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The Relationship between Pillars of Corporate Governance and Performance of Pension Fund Managers in Kenya

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Abstract

Pension funds performance in Kenya have been facing myriad of challenges ranging from poor administration and investments of pension funds, lack of transparency and accountability, non-remittance of monthly contributions by employers, misappropriation of scheme assets by the trustees, loss of scheme funds through negligence of trustees and poor investment of the scheme assets. The objective of this study was to examine the relationships between pillars of corporate governance, and performance of registered pension fund managers in Kenya. This study adopted positivism philosophy. The study employed a cross sectional survey design whereby access to the widest possible amount of data from the targeted Fund Managers in Kenya was sought. The population of interest of the study was 31 Fund Managers in Kenya licensed by RBA and CMA. The study used purely primary data sources. Primary data was obtained from the selected respondents. Primary data was collected through questionnaire. Regression analysis was used to establish the relative significance of each of the variables on the influence of corporate governance on the performance of pension fund managers in Kenya. The study findings indicated that there was significant relationship between pillars of corporate governance and performance of pension fund managers in Kenya. The study concluded that there is significant relationship between corporate governance and performance of pension fund managers in Kenya. The study determined that the corporate governance practices being implemented had been incorporated in the Pension Fund's investment management decisions with its assets being more diversified and having enhanced reporting on investments. The study recommends on pension reforms, by creating a new class of potential activist shareholders in the form of pension funds, could in principle improve corporate governance and increased shareholder discipline. The governments as well as Pension

Fund Managers supervisors should consider a more active role in the selection process of the board members, while reducing their choices to professional beneficiaries of the pension funds

Keywords: Pillars of *Corporate Governance, Transparency, Ownership Structure, Accountability, Participation Performance, Pension Fund Managers & Kenya*

1.1 Background of the Study

Management of pension funds is influenced by the level of corporate governance employed within the pension schemes (Christensen, 2015). However, some larger corporations operate their pension funds in-house. Many international leaders of known firms have been involved in famous financial crises, such as the leaders of Enron, Anderson, WorldCom, Xerox, Parmalat, Merrill Lynch, Maxwell, Allied Irish Bank, and Sellafield (Alimehmeti & Paletta, 2014). A common cause for this failure resulted from weak internal control which arises from poor corporate governance of organizations (Darus & Yusoff, 2013).

The existing studies mention that good corporate governance practice: strengthens the board, helps in effective board monitoring, improves firm profitability and performance, and achieves better economic efficiency and growth (Al-Baidhani, 2015; Sarkar & Sarkar, 2018). Al-Sager and Samontaray (2018) explained the corporate governance concepts and the importance of ownership structure and board of directors (size, composition and committees). Buallay, Hamdan and Zureigat (2017) used corporate governance practices as the independent variable, the firm performance as the dependent variable and five control variables: firm size, firm age, auditing quality, board size, and an industry dummy, to find the impact of governance practice on the performance. In spite of the recognition that corporate governance is critical for firm performance and for sustained macroeconomic growth coupled with the heightened interest in the area, research in corporate governance has not received the needed attention on the continent. This study sought to assess the relationship between corporate governance and performance of registered pension fund managers in Kenya.

In today’s economy, any company’s success is dependent on the crucial role of its ability to compete, ensure transparency and governance structure which operates within its mandate. This is in absolute regard of the fact that economic value is created by these organizations (Shavulimo, 2014). According to, Adebayo, Mudashiru, Brahim and Ishmael (2014), we cannot downplay the fact that a company’s development and economic growth is ideally influenced by good corporate governance. The much trust that company owners can have towards the management of the company is considered to be largely strengthened through corporate governance. Ideally, good corporate governance is meant to be attractive to both the management of organizations and the board.

South Africa, the only African pension market covered in the study, had assets totaling to US$ 252 billion representing only 0.5% of total assets (Global Pension Assets Study Report of 2013). Most African countries have a multiplicity of pension systems. Pension systems exists inform of; National Social Security Fund (NSSF); Local Authorities Pensions Funds (LAPF); Parastatal Pensions Fund (PPF); Government Employees Provident Fund (GEPF); Public Service Pensions Fund (PSPF); and National Health Insurance Fund (NHIF) (Kyando, 2014).

