

**CORPORATE GOVERNANCE AND THE FINANCIAL PERFORMANCE
OF STATE CORPORATIONS: THE CASE OF NEW KENYA
COOPERATIVE CREAMERIES (KCC)**

BY

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Abstract

corporations performance by the performance contracting department at Corporate governance is a concept that involves practices that entail the organization of management and control of companies. It reflects the interaction among those persons and groups, which provide resources to the company and contribute to its performance such as shareholders, employees, creditors, long-term suppliers and subcontractors. It has been generally agreeable from many studies in the recent past that companies that have corporate governance systems in place also exhibit good performance. Thus corporate governance is increasingly being recognized as an important aspect of an efficient and effective board of directors, enhancing investment performance. This study sought to examine how Corporate Governance affects performance of state Corporations in Kenya. Well-governed firms have higher firm performance. Mismanagement, bureaucracy, wastage, incompetence and irresponsibility by directors and employees are the main problems that have made State corporations (SCs) fail to achieve their performance. The poor performance of SCs in Kenya by 1990 led to outflow from central government to parastatals equivalent to 1 percent of the GDP in 1991. The objective of the study was to identify the relationship between performance, corporate governance and size of state corporations. The study used descriptive survey design. The target population for this study was 178 SCs in Kenya as presented by the report on Evaluation of the Performance of Public Agencies for the financial year 2010/2011 published in March, 2012 by Performance Contracting Department - Office of the former Prime Minister. Sample of 60 state corporations out of 178 was found ideal. Respondents were senior managers at these state corporations. Data were analyzed through descriptive statistics and multilinear regression technique. The findings were that the organizations that scored highly in corporate governance were also ranked highly in yearly ranking of state the current ministry of devolution. The empirical findings of this study are consistent with the guidance developed by capital Market Authority that companies should endeavor to attain the highest possible level of corporate governance. The study therefore recommends that financial monitoring should be done thoroughly by the board and that State corporations should consider adopting conduct of regular Corporate Governance Audits and Evaluations.