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Policy Framework and Financial Corporate Compliance in Public Universities in Kenya

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Abstract

One of the important components of corporate governance that improves accountability and transparency in an institution's financial management is financial corporate compliance. The emergence of alarming cases of financial impropriety in Kenya's public universities has intensified the demand for financial accountability in the public sector and exposed the boards and management to increasing scrutiny. Public organizations have reported cases of inadequate or absence of financial compliance, and public universities have also cited comparable circumstances in audit reports. It is unclear, however, what the causes of this compliance are or what function corporate governance plays in it. The purpose of this study was to explore the effect of policy framework on financial corporate compliance at Kenya's public universities. The study adopted a descriptive survey research design. The study's target population was 40 accredited public universities in Kenya. The data were gathered through the use of extensive, quasi-structured questionnaires. The study used descriptive statistics such as frequency distribution tables, percentages, and measures of central tendency such as the mean. Chi-square and correlation analysis were used to establish the relationship between the study variables. The study reached a finding that policy framework has a positive impact on prudential corporate compliance during the period of study. The study found that most universities have adopted ethics and a code of conduct that the universities operate under a specific code of conduct and ethics which enables the university to actualize financial corporate compliance. The study recommends all public universities to be keeping track of all activities required to be adhered to by the public institution finance department more regularly to ensure the smooth running of the institutions. It is also recommended the university management facilitate regular training for the officers in the finance department to equip them with the relevant information of the newly amended policies by the government to govern the finances used to run public universities.

Keywords: *Policy framework, financial corporate compliance, public universities*

1.0 Introduction

In the past, financial company compliance was a concern because it affected university performance. Financial company compliance is the regulation and enforcement of laws and

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regulations in the financial sector (Levine, 2017). The concept of good corporate governance (GCG) is an important feature of any healthy company. It is a management structure built on high standards of openness, competence, and efficiency that inspires confidence in the marketplace and, over time, enhances the value and competitiveness of a company or organization. within the board of directors, management, and the entire organization, it is also a transparent professional relationship (Beiner, Drobetz, & Zimmermann, 2019).

Corporate financial compliance protects the interests of stakeholders, particularly shareholders, from virtually any ethical conflict that could jeopardize the long-term viability and immediate profitability of their companies. It aims to protect their wealth and make their investment profitable. For a company's long-term reputation and financial success, it must ensure access to timely and accurate information that supports sound decision-making. This is also outlined by the OECD in its corporate governance guidelines for G20 member countries (Bhagat & Jefferis, 2018).

A policy framework is a document that stipulates a set of procedures and or goals that are used as a guide to decision-making and to set policies. Compliance considerations ought to be incorporated into policy development and regulation from the inception (Scholz, 2017). Compliance difficulties cannot simply be slapped on as part of an enforcement plan after the policy has already been created. Ex-ante compliance analysis guarantees that regulators and policymakers take into account the policy goal they genuinely want to achieve, as well as whether doing so is feasible and, if it is, what is the best approach to go about doing so (Scholz, 2017). It aims to steer clear of pointless reflexive rulemaking that does not achieve anything. Ex-post compliance analysis assists governments in assessing each rule after it has been implemented and deciding whether to keep, abolish, or alter it based on whether it is accomplishing the task it was intended to in the first place (Storey, 2020). Compliance analysis enables regulators to identify the locations of resources including information, advice, monitoring, and sanctions if the legislation is to be upheld (Storey, 2020).

1.1 Problem Statement

The economic compliance of companies in any educational institution is based on a policy framework determined by the governing body of that institution. Universities are colleges where state funds support educational activities. They are supported at taxpayer expense to enable people in the community to pursue higher education. Administrative costs, assistance, and university teacher remuneration are borne by the government (Odofin & Omojuwa, 2019). The rights and obligations of many actors, including the board of directors, chancellors, vice-chancellors, and other investors, are defined in the institution's corporate governance structure. In educational institutions, good governance promotes high standards of education and training, which in turn improves service delivery, learning outcomes, and infrastructure development. Better governance has been shown to minimize waste, demonize corruption, and subsequently impact the overall effectiveness of learning service delivery. In addition, it is still difficult for public institutions to attract and retain qualified college board members (Olola, 2018). Corporate governance has become more important in Kenyan public universities in recent decades, although there is little empirical evidence for universities (Mushanga, 2018). Despite the existence of university commissions and university boards, most public universities continue to face governance difficulties, such as those related to institutional-level unrest and corporate governance (Marishane & Botha, 2017). This is evident from the financial shortfalls of Egerton University and Masinde Muliro University, which are among the leading public universities in Kenya. Most attention to the idea has focused on commercial enterprises, despite clear evidence of poor financial compliance practices in public higher education institutions.

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This study aimed to examine the impact of the policy framework on corporate finance compliance at public universities in Kenya.