In Kenya, employers or Trust Corporations set up pension schemes under irrevocable trusts. This is done in accordance with following Acts of Parliament: Trustees (Perpetual Succession) Act Cap 164; Trustees Act Cap 167; Public Trustee Act Cap 168; Perpetuities and Accumulation Act 1984;

Income Tax Act Cap 487 and Retirement Benefit Act, (1997). The Retirement Benefit Act, (1997) gave rise to the development of the Retirement Benefit Regulation for occupational schemes 2001. The Kenyan retirement benefits industry is regulated by the RBA. The funds are divided into four categories: the Civil Service Pension Scheme and the National Social Security Fund both created by Act of parliament; and Occupational Schemes and Individual Schemes both created by trustee deeds. Except Civil Service Pension Scheme, the categories are under the RBA.

In total there are 1232 pension schemes registered by the RBA as at 06th May 2016 (RBA, 2016). According to the Africa Asset Management 2020, the projected returns on equity for the period starting in 2011 to 2018 continued to decline from 7.8 to 7.2% as at the end of 2016 (Price Water Coopers, 2016). Studies such as Njuguna (2014) focusses on intake of pension schemes generally but do not investigate the factors influencing investment decisions. The study by Oluoch (2013) investigated the determinants of performance of pension schemes in Kenya but does not narrow down to the factors affecting the factors influencing investment decisions.

The pension industry is regulated by the Retirement Benefits Authority (RBA) and Capital Markets Authority (CMA), a body established by an Act of Parliament. Pension funds act as an important stimulus to capital markets in most countries where they exist through financial intermediation. Pension funds complement, and hence stimulate development of capital markets, while acting as substitutes for banks as they generate returns themselves. According to Chirchir (2007), until 1997, the pension industry in Kenya was by and large unregulated. The few regulations relevant to retirement benefits were in the Income Tax Act and the Trustees Act governing the industry. There were no specific regulations on investments, other than that exempting all those schemes registered with income tax from the withholding tax imposed on investment income. In 1997, the government enacted the Retirement Benefits Act and in 2000, approved the Retirement Benefits Regulation as new legislations to govern the entire management and administration of the pension industry.

1.2 Statement of the Problem

Pension fund performance has received increased attention across the world with public pension fund performing dismally when compared to private pension fund. Pension fund performance has thus given mixed results in different countries, with OECD countries recording positive real net investment returns in 2019, ranging from 1.2% in the Czech Republic to 16.7% in Denmark, with an OECD weighted average of 5.0%. However, the same is not said of non-OECD countries, with majority showing negative returns in 2020. These include Armenia, Nigeria among other countries in sub-Saharan Africa (Andonov, 2020). Performance of the pension funds in Kenya has largely mirrored that of the Nairobi Securities Exchange which has been on the decline, with pension results for 2019 showing a decline to average pension return of 15.5%.

The pension industry has had its share of corporate governance related challenges in spite of the fact that pension funds have an organizational structure in which the interests of the stakeholders are well-aligned; with a majority of pension funds being governed by representatives of employers and employees, which is deemed to encourage decisions that are in the best interests of members (NSSF Act, 2016). While several studies have been done on the effect of corporate governance on firm performance coming up with different findings, many have concluded that good corporate governance results in better financial performance of the firm (Stanwick & Stanwick 2002; Bebchuk, Cohen & Ferrell, 2004; Kihara, 2006) yet, other studies including (Lamport, Latona, Seetanah & Sannassee, 2011) have found no significant difference in the performance of firms with poor corporate governance practice and those with excellent quality of governance practises.

Hence, no significant relationship exists between the variables. Piesses (2005) also obtained conflicting results on his empirical research on corporate governance and firm performance. These varied findings therefore imply that the relationship between corporate governance and performance may not be consistent across firm specific context or for all types of corporate governance structures.

1.3 Objective of the Study

To determine the relationship between pillars of corporate governance and performance of pension fund managers in Kenya.

