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Corporate Governance Practices and Performance of Faith Based Health Facilities in Nyanza Region

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Abstract:
The study sought to find out the relationship between corporate governance practices and performance of faith based health facilities in Nyanza region. The objectives of the study was guided by the following corporate governance practices; board composition, size of the board, board sub-committees, CEO duality and the frequency of the meetings. The study employed a cross-sectional survey design to establish the relationship. The study found out that 93.5% of the faith-based health facilities in the Nyanza region had sub-committees, 67.7% of the facilities had a board size of 7-8 while 74.2% of the facilities had frequency of 4 This study adopted Balance scorecard developed by Kaplan and Norton to measure organizational performance. The study found out financial perspective of performance had high correlations with corporate governance practices (R=0.621) with 38% of financial performance influenced by the corporate governance practices. Internal business processes perspectives also had high correlations with corporate governance practices however both the customers' perspectives and innovation, learning and growth perspectives had low correlations with corporate governance practices. The study therefore concluded that the corporate governance practices affected performance of the faith based health facilities although at a varied degree. The regression analysis showed that there was a positive influence of corporate governance practice on the performance of the faith based health facilities in Nyanza region. Thus the practice of good corporate governance enhances performance of faith based health facilities. The study recommended that the secretariats of the faith based health facilities should establish a clear policies on the terms of engagement of the directors, CEO and performance appraisal of the board to check on their effectiveness. The board should also be given inductions and continuous professional trainings to equip them with new technics. For further studies, the study suggests that another study be conducted to establish the corporate governance practices and performance of health sector in Kenya.

Keywords: *Corporate governance, faith based organization, organization for economic development, world health organization*

1. Introduction

1.1. Background of the Study

Corporate governance is a significant factor in responding to the present-day challenges because of the unpredictable and complex business environment. The growing emphasis on corporate governance and its importance to the viability of organizations operating in today's global economy is the driving force to effect the necessary changes in how the business enterprises respond to the need for greater accountability and transparency in management of the organizations (Hill, 2001). Corporate governance is how companies are best managed for the benefit of their stakeholders (Edwards & Clough 2005). Most corporations' failures in the world can be attributed to the laxity in implementing the internal control systems, greed, mediocre or absence of board supervision. Organizations gain from effective corporate systems in form of easy financial access, cheaper cost of capital for investment, improved financial status, and enhanced satisfaction of stakeholders (Claessens and Fan 2002).

There are several theories which attempt to explain impact of the corporate governance practices on the performance of organizations. This study was anchored on the agency and resource dependency theories. Agency theory manifests itself in the principal-agent relationship. The principals delegate the running of the organization to the agents with an aim of maximizing their wealth but, the managers are also presumed to make decisions that increase their influence and power, ignoring the interests of the shareholders (Machuki and Oketch, 2013). The agent becomes selfish and acts contrary to the principal's interest and otherwise serve his/her own interests. On the other hand, Hillman, Canella and Paetzold (2000), the theory of resource dependency focuses on the roles that board of governance undertake to ensure supply of essential resources to an entity via linkages to the macro-environment.

Governance has been identified as one of the Faith Based Health facilities' major challenges (Governance Policy for CHAK dispensaries and health centre, 2018). Faith Based Health facilities have unique challenges and opportunities notwithstanding their size or years they have been in operation. The complexities experienced in this sector can be attributed to capital structure in place, IT systems and applications, life-dependent processes, health insurance interfaces, and additional regulations by the government and other relevant authorities. Nevertheless, there is absolutely no reason whatsoever not to practice good corporate governance. This is due to a lot of public scrutiny that the health care sector have been subjected to by both the local governmental authorities and the international health bodies such as World Health Organization (WHO). The need to strengthen corporate governance practices in health facilities in Kenya have been further accelerated by government through the Health Sector Services Fund Regulations 2007, which was published in the Kenya Gazette Supplement No. 123 as a Legal Notice No. 401. Thus, for any organization to succeed in achieving good performance in this current complex and dynamic business environment, it must be able to embrace conventional good corporate governance principles as stipulated in the codes such as the Cadbury code in the United Kingdom (UK) (Edwards & Cough 2005).

1.1.1. Corporate Governance Practices

Edwards & Clough (2005), the Cadbury Committee of United Kingdom described corporate governance as the structure through which managerial functions of directing and controlling the activities of companies are exercised in the interest of the shareholders and other stakeholders. It is thus a body of rules that guide the relationship among the stakeholders of the organization especially the management and the owners (Ching et al 2006). Corporate governance takes into account relationship that exist between the corporation's internal governance mechanisms and belief of the society about the extent of accountability expected from corporate (Ayogo, 2005). This study adopted the definition given by Park and Shin that corporate governance refers to a system of the processes, structures, and cultures that give rise to prosperous operation of entities.