1.2 Research Hypothesis

$H_{01:}$ Policy framework does not substantially impact the Kenyan public universities' financial corporate compliance

2.0 Literature Review

For the years 2010–2018, Hodgdon (2018) conducted research on 242 of the largest listed firms in Europe, including higher education institutions. The study employed a parametric statistical approach and found that in institutions with stronger corporate policies, governance performance was highly valued. According to the report, better business practices help educational institutions by boosting performance, expanding access to finance, cutting capital costs, and paying all participants fairly. The paper makes the proposal that further research is done on business practices in other countries.

In Chicago, DiMaggio (2018) looked at the new governmentality in organizational analysis. For five years, the study conducted a descriptive survey to examine the new post-structuralist in organizational analysis. The study concluded that organizations with poorer corporate governance operate worse than those with better corporate governance in regard to revenue, systemic risk, and delivery of public services. To ascertain financial corporation compliance in colleges, the study suggested that further research be done in other nations.

Claessens (2017) researched separating the entrenchment and incentive effects of high shareholdings. The OLS regression model was employed in the study to analyze the entrenchment and incentive impacts of high shareholdings. The study finds that enhanced corporate regulatory frameworks benefit institutions by increasing finance availability, lowering capital costs, enhancing fiscal performance, and treating all stakeholders more favorably. In linking policy framework and financial success, the study suggested. Dixon & Coy (2019) assert that corporate governance will lead to superior performance than those with stronger corporate governance because managers are better controlled and agency expenses are decreased.

Systems are more likely to be applied "when there is a possibility of financial mismanagement, economic or political collapse is expected, and also when large, well-established companies are highly visible and therefore concerned about their public image". Genn (2019) looks at silent and secure schemes for businesses in the UK. McCaffrey and Hart (2018) similarly discovered that firms will invest more heavily in compliance than they otherwise would have after significant regulatory scandals in their industry. This finding suggests that the threat of enforcement is much more potent as a deterrent when a significant scandal draws attention to it.

Public sector reforms in Kenya have served as the backdrop for the development of policies aimed at enhancing the efficient provision of public services. However, policies are insufficient to prevent the misuse of public funds within the public sector (Kahan & Rock, 2019). Lack of political will and commitment to putting the ideas into action and frequently assessing their efficacy should be the motivating factor. The Kenyan government's anti-corruption measures have been extensively criticized as public relations gimmicks. To encourage residents to report wrongdoing, the majority of government offices have posted enormous billboards at their entrances that read, "This is a corruption-free zone," as well as corruption reporting or complaint boxes in prominent locations. The Public Complaints Standing Committee was established to receive complaints about the delivery of public services, and the Kenya Anti-Corruption Commission provides a hotline for reporting corruption charges. All of these actions are constructive, but they are insufficient given how deeply corruption continues to permeate the system. It is crucial to remember that corruption can still exist even in places where anti-corruption measures have been put in place (Gatheru, 2018).

An organization is regarded while the policy is being created in a system of interconnected parts that should be coordinated for efficiency and effectiveness. To minimize potential disputes between management and employees, it is essential for management to consult with employees while developing these integral components of the organization's policy. Integrated parts of organizational policy control how policy is developed, implemented, adopted, and evaluated (Kibwana K. et al., 2018). Employees, however, want to be actively involved in and dedicated to the business when their opinions are taken into account while developing new policies or revising those that already exist. Researchers have found, however, that employee engagement improves views regarding job function. As a result, attitudes have been used to pinpoint the norms or systems that are ingrained in employees and instruct them on how to behave. When an employee has the proper attitudes and organizational policies that have a positive impact on their quality of work life, they contribute more to the organization. Employee attitudes make up more than previous conventional components such as land, labor, and capital since employees show their performance depending on the potential of the articulate attitude they hold (Danaeifar et al., 2016). Besides government policies, organizations also have operating policies whose comprehensiveness and extent of implementation may impact the effectiveness of compliance with external policy, legal regulative, and statutory requirements obligations.

3.0 Methodology

The study adopted a descriptive survey research design. The study's target population was 40 accredited public universities in Kenya. The Vice-Chancellor, Deputy Vice Chancellor, Dean, Accountant, Internal Auditor, and Financial Manager were the intended participants. The data were gathered through the use of extensive, quasi-structured questionnaires. The study used descriptive statistics such as frequency distribution tables, percentages, and measures of central tendency such as the mean. Chi-square and correlation analysis were used to establish the relationship between the study variables. The results were presented in tables.

4.0 Results and Discussion

4.1 Policy Framework on Financial Corporate Compliance

The purpose of the study is to determine how policy frameworks affected financial corporate compliance in Kenya's public universities. The policy environment, norms of conduct, sustaining policy currency, involvement in the policy process, and selection and framing of issues were the constructions employed for this. The respondents were asked to rate how much each statement about each concept agreed with. Table 1 below gives a summary of frequencies on the policy framework.