1.4 Hypotheses of the Study

H_0: There is no significant relationship between pillars of corporate governance and performance of pension fund managers in Kenya.

2.0 Literature Review

2.1 Theoretical Framework

2.1.1 Stakeholder Theory

The stakeholders' theory was developed by Edward Freeman in 1984 to fill the observed gap created by omission found in the agency theory which identifies shareholders as the only interest group of a corporate entity. Within the framework of the stakeholders' theory the problem of agency has been widened to include multiple principals (Sand, Garba & Mikailu, 2011). Proponents of this theory assert that Organization performance depends on how well an Organization manages and satisfies its stakeholders and builds closer customer relationships (Njoroge, Machuki, Ongeti & Kinuu, 2015). Managers are agents who manage the organization on behalf of and for the benefit of stakeholders.

Organizational performance is an indication of how well the Organization has served the various stakeholders (Freeman & Ehrhardt, 2012). Stakeholder theory has revolutionized performance measurement from the conventional economic prosperity measures of return on assets (ROA), return on equity (ROE), sales growth to non-financial measures which include environmental integrity and social equity (Freeman & Ehrhardt, 2012). The interconnected network of stakeholders affects the procedure for making decision of the Organization, its effectiveness and performance.

De Villiers and Van Staden (2011) stated that managers disseminate information to shareholders and also other stakeholders. Managers are duty – bound to disclose information and engage with the stakeholders in order to gain access to the resources they control (Hill & Jones, 1992). The resource dependency therefore gives the stakeholders other than shareholders a legitimate claim on a firm's resources (Kock *et al.*, 2012). The principal – agent relationship within the stakeholder framework is therefore extended to mean the relationship that exists between a manager and stakeholders (Kock *et al.*, 2012).

The stakeholder theory therefore takes into account a wider group of constituents comprising of stakeholders rather than focusing on shareholders (Mallin, 2016). The relevant stakeholders for an organization are creditors, customers, employees, banks, governments and society. Kay (2014) defines the key assets of a firm as largely intangible assets that are managed by the informed members of staff. Governance structures are therefore aimed at maximizing the total wealth of organizations to benefit all stakeholders that contribute to firm specific assets such as skills, competencies and knowledge. Stakeholder theory better conceptualizes the role of corporate governance compared to the agency theory by highlighting the different constituents that have an interest in the firm (Coleman, 2018). The stakeholder theory presupposes that the interests of all stakeholders in decision making is fundamental and that none of the interests are presumed to be controlling (Abdullah & Valentine, 2019).

Mackenzie (2017) asserts that the absence of or poor governance structures results in organization objectives or stakeholders demands not being met. In furtherance, Watkins (2014 also link the corporate scandals leading to failure of giants Enron and WorldCom to failure by management to take into account stakeholders views in their decision making. Elsewhere Spitzeck (2019) found that involving stakeholders in the decision-making process in organizations improves effectiveness, profitability and reduces conflicts. Similarly, Wheelen and Hunger (2018) argued that for organizations to gain dominance in the competitive arena they have to complement their vision, strategy and tactics with engagement of all players. The theory sensitizes on the idea of involving all the stakeholders and people who have interest and are affected by the business decisions, therefore the manager should not only consider their shareholders but also all the stakeholders in their decision making.

2.2 Empirical Review

Ujunwa (2012) in Nigeria sampled data from 122 listed firms in the country between 1991 and 2008. The research findings showed that the board size, duality of the CEO and the diversity of was negatively correlated to the firm performance, while nationality of the board, ethnic diversity and the number of board members who had doctorate qualification positively influenced firms' performance. Duality of the board was also linked to this good performance of the board. This study addressed the major components of corporate governance and their relationship to the performance of a firm but did not take into account firms that are not listed and the different observations across industries.