The corporate governance principles include independence, openness and transparency, accountability, integrity, responsibility and effectiveness (OECD, 2004). Good Corporate governance practices demands for a functional board that is fully responsible for the success and survival of the company it leads. Haspeslagh (2010) proposed that the main roles and responsibilities of the board are: give direction and accept strategy, play an oversight role on the firm's performance and risk management, ensure that appropriate management team is in place to drive the affairs of the business and at the same time reward their efforts. OECD (2004) elaborates corporate governance as practice that enable company to set her objectives, provides means of achieving them, and ensuring that they are continuously monitored to ascertain the performance. Business values are built through proper implementation of corporate governance principles an effective internal control and clear business processes and structures (Bhagat and Black, 2002).

Good corporate governance is applicable to all forms of organizations: for profit, private, public, not-for-profit, small, medium, and large in order to ensure that organizational goals and missions are realized through good stewardship of resources (Machuki and Oketch, 2013). It's however worth noting that application of corporate governance practices differs among several organizations, and thus the viability of flexible governance regulation reflecting the uniqueness of each situation arising from specific factors such as legal and financial systems, culture, corporate ownership structure and economic conditions (Onyango, 2009). This can be illustrated by the fact that while Sanda et al (2005) and Abor (2007) proposed that an explicit separation of responsibilities between running the affairs of the board and management of the organization by executives improve organizational performance, Dahya, Lonie and Power (1996) claim that board effectiveness is enhance on duality of role.

1.1.2. Performance of Faith Based Health Facilities

Performance refers to accomplishments of organizations (Euske, 1984). The classical approach to performance measurement of an organization is a complex interrelation between six performance criteria: efficiency, effectiveness, quality, productivity, innovation and profitability (Rolstades, 1998). Claessens (2004), proposed that performance may also be determined by the outcomes of all organization's operations and processes. Thus, the ultimate effectiveness can only be obtained through the behavior of the organization's members (Steers, 1997).

Organizational performance comprises the actual output or results of an organization whereby they quantify the efficiency and effectiveness of their actions, decisions and operations as measured against its intended goals and objectives as per the strategic plans (Neely, Platts & Gregory, 2005). Thus a well performing organization is seen an organization which carefully select a suitable mix of strategies which enhances its growth and sustainability

Financial performance such as return on asset (ROA) and return on equity (ROE) amongst others have been used in most empirical literatures as a measure of performance, (Abdullah 2004, Bhagat & Black 2002, Lam & Lee 2008). Its however gives past information on performance and can hardly be relied on the long term value creation of the organizations. Other organizations measures performance from three organizational outcomes namely; financial performance (profitability, liquidity) market performance (sales market share) and return on shareholder (Decoene and Bruggenman, 2006). However, this study adopted Balance scorecard developed by Kaplan and Norton (1996) to measure organizational performance. This system retained the financial measurement but complimented it with measures from three other perspectives: that of the customer, the internal process, and learning and growth.

1.1.3. Corporate Governance Practices and Performance

Corporate Governance covers the means that all parties who are interested in the affairs of the firm (stakeholders) use, to make sure that management team and other insiders take precautions or employ mechanisms that protect their interest (Sanda, Milkailu and Garba 2005). Good corporate governance system protects an organization against activities that may make it suffer financial distress in the future (Bhagat and Jefferis 2002). The Board of directors has primary duty of safeguarding the shareholders' interest by continuously monitoring management performance. Lack of basic financial skills in the board can hinder its mandate of monitoring and evaluation of management activities. Shaw (2006) proposed that inclusion of informed members in the board might help a corporation to achieve its financial performance objectives. Effective corporate framework benefits the organizations through improved access financial resources, cheaper cost of capital, enhanced overall performance and commendable services to all stakeholders. This increases the firms' profitability and sustainability Claessens et al. (2003). Weak corporate governance practices on the other hand leads to agency problems which increases the agency costs of the firms. Gathura (2007) studied the relationship between various components of corporate governance and financial performance of manufacturing companies listed in the NSE established a linear relationship between performance, frequency of board meetings, CEO and board compensation.

Board structure has been found to have impact on the firm performance. It is widely agreed that the separation of executive management of the organizations and running of board yield better performance as compared to the concentration of management (Abdullah, 2004, Fama and Jensen 1983). Larger board has also been found to improve the performance of firms because it brings on board a wide range of expertise and resources (Daily et al., 2003). Sanda et al., (2005) argues that the high number of independent directors strengthens the monitoring role of management and thus enhances organizational performance. The board should thus put in place a suitable internal control system to protect the owners' investment and organization resources.