Table 1: Policy Framework and Financial Corporate Compliance

Policy Framework	Agree	Disagree	Neutral	Total
The University has adopted a code of conduct and ethics	83.3%	1.03%	15.33%	100%

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The university has maintained to operate within the policy frameworks	72.33%	4.67%	23.33%	100%
The policy environment and the fields of practice in the university are dynamic and interactive environments	69.33%	6%	24.33%	100%
The university is involved in the selection and framing of issues	70%	9.3%	29.33%	100%

From the study findings, out of the 150 respondents, 83.3% agreed with the statement that The University has adopted a code of conduct and ethics. Of these, 1.03% disagreed while 15.33% remained neutral. This indicated that to a great extent, the universities operate under a specific code of conduct and ethics which enables the university to actualize financial corporate compliance. The second statement was that the university has maintained to operate within the policy frameworks. Out of the 150 respondents, only 72.33% concurred with the statement, 4.67% disagreed, and 23.33%remained neutral. These findings indicate that the public universities in Kenya have maintained to operate within the policy frameworks. The third statement was that the policy environment and the area of practice in the university are dynamic and interactive environments. of which of the 150 respondents, 69.33% agreed with the statement, 9.3% disagreed and 24.33% remained neutral. These findings indicate that to a great extent, the policy environment and the fields of practice in the university are dynamic and interactive. Finally, on the statement that the university is involved in the selection and framing of issues, 70% agreed with the statement, 9.3% disagreed and 29.33% remained neutral. These findings indicate that the university is involved in the selection and framing of issues. The conclusions of this study agreed with those of Dogan & Smyth (2002) who investigated board compensation, firm performance, and shareholding and discovered that the governance framework had an impact on organizational performance.

4.2 Chi-Square Test Analysis for independent and dependent variables

In this study, Chi-square test analysis was used to measure the association of the independent variable with the dependent variable. Chi-square statistical test measures the association between two categorical variables. The level of statistical significance is often expressed as a P-value between 0 and 1. The smaller the p-value the stronger the evidence that a statistically significant relationship exists between categorical variables. A p-value less or equal to the significance level (0.05) indicates that there is significant evidence that a statistically significant relationship exists between the categorical variables. A p-value higher than the significant level is not statistically significant. In the study, the significant level is 5% (0.05). Table 2 shows the Chi-Square test analysis for independent and dependent variables.

Table 2: Chi-Square Test

	Value	Df	Asymptotic Significance (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Policy Framework					
Pearson Chi-Square	80.33[a]	1	.000	.000	.000
Likelihood Ratio	70.73	1	.000	.000	.000
N of Valid Cases	150				

From the results above, the study shows a p-value that is less than 0.05 (P-value of 0.000). This means that policy framework has a statistically significant relationship with financial corporate compliance. This signifies that for universities to comply fully with the corporate's requirement, they ought to strictly follow the policy framework outlined in the legal structure. The study findings further indicated that public Universities in Kenya execute their roles most appropriately to give room for incorporating the best out of the most probable choices of interest.

4.3 Relationship between Policy Framework and Financial Corporate Compliance

Table 3 provides an overview of the correlation analysis findings.

Table 3: Correlation Analysis for The Study Variables

	Financial Corporate Compliance	Policy Framework
Financial Corporate Compliance	1.000000	
Policy Framework	0.280278**	1.000000

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

The findings above indicate that there was a positive and significant relationship between policy framework and financial corporate compliance (0.280278**). This implied that an improvement in policy framework influences financial corporate compliance in public universities. Based on this finding, the null hypothesis, $H_{01:}$ Policy framework does not substantially impact the Kenyan public universities' financial corporate compliance was rejected. This meant that policy framework significantly influences financial corporate compliance in public universities. The study findings agreed with those of Dogan & Smyth (2002) who investigated board compensation, firm performance, and shareholding and discovered that the governance framework had an impact on organizational performance.

5.0 Conclusion

The study reached a finding that policy framework has a positive impact on prudential corporate compliance during the period of study. The study found that most universities have adopted ethics and a code of conduct that the universities operate under a specific code of conduct and ethics which enables the university to actualize financial corporate compliance. Further, the findings indicated that the public universities in Kenya have maintained to operate within the policy frameworks and the Universities' areas of practice are interactive and dynamic. As such, public universities in Kenya are on the verge of implementing policies as directed by the Commission of Higher Education. This signifies that if the universities have stringent policies for regulation, their financial corporate compliance will improve which will eventually lead to higher financial performance.

6.0 Recommendations

The study recommends all public universities to be keeping track of all activities required to be adhered to by the public institution finance department more regularly to ensure the smooth running of the institutions. It is also recommended the university management facilitate regular training for the officers in the finance department to equip them with the relevant information of the newly amended policies by the government to govern the finances used to run public universities.

Finance is a very essential resource in ensuring the presence of smooth running of any institution and poor management may result in the failure or collapse of an institution. Most government employees fail to dedicate much of their effort in their lines of duty due to the absence of much pressure in the public institution. Therefore, this study recommends that the government should employ thorough accountability measures and policies that will make every officer in public universities be held responsible for every activity he/she has undertaken on behalf of the university that may lead the university to incur some expenditures.

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