Al Manaseer, Al-Hindawi, Al-Dahiyat and Sartawi (2012), in their study on the effect of corporate governance on bank performance used earnings per share, profit margin ROA and ROE as key performance measures. However, earnings per share are not the best measure of comparative performance because different banks have different capital structures. At the same time, it is difficult to obtain the company's number of outstanding shares at a given period in time to enable one ascertain the firms EPS precisely because trading cannot be stopped. Profit margin on the other hand is derived from profitability figures of firms hence suffers from the setbacks profit as a measure of performance suffers. These include though not limited to: profit in absolute terms is not a proper guide to decision making because it leaves considerations of timing and duration undefined since there are no guidelines for comparing profit streams of different periods. This study adopted Tobin's Q as a market measure of performance that Al-Manaseer *et al*. (2012) failed to adopt; in addition to ROA and ROE that represent accounting and financial measures of performance respectively as dependent variables. Institutional ownership, board independence, board size and block ownership were employed as independent variables whereas bank size was adopted as a control variable. Al-Manaseer *et al.* (2012) failed to adopt institutional ownership as an independent variable too. They adopted bank size as a proxy for corporate governance when indeed it should be adopted as a moderating variable or a control variable as was adopted in the current study.

Kiruri (2013) studied effects of ownership structure on bank profitability in Kenya. Profitability was used as a measure of performance in his study. However, use of profit as a measure of performance suffers from the following limitations; profit in absolute terms is not a proper guide to decision making for it leaves considerations of timing and duration undefined. These setbacks definitely had some effects on the findings. This study also adopted institutional ownership in addition to ownership concentration as proxies of corporate governance and bank size as a control variable that Kiruri, (2013) failed to adopt. The study found that ownership concentration and state ownership had negative and significant effects on bank profitability while foreign ownership and domestic ownership had positive and significant effects on bank profitability. The research is significant to the current study in that unlike the other researches reviewed, survey design and quantitative analysis were used to study relationship between various constructs of corporate governance and performance.

Mwanja *et al.*, (2014) examined the relationship between corporate governance and performance of Savings and Credit Cooperative Organizations (SACCOs) where the constructs for corporate governance were; transparency, accountability, involvement of shareholders, organization guidelines and policies, while performance was measured by turnover, customer satisfaction, share capital and growth in membership. The study adopted descriptive survey design and correlational survey research design. Primary data was gathered by use of a questionnaire and document review. The study findings revealed that corporate governance positively influences the performance of SACCOs. The study was limited to SACCOs in Kakamega County and focused on different constructs of corporate governance other than the constructs the current study is looking at namely; ownership structure, transparency, and board responsibility. The current study focused on all the insurance companies in Kenya.

Amba (2014) finds a positive correlation between financial performance and proportion of institution ownership among firms trading New York. The researcher looked at the influence of corporate governance variables namely ownership structure, non–executive directors, CEO duality, audit committee, institutional investors on financial performance. Multiple regression analysis was used to analyze the financial performance measured by return on assets on corporate governance variable. The study also finds that CEO duality and proportion of non – executive directors have a negative influence on performance.

Zaman *et al.*, (2014) conclude that financial performance was positively related to transparency and disclosure among the banks in Pakistan. The study constructs a transparency index for the period 2007–2011 using board structure disclosure, ownership disclosure and financial transparency disclosure as proxies. The study reveals a negative relation between ownership structure and ROA and ROE. The study reviewed was limited to one corporate governance construct namely transparency and disclosure and was also conducted in Pakistan which is an emerging economy.

Ullah *et al.*, (2019) study the effect of corporate accountability and transparency on performance of manufacturing firms in Pakistan. The researchers find a positive relationship between accountability, transparency and organizational performance. The study findings also illustrated that accountability and transparency had a significant impact on the firm performance. The study reviewed was limited to one of the corporate governance constructs corporate accountability and transparency and was also conducted among manufacturing firms in Pakistan

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2.3 Conceptual Framework

A conceptual framework explains how a researcher conceptualizes the relationship between the variables. The study's conceptual framework is the conceptualization of corporate governance and performance of pension fund managers. The study's conceptual framework is illustrated in Figure 1.