1.1.3.1. Faith Based Health Facilities in Nyanza, Kenya

Faith based health facilities in Kenya contribute significantly to the success of health care service delivery. Faith Based organization contributes approximately 12 % health care facilities in Kenya (Master Facility List, Ministry of Health). The Kenya Conference of Catholic Bishops and Christian Health Association of Kenya secretariats are the main national coordinators of faith based health facilities with core functions such as:- advocacy and lobbying on behalf of its members with the government and other key stakeholders, capacity building for health workers in its member health units, development, coordination and implementation of various HIV & AIDs programs and interventions, procurement, installation and maintenance of medical equipment among others (Governance Policy Guidelines for CHAK health facilities, 2018).

Nyanza region is one of the eight former administrative provinces in Kenya before the formation of 47 counties. It is located along Lake Victoria with an area 16.162kilometre square and a population of a 5.4 million. Nyanza province is currently constituted by six counties: Siaya, Kisumu, Homabay, Migori, Kisii and Nyamira counties. Nyanza region host a total of 50 faith based health facilities (Kenya Medical Directorate 2010). These facilities have been effective in ensuring accessible and affordable medical care to the communities within the region.

1.2. Research Problem

Good Corporate Governance practices have been cited in several research findings as having an impact in the overall performance of the firms; it revolves around stakeholders' political power interest and influence as well as overall direction and leadership of organizations (John, Schole and Whittington, 2006). However, no single set of governance practices fits in all organizations, this is because of uniqueness of organization arising from legal and financial systems, culture, corporate ownership structures and economic conditions (Onyango, 2009). A study by Machuki and Oketch (2013), examined the relationship between corporate governance structure and performance of HIV/AIDS Non-Governmental Organizations and found out that corporate governance affects performance positively. Muriithi (2005) did a research on the relationship between Corporate Governance practices and performance of firms quoted on the Nairobi Stock Exchange, the study revealed that an optimal board composition lead to better performance of companies. Matengo (2008) did a study on the relationship between Corporate Governance and performance; a case study of banking industries in Kenya. The study established that good corporate governance practices lower a firm's risk and consequently the cost of capital.

Faith Based Health facilities have played a pivotal role in improving the provision of health care services in Nyanza region. For a long time, they have actually filled the gap left by the governmental institutions in relation to the provision of accessible and affordable healthcare service to its population. However, conflicts in the management faith based health facilities witnessed between sponsor/church, management and the community often is a result of lack of clarity in the process and procedures of governance decisions making and the relationship and communication between various stakeholders (Governance policy for CHAK dispensaries and health centre, 2018). Currently, most faith based health facilities are facing multiple challenges ranging from reduced donor funding, competition from other Not for profit organizations and profit making corporate entities, increased demand for better services, inability of recruiting qualified board members and high expectation from stakeholders among others. These challenges can only be addressed when all the practices and the processes of the organization have been streamlined and adequate measures are put in place to adhere principles of good corporate governance.

Several empirical studies in Kenya have focused on relationship of corporate governance and performance of firms in various sectors of the economy (Matengo 2008, Kemei 2010, Machuki and Oketch 2013, Muriithi 2005) and all have established that they is a relationship between corporate governance and performance. However, there has been very little study of corporate governance and performance of faith based health facilities in Nyanza region. This study therefore proposes to answer the following question; Is corporate governance practices relevant to faith-based health facilities in Nyanza region?

1.3. Objective of the Study

To determine the impact of corporate governance to the performance of faith based health organization in Nyanza region.

1.4. Value of the Study

The study findings will be important to different groups of individuals in the entire country. The study will help the board of trustees and management of the Faith Based Hospitals in identifying the corporate governance structures and policy guidelines that will enhance transparency and accountability in all their operations and processes to all their stakeholders.

This study will provide addition information on the already existing literatures regarding the influence of corporate governance on the financial performance FBOs. The scholars may also use the findings of this research to stimulate other studies on Faith Based Organizations as it will form basis of the background for further researchers

2. Literature Review

2.1. Introduction

This chapter review the relevant past studies on the theoretical framework, review of empirical studies and the chapter summary.

2.2. Theoretical Framework

This literature reviews some of the theories that can be linked to the topic of this study that is, the relationship of corporate governance practices and performance. These includes; agency theory (Jensen and Meckling, 1976), stewardship theory (Donaldson and Davis, 1994), stakeholder theory (Freeman, 1984), and resource dependency theory (Aldrich and Pfeffer, 1976).

