THE RELATIONSHIP BETWEEN GOOD GOVERNMENT GOVERNANCE AND ORGANIZATION PERFORMANCE: THE CASE OF MARA CREDIT CONTROL DEPARTMENT

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Accounting department in fulfillment of the requirements
for the degree of Master of Science,
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By

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ABSTRACT

The issue of governance has become an essential and a critical issue for the public sector especially in Malaysia. The Prime Minister of Malaysia has stressed and given more focused on the issues of governance which required public sector to operate within a system of check and balance. Further, the Right Honorable urged to emulate a value system that emphasis more on the issue of ethics, openness, accountability, transparency, and integrity in the public sector. This issue need to be addressed accordingly as it gives bearing on the performance of an organization.

This study seeks to examine on the relationship of good public sector governance and the performance of organization, namely, Majlis Amanah Rakyat (MARA). The objectives of this study are: i) to determined and measure the level of good public sector governance score in MARA, Credit Control Department, ii) to examine the possible relationship between good public sector governance and the performance of MARA, Credit Control Department, iii) to identify the significant element of good public sector governance that contributes to the variation of the performance in MARA, Credit Control Department, and iv) to identify the relative problems in collecting the educational loans faced by the Credit Control Department, MARA.

In this study, the good public sector governance practices, as independent variables, is assessed by using the Australian National Audit Office (ANAO) Good Public Sector Governance framework which consists of leadership, stakeholder relationship, risk management, accountability, planning and performance monitoring, information and decision support and review and evaluation. The dependent variable, perceived public sector performance, is being represented by the efficiency and effectiveness, productivity and cost and customer satisfaction. A research framework was developed and eight main hypotheses were posited and tested. The study utilized survey research design and was a cross-sectional in nature. The study adopted the non-probability sampling and it is a purposive in nature. The survey was carried out in the Credit Control Department, MARA headquarters, and 82 respondents participated in the study. The data were collected using structured interview aided by questionnaires and as well as collection of information through observation and examination of files, records and office documents. The study hypotheses were tested using descriptive, correlation, and regression analyses. The result supported all the hypotheses posited for the study. The results of correlation analyses revealed that, good public sector governance and its dimensions are associated positively with the department performance. Further, the results from regression analyses also revealed that good public sector governance as a whole has a significant effect on the public sector performance. Meanwhile, the element of risk management and monitoring is statistically significant to the efficiency and effectiveness of the operation in the Credit Control Department. Performance monitoring contributes to the productivity and cost of recovery action in collecting the educational loan, and none of the variables tested was found to be statistically significant to the customer satisfaction

In conclusion, this study provided insight and further understanding of the relationship between good public sector governance and organization performance. It allows practitioners and academia to gain in depth knowledge about the implementation of good public sector governance in relation with the performance in an organization.

KEY WORDS; Public Sector Governance, ANAO, Performance measurement, Performance indicator, Public Sector.

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CHAPTER 1: INTRODUCTION OF THE RESEARCH

1.1 Background of the study

In the early 90's, the world was stunned by the collapse of Maxwell Communication, BCCI, Polly Peck, Arthur Anderson, Enron and WorldCom and other established companies which had a good profit in the past (Clarke, 2004). No one ever knew that their accounts were not as good as they reported. The problems in these companies can be overcome if they have implemented a good governance system.

Clarke (2004) states that these companies had shared some common characteristics that causes it to fail. These include, the power given to a few CEO and senior's managers, the weak roles played by boards of directors and there were questionable transactions or fraud in the companies' accounts. Finally, the financial reporting of the organization were over optimistic, too much profit and too ambitious.

Some researches have found evidence to support that the failure of these companies is due to the lack of corporate governance in managing the operation of their businesses (Clarke, 2004). Apparently, corporate governance has emerged as a high profile issues and one of the critical interest for managers, regulators of various countries, investors, and the academicians (Parker, Peters & Turetsky, 2002). As such, many people nowadays have started to acknowledge the importance of corporate governance not only in the private sector but also in the public sector (George, 2005).

In order to understand the issues and problems related to corporate governance, it is very important to clearly define the meaning of "corporate governance". The definitions of corporate governance are many and varied in the private sector. Thus, the commonly definition used by people to define corporate governance is, "the system by which companies are directed and controlled" (Cadbury Report, 1992). Monk and Minow (1995) describe corporate governance as the relationship among participants in determining the direction and performance of the companies.

Other definition of corporate governance refers to the mechanism or procedures that control an organization in achieving its goals, which is to maximize the long-term benefits of shareholders (Jinarat & Quang 2003). Ryan and Ng (2000) explained that corporate governance express concerned with the way the directors control the activities of the company and to ensure that the person they delegates the power are accountable. Tricker (1984) define corporate governance as a monitoring and controlling mechanism in which it gives overall directions to the organizations in order to see it is run properly (Tricker 1984:7).

The first principles of corporate governance were established in 1992. Sir Adrian Cadbury chaired the Committee on the Financial Aspects of Corporate Governance. This committee has published a report, known as Cadbury report. The objective is to address the financial aspects of corporate governance in the private sector which contained a code of best practice designed to achieve high standards of corporate behavior in private sector. Three years later, in 1995, The Committee on Standard of Conduct in Public Life was established in United Kingdom and produced a report known as the Nolan Report. The objective of this report is to help identified the key personal qualities that are required for governing board members as well as senior management of public sector. Since then, the report has been updated regularly (Nolan, 1995).