Independent Variables **Dependent Variable**

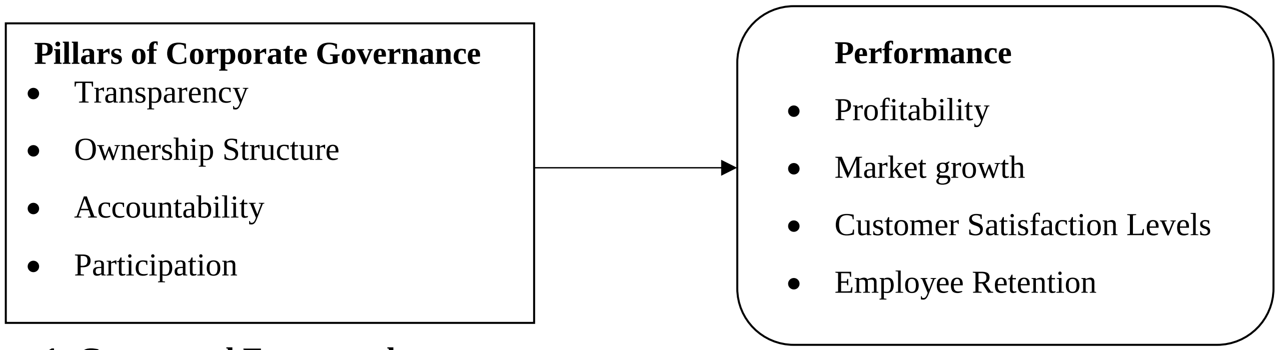

Figure 1: Conceptual Framework

3.0 Research Methodology

This study adopted a positivist research philosophy. Positivist approach research is based on knowledge gained from positive verification of observable experience rather than introspection or intuition. Cross sectional survey design applies quantitative approaches of research. Cross sectional survey design enables researchers to obtain data about practices, situations or views at one point in time through questionnaires and interviews. The technique also seeks to obtain information that describes existing phenomena (Cooper & Schindler, 2014). The cross-sectional survey design is adopted for this study because it provided relevant information of the extent to which corporate governance influences performance of Fund managers in Kenya. The population of interest of the study was 31 Fund Managers in Kenya licensed by RBA /CMA as at January 2019. To increase the accuracy of data collected in this research, a census survey was adopted. The unit of analysis for this study was the 31 Fund Pension Managers in Kenya. The unit of observation was the 2200 employees drawn from the 31 Fund Managers. The study used primary and secondary data sources. Primary data was obtained from the selected respondents of the thesis. Primary data was collected through questionnaire. The study was quantitative in nature. Quantitative data was obtained through close-ended questions. Quantitative data was analyzed using Statistical Package for Social Sciences (SPSS). To test the various hypotheses, regression was used to determine the influence of the predictor/independent variables on the predicted/dependent variables.

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4.0 Results and Findings

4.1 Descriptive Statistics

The descriptive statistics were analyzed using the mean statements on transparency, structure, accountability and participation. The descriptive statistics were run using SPSS software. The first objective of the study was to establish the relationship between corporate governance and performance of pension fund managers. The results are as depicted in Table 1.

Table 1: Descriptive Statistics for pillars of Corporate Governance

	Transparency	Ownership Structure	Accountability	Participation
N	296	296	296	296
Mean	3.073	3.107	3.156	3.043
Median	3.200	3.100	3.100	3.100
Std. Deviation	0.098	0.203	0.134	0.160
Skewness	-0.166	-0.035	-0.209	-0.230
Kurtosis	-0.918	-1.225	-0.929	-1.149

The results from the Table 1 shows the descriptive statistics that indicates central tendency and dispersion of all the measures of corporate governance. The total number of respondents in each measured was 296. Distribution of data was measured using skewness and kurtosis whereas central tenancy was measured using mean, median and mode. The standard deviation was used to measure dispersion. The results show that transparency had a mean of 3.073 and median of 3.2. The standard deviation of 0.098 showed that the members of the group differed from the mean value of 3.07 for the group in the observation.