2.2.1. Agency Theory

Jensen and Meckling first conceived agency theory in 1976. It can be defined as the relationship between principal and agent whereas the principal is the shareholder and the agent is the management of the organization. This kind of relationship allows the shareholders to delegate the running of the affairs of firm to the management. This is because the principal (shareholders) may lack neither the requisite skills nor the time to effectively run the business on day-to-day basis. However, the agent may succumb to individualism or opportunist behavior and fail to act on the principal's best interests thus creating an agency problem. Agency problems arise whenever investment ideas and preferences of the principals are at variance with those of the agents (Ongore and K'obonyo, 2011). The principal-agent model perceives the central problem of corporate governance as self-interested managerial attitude in a universal principal-agent relationship and agency problems arises when an agent does not share the principal's objectives (Mallin, 2010). This problem arises because of the divergent interests and asymmetric information that exist between the principal and the agent. The Board of directors is therefore entrusted to play monitoring roles on activities of the management to protect the interests of the shareholders (Ongore and K'obonyo, 2011).

2.2.2. Stewardship Theory

On contrary to the agency theory, stewardship theory developed in 1994 by Donaldson and Davis, proposed that management team of the company are devoid of self-interests and individualism hence protects and make profit for the shareholders. Schoorman & Donaldson (1997) explained stewardship that managers acting as stewards aim at safeguarding and maximizing value for shareholders via organization performance and in so doing the utility function of stewards is maximized as well. Machuki and Oketch (2013), argues that the managers have a need for achievement and internal satisfaction, and will improve their performance in their role as stewards of the organizational resources to meet those needs. The stewards therefore align their interests with the interests of the shareholders and are motivated by organizational success. Unlike the agency theory, shareholders empowers and promote policies that enhance trust on the executives of the company, thus reduction of agency cost.

2.2.3. Stakeholder Theory

Organizations do not operate in a vacuum; they must therefore enhance their relationship with the source that supply the necessary resources, workers and other business peers in the industry. Stakeholder theory proposes that apart from the shareholders, other parties' interests are also affected the organization's decisions. Freeman (1984) to ensure that all firms are accountable for their actions to their stakeholders unlike the agency theory, which had focused in the shareholders only, put the Stakeholder theory forward. Donaldson and Preston (1995) agreed that to this: all interests of stakeholders contain essential value and all the interests have same magnitude on the financial performance of the organization. Machuki and Oketch (2013) advanced this argument by proposing that organization need to articulate its management policies and attends to a diverse stakeholders.

2.2.4. Resource Dependency Theory

The centre of interest in Resource Dependency theory is the responsibility of board in the provision of resources necessary for organization functioning, financial performance and its survival. This theory argues that organizations are not able to internally generate all the resources or functions required to be sustainable, they must therefore develop relationships with elements in the external environment to obtain the required resources and services (Conner and Prahalad, 1996). The organizations have realign their board to include outside directors, which are used as a bridge to access the crucial external environment resources which are otherwise expensive to acquire. Hillman, Canella and Paetzold (2000) argue that directors introduce valuable resources to the company, which include informational resources, beneficial skills and accessibility to vital suppliers, consumers, policy makers etc.

From the above theoretical discussion, it can be noted that corporate governance practices advances the interest of all the stakeholders. Corporate governance practices encourages better policies, effective oversight and co-ordination of health systems which enhances growth and sustainability. It therefore ensures that the organizations are accountable to all its stakeholders.

2.3.Corporate Governance Practices and Performance

It is generally agreed by both local and international researchers that good corporate governance practices improve performance of firms. Waseem, Saleh &Fares (2014), Ngugi (2007), Abdullah (2004), and Onyim et al (2017) found a positive relationship between corporate governance and the firm performance. This study has identified four corporate governance practices that affect the performance of faith based health facilities in Nyanza region, they include; CEO Duality, board size, board composition and board committees.

2.3.1. CEO Duality

CEO duality is a situation where role of the executive running of the organization and running of the board activities are done by one person. Thus, the chairperson of the board and the CEO of the organization is the same person. Abdullah (2004) proposed that the reason for separation is that when both the monitoring and the implementation roles are vested in a single person then monitoring role will be adversely impaired. CEO duality can help in protecting the ownership structure but may lead to abuse of power especially if the CEO wields many powers over independent directors (Rathmell, Bergin, Hua, Li & Wiley 2010). Concentration of management and control of decisions on one individual reduces the effectiveness of the board in monitoring the top management (Fama and Jensen, 1983).

