorities and sequencing decentralization reforms to strengthen accountability on both the supply and demand sides.

**RESEARCH METHODOLOGY**

**Research Design**
The study used cross sectional survey research design. Descriptive research design determines and reports the findings the way things are (Mugenda & Mugenda, 2003). The design also has enough provision for protection of bias and maximized reliability (Kothari, 2008). Cross sectional design uses a preplanned design for analysis (Mugenda & Mugenda, 2003). In this study, inferential statistics and measures of central, dispersion and distribution was applied. Cross sectional survey research design is a method of collecting information by interviewing or administering a questionnaire to a sample of individual (Orodho, 2003). The study used qualitative and quantitative approach, which according to Yin, (2004), allows for in-depth contextual analysis.

**Sampling Frame**
A sample is a finite part of a statistical population whose properties are studied to gain information about the whole. A good sample should be adequate and representative of the underlying population. The sampling frame was the list of all the 55 commercial state corporations in Kenya, as outlined by Presidential taskforce on parastatals l reforms (2013) report. According to this report, the commercial state corporations have performed poorly compared to their private counterparts.

**Data Analysis and Presentation**
Data collected from the field was coded, cleaned and categorized according to questionnaire items. The gathered data was analyzed using computer aided IMB Statistical Package for Social Scientists (SPSS) version 21 premium. Both descriptive and inferential statistics were used to analyze the data collected. Descriptive statistics involved computation of mean scores, standard deviation, percentages, cross tabulation and frequency distribution which will describe the demographic characteristics of the organization and the respondents. Inferential statistics was used to determine the relationships and significance between independent and dependent variable. On the other hand linear regression analysis was done to analyze the contribution of each independent variable to the
dependent variable. Regression analysis was utilized to establish the relationship between a range of variables, these including an error term, whereby a dependent variable is expressed as a combination of independent or explanatory variables, and the unknown parameters in the model are estimated, using observed values of the dependent and explanatory variables (Cooper & Schindler, 2006). The data was presented using tables, graphs and charts.

Research Findings and Discussion

Response Rate

This section represents the response rate of the respondents. The number of questionnaires that were administered to all the respondents were 55 questionnaires. A total of 38 questionnaires were properly filled and returned from the Commercial State Corporation. This represented an overall successful response rate of 69%. According to Mugenda and Mugenda (2003), a response rate of 50% or more is adequate. Babbie (2004) also asserted that return rates of 50% are acceptable to analyze and publish, 60% is good and 70% is very good.

Response Rate

<table>
<thead>
<tr>
<th>Response Rate</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Returned</td>
<td>38</td>
<td>69%</td>
</tr>
<tr>
<td>Unreturned</td>
<td>17</td>
<td>31%</td>
</tr>
<tr>
<td>Total</td>
<td>55</td>
<td>100%</td>
</tr>
</tbody>
</table>

Descriptive Statistics

Principle of Accountability

The study sought to establish the level at which the respondents agreed or disagree on the influence of Principle of Accountability on the performance of commercial state corporations in Kenya.
Principle of Accountability

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. There is sustainability of reporting on performance</td>
<td>38</td>
<td>4.2696</td>
<td>.51987</td>
</tr>
<tr>
<td>2. Members provide feedback on their roles</td>
<td>38</td>
<td>4.1043</td>
<td>.51985</td>
</tr>
<tr>
<td>3. Management are held responsible</td>
<td>38</td>
<td>4.3043</td>
<td>.51986</td>
</tr>
<tr>
<td>4. Management is reliable</td>
<td>38</td>
<td>3.1652</td>
<td>.51987</td>
</tr>
<tr>
<td>5. Annual report publishing is done in my organization</td>
<td>38</td>
<td>4.04348</td>
<td>.519875</td>
</tr>
<tr>
<td>6. The report is audited by internal and external auditors</td>
<td>38</td>
<td>2.9652</td>
<td>.70811</td>
</tr>
<tr>
<td>7. The organization report is revealed to all the stakeholder</td>
<td>38</td>
<td>4.2696</td>
<td>.51985</td>
</tr>
</tbody>
</table>

Valid N (listwise) 38

The study established that majority of the respondents agreed with the statement in table 4.3 on Principle of Accountability influence on the performance of commercial state corporations in Kenya as follows as indicated by table 4.3; there is sustainability of reporting on performance with a mean of 4.2696, members provide feedback on their roles with a mean of 4.1043, Management are held responsible with a mean of 4.3043, Management is reliable with a mean of 3.1652, Annual report publishing is done in my state-corporate with a mean of 4.04348, The report is audited by internal and external auditors with a mean of 2.9652, The organization report is revealed to all the stakeholder with a mean of 4.2696.

Inferential Statistics

Regression Analysis on Principle of Accountability Vs Performance of Commercial state Corporations

Linear regression model of Principle of Accountability on performance of commercial state corporations

Model Summary Principle of Accountability on performance of commercial state corporations

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
</table>

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The regression model of principle of accountability with a coefficient determination of \( R^2 = .310 \) and \( R = .557 \) at 0.05 significance level. The coefficient of determination indicates that 55.7% of the variation on performance of commercial state corporations in Kenya is influenced by Principle of Accountability. This shows that there exists a positive relationship between Principle of Accountability on performance of commercial state corporations in Kenya.