The measures of kurtosis and skewness are used to determine if indicators met normality assumptions (Kline, 2005). According to Bai and Ng (2005), if skewness is less than -1 or greater than 1, the distribution is highly skewed, if skewness is between -1 and -0.5 or between 0.5 and 1, the distribution is moderately skewed, if skewness is between -0.5 and 0.5, the distribution is approximately symmetric. Skewness for transparency was -0.166. Since the values were between -0.5 and 0.5, we thus conclude that the distribution is approximately symmetric. Kurtosis results showed that Idealized Influence had -0.918. Thus, we can conclude that the values were platykurtic since they are less than 3 and thus had a broad tail distribution and no outliers.

The results indicated that corporate structure had a mean of 3.107 and a median of 3.1. The standard deviation of 0.203 showed that the members of the group differed from the mean value of 3.107 for the group in the observation. Skewness for corporate structure was -0.035. Since the values were between -0.5 and 0.5, we thus conclude that the distribution is approximately symmetric. Kurtosis results showed that corporate structure had -1.225. Thus, we can conclude that the values were platykurtic since they are less than 3 and thus had a broad tail distribution and no outliers and met normality assumptions.

Further, the results indicated that participation had a mean of 3.156 and a median of 3.1. The standard deviation of 0.160 showed that the members of the group differed from the mean value of 3.156 for the group in the observation. Skewness for participation was -0.209. Since the values were between -0.5 and 0.5, we thus conclude that the distribution is approximately symmetric.

Kurtosis results showed that participation had -0.929. Thus, we can conclude that the values were platykurtic since they are less than 3 and thus had a broad tail distribution and no outliers and met normality assumptions.

Lastly, the results indicated that accountability had a mean of 3.043 and a median of 3.1. The standard deviation of 0.160 showed that the members of the group differed from the mean value of 3.156 for the group in the observation. Skewness for accountability was -0.230. Since the values were between -0.5 and 0.5, we thus conclude that the distribution is approximately symmetric. Kurtosis results showed that accountability had -1.149. Thus, we can conclude that the values were platykurtic since they are less than 3 and thus had a broad tail distribution and no outliers and met normality assumptions.

Descriptive Statistics for Performance

Descriptive statistics were carried out on performance of pension fund managers in Kenya and the results are shown in Table 2.

Table 2: Descriptive Statistics for Performance of Pension Fund Managers

	Performance
N	296
Mean	3.460
Median	3.500
Std. Deviation	0.398
Skewness	0.187
Kurtosis	-0.219

The results from the Table 2 shows the descriptive statistics for performance in chartered universities. The total number of respondents in each measured was 296. Distribution of data was measured using skewness and kurtosis whereas central tenancy was measured using mean, median and mode. The standard deviation was used to measure dispersion. The results show that performance of pension fund managers had a mean of 3.46 and median of 3.5. The standard deviation of 0.398 showed that the members of the group differed from the mean value of 3.46 for the group in the observation. The standard deviation of 0.398 further implies that the data points tend to be very close to the mean of the data and a high standard deviation implies that the data points are spread over a wide range of the values.

Skewness for performance in chartered universities was 0.187. Since the values were between -0.5 and 0.5, we thus conclude that the distribution is approximately symmetric. Kurtosis results showed that performance of pension fund managers had -0.219. Thus, we can conclude that the values were platykurtic since they are less than 3 and thus had a broad tail distribution and no outliers. Performance of pension fund managers was evenly distributed and the measure between the high and low score was small and exhibits normality in performance of pension fund managers.

4.2 Correlation Analysis

Table 3 below presents the results of the correlation analysis.

Table 3: Correlation Matrix

Variables	Performance	Pillars of Corporate Governance
Performance	1.000	
Pillars of Corporate Governance	.743**	1.000
	0.000	

The results in Table 3 indicated that pillars of corporate governance was positively and significantly associated to performance of pension fund managers (r= 0.743**, p=0.00<0.05). This implied that since corporate governance had a positive and significant effect thus an improvement would lead to improvement in performance of pension fund managers

4.3 Hypothesis Testing

The objective of the study was to establish the relationship between corporate governance and performance of pension fund managers. A simple regression model was used to test the statistical significance of the independent variable (corporate governance) on the dependent variable (performance) of pension fund managers in Kenya. The hypothesis stated in the null form is as follows:

H_0: There is no significant relationship between pillars of corporate governance and performance of pension fund managers in Kenya.