Locally, a study done by Mutuku (2012), on Corporate Governance and Accountability mechanisms and challenges in private hospital in Kiambu County, Kenya established that corporate governance and accountability was applied in the private hospitals since the board members were appointed for a fixed term of 3 years and there was a clear split between the chairman of the board and the hospital Administrator.

2.3.2. Board Composition

Empirical studies relating board composition with performance of organization have yielded mixed outcomes and thus not conclusive. It's widely perceived that greater number of independent directors help to contain the conflict of interest between the shareholders and the management and hence have positive impact on firms' performance (Onyim, Wanjare, Ooko & Olouch, 2017; Agrawal and Knoeber, 2012; Fama and Jensen, 1983). Onyim et al (2017) further recommended that the independent directors be trained in the internal corporate governance mechanisms so as to enhance their scopes. Ngugi (2007), found that independent directors are well versed with the activities of the organization and plays an effective oversight role on the top management of the firms.

However, it can be noted that some studies such as Agrawal and Knoeber (1996) and Coles et al (2001) found a negative impact of a greater representation of outside directors on firms' performance while Abdullah (2004) and Daily and Dalton (1992) found no relationship between board composition and firm performance.

2.3.3. Board Size

The argument for the impact of board size on the financial performance of firms is basically based on the Agency theory. The board size can have impact on the monitoring and control activities, larger boards have been argued to offer a greater range of expertise and resources (Daily et al, 2003). Goodstein et al (1994) in his study found out that larger boards reduce the domination by the CEO. It is also worth noting that larger number of directors increases the pool of expertise available to the firm hence, larger boards are more likely to have more knowledge and skills at their disposal as compared to smaller boards (Van den Berghe and Levrau, 2004).

2.3.4. Board Committees

Cadbury (1992), proposes the establishment of the board sub committees because the committee members may exhibit a higher degree of responsibility than the other members. These include auditing committee, remuneration committee and nomination committee (Spira & Bender 2004)

The nomination committee is expected to appoint into the board the directors with the requisite skills and experience. This committee identifies the vacancies in the board and ensured that vacancy is filled by an appropriate personnel. Remuneration committee on the other hand helps to determine the remuneration packages of all the senior management team of the firms and the board. The package should be reasonable and sufficient to attract and retain good management team. The Auditing committee majorly reviews the financial reports, assess risk and internal control systems with both the external auditor and the internal audit department.

2.4. Conceptual Framework

This framework describe the relationship between the independent and dependent variables. It shows relationship between CEO Duality, board composition, board size and board committees and performance of faith based health facilities in Nyanza region.

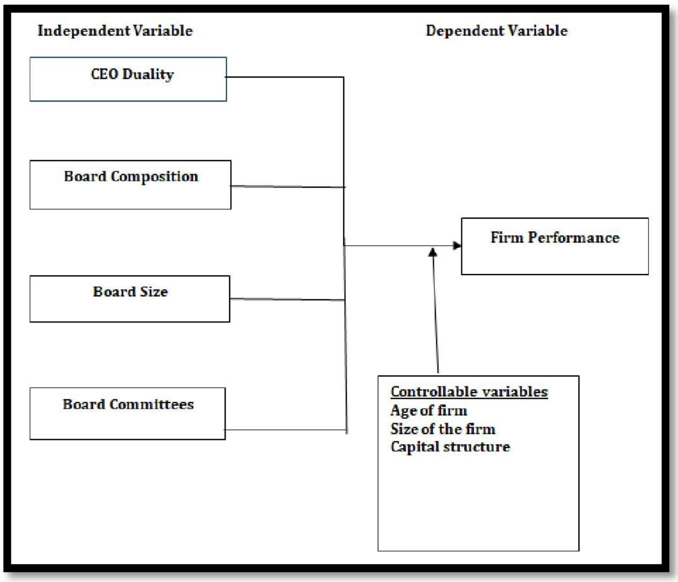

Figure 1

2.5. Summary of Knowledge Gaps

Corporate Governance and organizational performance has been of great interest to most researchers in the recent past. However there are different views on the corporate governance and performance of organization from the theoretical literature, for example the agency theorists portray the management as selfish and pursue their interests at the expense of the shareholders while the stewardship theorist are motivated by the performance of the organization and thus maximizes shareholders' wealth.

3. Research Methodology

3.1. Introduction

This chapter covers the proposed research methodology that will be employed for the study. It enumerates the population being targeted, data collection methods, determination of sample size, data analysis and data presentation.

3.2. Research Design

This study will use a descriptive research design. A descriptive research work towards elaborating the phenomenon through a process of collecting data enables the researchers to define the situation more comprehensively. This research design helps us to establish why and how a variable produces change in another. The researcher in this case will rely on the current status of the variables in the research questions without any manipulation.