**ANOVA Principle of Accountability on performance of commercial state corporations in Kenya.**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>3.825</td>
<td>1</td>
<td>3.825</td>
<td>16.169</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>8.517</td>
<td>36</td>
<td>.237</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>12.342</td>
<td>37</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Performance of Commercial state Corporations

b. Predictors: (Constant), Principle of Accountability

The results of Analysis of variance (ANOVA) for regression coefficients are shown in table 4.8 the analysis results revealed that the significance of F statistics is 0.000 which is less than 0.05 this imply a good fit for the model since it shows that there is a significant relationship between Principle of Accountability and Performance of Commercial state Corporations. Adoption of governance principles is justified only when the perceived benefit is large enough to influence performance.

**Coefficientsa Principle of Accountability and Performance of Commercial state Corporations**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>3.207</td>
</tr>
</tbody>
</table>
Principle of Accountability  .374  .093  .557  4.021  .000

a. Dependent Variable: Performance of Commercial state Corporations

The study further determined the beta coefficients of Principle of Accountability versus Performance of Commercial state Corporations. The table 4.9 also presents that the coefficient of Performance of Commercial state Corporations is 0.374. The t statics for this coefficient is 4.021 with a p-value of 0.000 which is less than 0.05 showing that it is statistically significant. This p value confirms the significance of the coefficient of Performance of Commercial state Corporations at 95% confidence. The study thus concludes that Principle of Accountability significantly influences Performance of Commercial state Corporations and thus has a significant relationship with Performance of Commercial state Corporations. As presented in the scatter diagram in Figure 4.1, all the plots are in the first quadrate and the line of best of fit indicates an estimate line that is increasingly positively upwards. This therefore demonstrates that there is a positive linear relationship between Principle of accountability and performance of commercial state corporations in Kenya.

Principle of Accountability significantly influences Performance of Commercial state Corporations
Summary

Principle of Accountability on Performance of Commercial state Corporations

The study sought to establish the influence of principle of accountability on the performance of commercial state corporations in Kenya. The study found out that The regression model of principle of accountability coefficient determination of $R^2$ was significance at confidence level. The coefficient of determination indicates that performance of commercial state corporations in Kenya is influenced by principle of accountability to a great extent. The results of Analysis of variance (ANOVA) revealed that the significance of F statistics is a good fit for the model since it shows that there is a significant relationship between principle of accountability and performance of commercial state corporations. The coefficient of Performance of Commercial state Corporations was less than confidence. The t statics for this coefficient was less than confidence level showing that it was statistically significant. This p-value confirms the significance of the coefficient of Performance of commercial state corporations at the confidence level. The study thus concluded that Principle of accountability significantly influences performance of commercial state corporations and thus has a significant relationship with performance of commercial state corporations. As presented in the scatter diagram all the plots are in the first quadrate and the line of best of fit indicates an estimate line that is increasingly positively upwards. This therefore demonstrates that there is a positive linear relationship between Principle of accountability and performance of commercial state corporations in Kenya. The study found out that principle of accountability has a significant strong positive correlation with performance of commercial state corporations

Conclusion

Based on the study findings, the study concludes that principle of accountability influence on the performance of commercial state corporations in Kenya, there is sustainability of reporting on performance, members provide feedback on their roles, Management are held responsible, Annual report publishing is done in my state -corporate, The report is audited by internal and external auditors and the organization report is revealed to all the stakeholder. The coefficient of determination indicates that the variation on performance of commercial state corporations in Kenya is influenced by principle of accountability. The results of Analysis of variance (ANOVA) revealed that the significance of F statistics which is less than confidence level imply a good fit for the model since it shows that there is a significant relationship between Principle of
accountability and performance of commercial state Corporations. The coefficient of performance of commercial state corporations was greater than the confidence level. The t statistics for this coefficient and p-value which was less than confidence level showing that it was statistically positively significant. This p-value confirmed the significance of the coefficient of Performance of Commercial state Corporations at confidence. The study thus concluded that principle of accountability significantly influences performance of commercial state corporations and thus has a significant relationship with performance of commercial state corporations. As presented in the scatter diagram all the plots are in the first quadrant and the line of best of fit indicates an estimate line that is increasingly positively upwards. This therefore demonstrates that there is a positive linear relationship between principle of accountability and performance of commercial state corporations in Kenya. The study found out that principle of accountability has a significant strong positive correlation with performance of commercial state corporations. The study concludes that principle of transparency had a positive significant influence on performance of commercial state corporations in Kenya. Scatter diagram plots demonstrates that there is a positive linear relationship between Principle of Transparency and performance of commercial state corporations in Kenya.

**Recommendations**

The study recommended that principle of accountability influences on the performance of commercial state corporations in Kenya to a great extent and therefore it should be adopted in state corporates. Also the study established that principle of integrity is negatively applied in the commercial state corporations in Kenya. The study established that annual report publication in state-corporate, report auditing by internal and external auditors and members providing feedback on their roles.

**References**


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