Table 4: Model Fitness for Corporate Governance and Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.781a	0.61	0.605	0.25002

As presented in the Table 4 the coefficient of determination R Square is 0.61. The model indicates that corporate governance explains 61% of the variation in performance of pension fund managers. The adjusted R squared value considered only those independent variables which actually have an effect on the performance of the model.

Table 5: ANOVA for pillars of Corporate Governance and Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	28.479	4	7.12	113.898	.000b
	Residual	18.191	291	0.063		
	Total	46.67	295			

As shown in Table 5, $F_{\text{Calculated}}$ (4, 295) = 113.898 which is greater than F_{Critical} (4, 295) = 3.96 at 95% confidence level. Results also show that p-value = 0.000 < 0.05. This further confirms that corporate governance positively and significantly influences performance of pension fund managers.

Table 6: Regression of Coefficients for pillars of Corporate Governance and Performance

	Unstandardized Coefficients		Standardized Coefficients		
	B	**Std. Error**	**Beta**	**t**	**Sig.**
(Constant)	2.539	0.047		54.336	0.000
Corporate Governance	0.065	0.023	0.178	2.855	0.005

Findings presented in Table 6 show that when corporate governance, is held constant, performance of pension fund managers will remain at 2.539. At the same time, an increase in Corporate Governance by one unit leads to an increase in performance of pension fund managers by 0.065 units with a p-value of 0.000<0.05. The study thus, rejected the null hypothesis and adopted the alternative hypothesis that there is significant relationship between corporate governance and performance of pension fund managers in Kenya. This can be summarized by the following model:

$P = 2.539 + 0.065CG$

Where;

P= Performance of Pension Fund Managers

CG= Pillars of Corporate Governance

4.4 Discussion

The objective of the study was to establish the relationship between corporate governance and performance of pension fund managers. A simple regression model was used to test the statistical significance of the independent variable (corporate governance) on the dependent variable (performance) in of pension fund managers in Kenya. The hypothesis stated in the null form is as follows:

H_0: There is no significant relationship between pillars of corporate governance and performance of pension fund managers in Kenya.

The hypothesis sought to establish the relationship between Transformational Leadership and performance in chartered universities. This hypothesis was tested by regressing composite index corporate governance (CG) and performance (P) guided by the equation $P= \beta_0+\beta_1CG$, where CG represented composite corporate governance and P denoted performance of pension fund managers. The findings indicated that the coefficient of determination R Square was 0.61. The model indicated that corporate governance explains 61% of the variation in performance of pension fund managers. This implied that there exist a significant relationship between corporate governance and performance of pension fund managers. The ANOVA findings indicated that the $F\text{-}_{Calculated}$ (4, 295) = 113.898 which was greater than $F\text{-}_{Critical}$ (1, 295) = 3.96 at 95% confidence level. The findings showed that p-value = 0.000 < 0.05. This further confirmed that corporate governance positively and significantly influences performance of pension fund managers. Further, the regression of coefficients findings indicated that when transparency, structure, accountability and participation, is held constant, performance of pension fund managers will remain at 2.539. At the same time, an increase in transparency by one unit leads to an increase in performance of pension fund managers by 0.065 units with a p-value of 0.000<0.05 while an increase in one unit of corporate structure leads to an increase in performance of pension fund managers by 0.087 with a p-value of 0.000<0.05. When accountability increases by one unit, performance of pension fund managers by 0.044 with a p-value of 0.001<0.05. Lastly, an increase in participation by one unit leads to an increase in performance of pension fund managers by 0.103 units with a p-value of 0.000<0.05. The study thus, rejected the null hypothesis and adopted the alternative hypothesis that there is significant relationship between corporate governance and performance of pension fund managers in Kenya.

This is consistent with Ujunwa (2012) whose findings indicated that the board size, duality of the CEO and the diversity of was negatively correlated to the firm performance, while nationality of the board, ethnic diversity and the number of board members who had doctorate qualification positively influenced firms' performance. Duality of the board was also linked to this good performance of the board. This study addressed the major components of corporate governance and their relationship to the performance of a firm but did not take into account firms that are not listed and the different observations across industries.