3.3. Target Population

The target population for this study was 47 Faith Based Health facilities in Nyanza region. The study will carry out a census survey of all the 47 Health facilities. A schedule of these health facilities Appendix I

3.4. Data Collection

In this study, data was obtained from primary sources and secondary sources. The data was both qualitative and quantitative in nature. The primary data was collected by use of mail and 'drop and pick later' semi-structured questionnaires. The questionnaires was administered to the Senior Management Teams (the Administrator/CEO, the Chief Finance Officer, the head of Internal Audit, Medical Officer in charge/ Lead Clinician or the Nursing officer in-charge) of the various health facilities to enhance reliability of the data collected. The secondary data will be collected from the publications of the respective health facilities in the region.

3.5. Data Analysis

The researcher will use both the descriptive and inferential statistics to analyze the relationship of corporate governance practices and performance of faith based health facilities. The following multivariate regression model will be used;

$Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \varepsilon$

Where;

Y= performance

$\beta 0$= constant
$\beta 1$, $\beta 2$, $\beta 3$, $\beta 4$= regression coefficients
X1 – Board composition
X2 – dummy variable for CEO duality, equals one if CEO is also the chair of the board, and is zero if otherwise.
X3 – Size of the board
X4 – Board committees
ε - Error term

4. Data Analysis, Results and Discussion

4.1. Introduction

This chapter analyzes the research findings from the questionnaire and the research objectives. The study sought to establish the size of the board, composition of the board, the number of meeting of the board, CEO duality and the existence board sub committees in the Faith Based Health facilities in Nyanza region. The data collected was analyzed and presented in a tabular form.

4.2. Data Analysis and Presentation of Results

4.2.1. Response Rate

From the data collected, out of the 49 questionnaires administered to Faith Based Health Facilities in Nyanza region, only 30 were filled and returned. This represents a 61 percent response rate.

	Frequency	Percentage
Returned questionnaires	31	66
Unreturned questionnaires	16	34
Total	47	100

Table 1: Response Rate

4.2.2. Existence of Sub-Committees

This study sought to establish the existence of board sub-committee in the faith based health facilities in Nyanza region. Existence of sub-committees is very instrumental in determining the level of division of responsibilities within the board. The study found out that 6.5% didn't have sub-committee, 22.6% had 1 sub-committee, 48.4% had 2 sub-committees and 22.6% had more than 2 sub-committees. In addition to this findings, the study found out that 74.2% of boards of the faith based health facilities in Nyanza region had 74.2% had Audit committee whereas 25.8% had no audit committee.

		Frequency	Percent	Valid Percent	Cumulative Percent
	None	2	6.5	6.5	6.5
	1	7	22.6	22.6	29.0
	2	15	48.4	48.4	77.4
	More than 2	7	22.6	22.6	100.0
	Total	31	100.0	100.0	

Table 2: Number of Board Sub Committee

		Frequency	Percent	Valid Percent	Cumulative Percent
	Yes	23	74.2	74.2	74.2
	No	8	25.8	25.8	100.0
	Total	31	100.0	100.0	

Table 3: Availability of Audit committee

4.2.3. Size of the Board

The study sought to determine the size of the boards, it found out that 67.7% of the boards had a membership of 7-8 members, 25.8% had a membership of 9-10 while 6.5% had a membership 11-12 members.

		Frequency	Percent	Valid Percent	Cumulative Percent
	7-8members	21	67.7	67.7	67.7
	9-10members	8	25.8	25.8	93.5
	11-12members	2	6.5	6.5	100.0
	Total	31	100.0	100.0	

Table 4: Board Size

4.2.4. Frequency of Board Meetings

Board meetings are the backbone of good corporate governance practices since they perform the core mandates in the meetings. Whereas too many board meetings may be interpreted as micromanagement of the organizations, too few board meetings may results to an agency problems and thus the need to establish an optimal number of board meetings. The study found out that majority of the board hold their meetings quarterly in a year at 74.2%, whereas 16.1% held their meeting 3 times in a year, 6.5% held their meeting 2 times a year and 3.2% held their meeting 1 times in a year.