The findings are also in line with Kiruri (2013) who found that ownership concentration and state ownership had negative and significant effects on bank profitability while foreign ownership and domestic ownership had positive and significant effects on bank profitability. Further Amba (2014) found a positive correlation between financial performance and proportion of institution ownership among firms. The study also finds that CEO duality and proportion of non-executive directors have a negative influence on performance. On the other hand, Zaman *et al.*, (2014) conclude that financial performance was positively related to transparency and disclosure among the banks. The findings also agree with Ullah *et al.*, (2019) who established a positive relationship between accountability, transparency and organizational performance. The study findings also illustrated that accountability and transparency had a significant impact on the firm performance.

The findings are also in line with Mang'unyi (2011) who established a positive relationship between ownership structure and financial performance of selected banks in Kenya. The study posits the need for promoting corporate governance to attract potential investors. Mokaya and Jagongo (2015) finds a significant positive association between financial performances, ownership structure and ownership concentration of firms. Their study regression analysis results show a significant association between financial performance, ownership structure and ownership concentration.

The findings are in tandem with Claessens and Yurtoglu (2013) who posited that the ability of a board to act on behalf of the shareholders and monitor managers effectively is of crucial importance for a corporation in emerging markets where corporate governance mechanisms tend to be weak. In listed firms in emerging economies, it is common for controlling families to occupy key managerial posts, and the succession planning of a firm is usually focused upon the appointment of other family members to managerial roles rather than external professionals. This is also in agreement with Ararat and Dallas (2017) study who argued that when family members dominate boards they can become ineffective as there is not enough constructive criticism directed at the controlling shareholders. Controlling shareholders can be inclined to pursue agendas that are of little or no benefit to shareholders, with poor strategic decision-making having a negative impact upon the company.

5.0 Conclusions

The study concluded that there is significant relationship between corporate governance and performance of pension fund managers in Kenya. The study determined that the corporate governance practices being implemented had been incorporated in the pension fund's investment management decisions with its assets being more diversified and having enhanced reporting on investments. The Pension Fund had also increased its reliance on professional advisors and had a Statement of Investment Principles which was reviewed annually to determine its continued relevance. The study further determined that investment performance had improved over the years with benefits paid to members and investment returns reported improving. It was also confirmed through a regression test that corporate governance practices had a positive effect on performance of the pension fund managers. Thus, the corporate governance practices that have been implemented have improved performance of the pension fund managers.

Good governance can also bring indirect benefits to pension funds. It can spare them the costs of overregulation and it can facilitate supervision by the authorities. In particular, as pension fund supervisors adopt a risk-based approach to supervision, pension fund governance has become central to deciding whether or not an institution should be closely monitored. The stronger the governance of the fund, the better risks was managed and controlled. The supervisory approach is increasingly dictated by their assessment of a pension fund‘s risk profile, with funds judged to pose less risk likely to receive a lighter supervisory touch. This could mean that more of the day to day governance or supervision of the fund is left to the governing board itself.

6.0 Recommendations

The study recommends on pension reforms, by creating a new class of potential activist shareholders in the form of pension funds, could in principle improve corporate governance and increased shareholder discipline. The governments as well as supervisors should consider a more active role in the selection process of the board members, while reducing their choices to professional beneficiaries of the pension funds. On the other hand, this selection process should also take into account the interests of the owners, who provide the capital but are not carrying the risk in pension funds. A board dominated only by trustees may discourage further investments in the industry, which could negatively affect market competitiveness. Further the study recommends on regular assessment of the performance of the persons and entities involved in the operation and oversight of the pension fund, Regular review of compensation mechanisms, in order to ensure that they provide the correct incentives for those responsible for the operation and oversight of the pension fund; Regular review of information processes, operational software systems, and accounting and financial reporting systems; Identification, monitoring, and, where necessary, correction of conflicts of interest situations. A policy for dealing with conflicts of interest situations should be in place.

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