		Frequency	Percent	Valid Percent	Cumulative Percent
	1 Times	1	3.2	3.2	3.2
	2 Times	2	6.5	6.5	9.7
	3 Times	5	16.1	16.1	25.8
	4 Times	23	74.2	74.2	100.0
	Total	31	100.0	100.0	

Table 5: Frequency of Board Meetings in a Year

4.3. Descriptive Statistics

The study further sought to establish the level of practice of corporate governance on the faith based health facilities in the Nyanza region. The results of the board establishment and functions were captured using the 16 descriptive statements. The results show a high rating of the majority of all the descriptive statements (mean scores between 3.84 and 4.71with standard deviations of between 0.00 and 1.05)

	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
Effective oversight and co-ordination	31	2	5	4.19	.792
Board directors/members are appointed through formal rigorous process	31	1	5	3.84	.860
The hospital offer induction/regular training to its Board members	31	2	5	4.10	.790
Board reviews material transactions of the hospital	31	1	5	4.48	.890
Board members are appointed for a specified term	31	1	5	4.45	1.028
Majority of the Board members are independent of management	31	3	5	4.71	.643
There is a current mix of skills and experience in the Board of the hospital	31	1	5	4.52	.926
The hospital have adequate internal control systems	31	1	5	4.35	1.050
Valid N	31				

Table 6: Board Composition and Functions

Findings indicate that appointment of board members, existence of board sub committees, review of material transactions and mix of skills and experience at the board level were highly rated indicating that most faith based health facilities boards had appointment letters, well laid out functions and regularly review the transaction of the facilities.

4.4. Corporate Governance Practices and Performance

In determining the impact of the corporate governance practices on the performance of faith based health facilities in Nyanza region, the study used a balanced scorecard model. This includes the performance on the following indicators, financial perspectives, customer focus perspective, internal business processes perspective, innovation, and learning and growth perspective. Balance scorecards indicators (financial perspective; customer focus; internal business processes perspective measures; innovation, learning and growth; and quality perspective) were used. The independent effect of corporate governance practices on financial performance is reported in Table 7.

	N	Minimum	Maximum	Mean	Std. Deviation
Board composition (Mix of skills & experience)	31	3	5	4.48	.677
Board size	31	1	5	4.23	.845
Board committees	31	2	5	4.45	.810
Regulatory framework	31	3	5	4.42	.720
Number of Board meetings	31	1	5	4.06	.929
Valid N	31				

Table 7: Independent Effect of CG Practices on Financial Performance Perspective

The results in Table 7 show a positive effect for the board composition, board size, board committees, regulatory framework and number of board meetings. Highest impact is reported on the composition of board with a mean of 4.48 and a standard deviation of 0.677 whereas lowest impact is reported on the number of board meetings with a mean of 4.06 and a standard deviation of 0.929.

The independent effect of corporate governance practices on customer perspective is reported in Table 8

	N	Minimum	Maximum	Mean	Std. Deviation
Board composition (Mix of skills & experience)	31	2	5	4.48	.769
Board size	31	3	5	4.06	.680
Board committees	31	2	5	4.26	.893
Regulatory framework	31	3	5	4.45	.675
Number of Board meetings	31	2	5	4.13	.763
Valid N	31				

Table 8: Independent Effect of CG Practices on Customers Perspective

Table 8 shows reports of positive effect for the corporate governance practices of board composition, board size, board sub-committees, regulatory framework and number of board meetings. The study established that board composition has a relatively higher impact on the customer perspective with a mean of 4.48 and a standard deviation 0.769.

The independent effects of CG practices on the internal business processes perspective are reported in the table 9.

	N	Minimum	Maximum	Mean	Std. Deviation
Board composition (Mix of skills & experience)	31	3	5	4.58	.672
Board size	31	3	5	4.03	.706
Board committees	31	3	5	4.39	.715
Regulatory framework	31	3	5	4.52	.724
Number of Board meetings	31	3	5	4.16	.735
Valid N	31				

Table 9: The Independent Effects of CG Practices on the Internal Business Process Perspective

As shown in Table 8, board composition and regulatory framework have high impacts with a mean and standard deviation of 4.58 and 0.672, 4.52 and 0.724 respectively. The diversity of the board enables them in the development of strategic objectives and ensuring proper control and monitoring practices.

The independent effects of CG practices on the innovation, learning and growth perceptive are reported on table 10.

	N	Minimum	Maximum	Mean	Std. Deviation
Board composition (Mix of skills & experience)	31	3	5	4.48	.724
Board size	31	3	5	4.03	.752
Board committees	31	3	5	4.48	.677
Regulatory framework	31	3	5	4.45	.723
Number of Board meetings	31	2	5	4.06	.814
Valid N (list wise)	31				

Table 10: The Independent Effects of CG Practices on the Innovation, Learning and Growth Perspective

The study reports statistically significant results for the independent positive effects of the CG structures of board composition, board size, board committees, regulatory framework and number of board meetings. Thus innovation, learning and growth are influence by board function and management structures.

Model	N	Multiple R	R^2	F	Sig.
Financial Performance measures	31	.621	.386	2.984	.006
Customers perspective measures	31	.339	.115	2.131	.043
Internal business processes perspective measures	31	.431	.186	1.405	.172
Innovation, learning and growth perspective measures	31	.298	.089	1.385	.178

Table 11: Combined CG Practices and Performance

The results show that there is a positive correlation between corporate governance practices and the various measures of performance. Corporate governance practices has a strong correlation with financial performance perspective (R=0.621) with 38.6% of financial performance explained by the corporate governance practices. This statistic is significant (F=2.984, p>0.05). Corporate governance practices has weak correlation with customer perspective (R=0.339) with 11.5% of the customer explained by the corporate governance practices. This statistic is insignificant (F=2.131, p>0.05). There is a strong correlation between corporate governance practices and internal business process (R=0.48) with 18.6% of internal business process being as a result of good corporate governance practices. Corporate governance practices has a weak correlation with innovation, learning and growth perspective (R=0.29) with 8.9% of the innovation, learning and growth being as a result of good corporate governance practices. The influence is statistically insignificant (F=1.385, p>0.05).

5. Summary, Conclusion and Recommendations

5.1. Introduction

This chapter presents the summary of the findings, conclusions drawn from findings and the recommendations made.

5.2. Summary of the Findings

The study sought to establish corporate governance practice and performance in the faith based health facilities in Nyanza region. The study targeted a total of 47 faith based health facilities in Nyanza region and the response rate was 66%. From this study, it is clearly evident that all faith based health facilities have board of directors in place. Key corporate governance variables revolve around the composition of the board, independence of the board of directors, CEO-Chair duality, and the frequency of the board meeting.

The findings from the study showed the majority of the board had a size of 7-8 members, this enhance faster decision making and thus increase efficiency within the board of directors. The study further established the existence of board sub-committees in the majority of the boards which enhance proper division of responsibilities and hence enhancing effective monitoring and oversight roles of the board. The finding also indicate that majority of the boards has a mix of skills and experience thus bringing onboard multiple of expertise.

The findings of this study indicate that the role of the chairperson of the board and CEO of the facilities are separate and the positions are held by different persons in all faith based health facilities. Good corporate governance always demands for separation of the executive role of managing the organization and running of the board.

The study also sought to establish the frequency of board meeting and found out that the board meetings adhere to the organizational policies. Majority of the boards meet quarterly in a year and thus give the management time to implement the strategic objectives without micro-managing the executives. However, care must be taken on the frequency of board meetings so as not to create a probable agency problem in care less meetings especially in organization with weak internal control systems.

This study also found that corporate governance practices increase operation efficiency, transparency and accountability, market share, and business strategy of the faith based health facilities in the Nyanza region. Good corporate governance practices thus improve organizational performance.

5.3. Conclusion

The findings of this study also indicate that the corporate governance practices affected performance of the faith based health facilities although at a varied degree. A study by Machuki and Rawoyo (2018), on the corporate governance and performance; an empirical investigation of sugar producing companies in Kenya, the study found out that companies practice some form of corporate governance although the degree of adoption differ across them.

This study further found out the practices of good corporate governance improves performance of faith based health facilities. The result support findings from several other studies on corporate governance practices and organizational performance. (Onyim et al., 2017; Machuki and Oketch 2013; Muriithi, 2005; Matengo, 2008) have found out that there is a relationship between organizational performance and frequency of board meetings, separation of roles of CEO and Chair of the board, independence of the board, and board size.

5.4. Recommendations

This study recommended that the faith based health facilities should implement and maintain good corporate governance practices to improve on their performance (financial, innovation, learning and growth, internal business process and customers perspective).

To the faith based secretariats (KCCB and CHAK) the study further recommends the establishment of clear policies on terms of engagement of the directors, and performance appraisal of the board to check on their effectiveness.

5.5. Limitations of the Study

The main limitations of this study were; some respondents were reluctant to fill the questionnaire due to the insecurity of the information and the fear of unknown. The researcher made frequent follow ups to persuade and assure the respondents of the security of the information gathered on field. The study was also limited in terms of resources i.e. time and finances, the resource available to go to the field and ascertain whether information being provided was the reality of whatever happens in real sense was limited. This forced the researcher to wholesomely rely on the information provided by the respondents in the questionnaire.

5.6. Recommendations for Further Studies

This study focused on corporate governance practices and performance of faith based health facilities in Nyanza region. The study suggests that another study be carried out to establish the corporate governance practices and performance of health sector in Kenya.

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