Besides the Cadbury report and the Nolan report, there was another guidelines published by the Charted Institute of Public Finance and Accountancy (CIPFA). CIPFA established “Corporate Governance in the Public sector” which concluded that the issues raised in the Cadbury report were just as relevant to public sector organizations and urged all organizations to adopt the principles. This guideline was published in 1995 and followed by the CIPFA “Framework for Public Service Bodies”.

These three report and guidelines has become a benchmark in other researches that carry out the studies of governance in the public sector. The following subsections present the outlined deals with review on governance in the public sector, important aspects of good governance in the public sector and finally, the significance of governance in the public sector.

Governance in the public sector

According to George (2005), governance is not limited to the business or corporate entities but it also important to the public entities, which include States and Local Governments, Federal agencies, Public utilities, Hospital, Universities and College, Boards of governors, City councils, Legislators and Boards of trustees. Furthermore, unethical behavior in the public sector gives huge impacts to all tax payer and citizens (George, 2005).

In the public sector, the terminology used for corporate governance is public sector governance or as governance itself (Australian National Audit Office, 2003). The argument made by Australian National Audit Office (ANAO) for the different term of corporate governance used in public and private sector is because the word “corporate governance” is more associated with the private sector. The term public sector governance was chosen to describe governance in the public sector for the purpose of clarity and to reduce any ambiguity of the term corporate (Barret, 2003). Public sector governance has a very broad coverage, it include how an organization is managed, its corporate and other structure, its culture, its policies and strategies and the way its deals with various stakeholders (ANAO, 2003).

The Australian National Audit Office defined Public sector governance as the process by which organizations are directed, controlled and held to account; it includes the elements of authority, accountability, stewardship, leadership, direction and control exercised in the organization(ANAO, 2003). Another good definition given by the International Federal Of Accountants (IFAC) on public sector governance is the process by which organizations are directed, controlled and held to account and is underpinned by the principles of openness, integrity, and accountability, control and behavior at the top of organizations (IFAC, 2001).

Bob Sendt (2002) who is the auditor-general of New South Wales audit office defines the meaning of governance in public sector as how parliament, the government, board and management relate to one another in stewardship matters. Although there are thousands definition given by researchers, authors and organization (Cadbury Report, 1992, CIPFA and The Society of Local Authority Chief Executives and Senior Managers (SOLACE) report, 2006, Victoria Public Accounts and Estimates Committee report, 2002, Audit Commission of UK Report, 2003, NSW Audit Office, Performance Audit report, in practice, 1997, Hong Kong Institute of Certified Public Account Report, 2004,) the foremost important key in the public sector governance is the clear definitions of “responsibility” and a clear understanding of “relationship between the organization’s stakeholders and the management that runs the organization operation” (Barret, 1997).

Nevertheless, there are many principles which are important in putting the governance into a clear and understanding framework. For instance, the Cadbury’s report published in December 1992 has highlighted three fundamentals principles of corporate governance, which are openness, integrity and accountability. This report has lay out the foundation for the first development of public sector governance framework by the British Chartered Institution of Public Finance and Accounting (CIPFA) in 1995.

Another essential report is the First report of the committee on standards of public life, Nolan report (1995) that emphasized on the importance of seven principles of governance in the public sector. These principles are selflessness, integrity, objectivity, accountability, openness, honesty and leadership. It is noted that all the principles that are used in many reports, books and research papers are changeable according to the researchers in order to suit the particular countries situation. Whiteoak (1996) had stress out the importance of leadership in any public sector governance framework. While for Boyd (1997), he stated that risk management should be part of the fundamental principle for governance in the public sector.

Two important aspects of good governance in public sector

Basically, there are two important requirements that should be applied by public sector in order to achieve good governance. According to the report by Australian National Audit Office, performance and conformance are needed to be applied by organization in the public sector within the framework of risk management. Both of these requirements should be working together in order for the good governance to take place (ANAO, 2003).

There are two ways on how an organization in public sector can uses its governance arrangements to meet the good governance requirements. Firstly, it can be used in contributing to its overall performance and the delivery of its goods, services or programs. This is known as performance. Secondly, ensure it meet the requirements of the law, regulations, published standards and community expectations of probity, accountability and openness, which are known as conformance (Tricker, 1994:149; ANAO, 2003).

The significance of governance in the public sector.

Every public sector in the world is facing a higher risk of failure if it cannot perform efficiently in governing the management of the public sector organizations (Sendt, 2002). Maintaining a good and strong relationship from the public can make the economy better off with better development outcomes such as a higher income per capita, lower infant mortality and higher literacy (Kaufmann, Kray, & Zoidolobaton, 1999). Obviously, serious services failure and financial failures are part of the outcome from poor governance in public sector (Audit Commission, UK, 2003, Carmichael & Kaufmann, 2001). It is very important for every public sector to practice good governance concept as the heart of the economy of a nation depend on the outcome and productivity from the public sector (Nicholl, 2006).

Other important aspect that should be address by the public sector is the delivery of good quality services and products to the public (Audit Commission, UK, 2003). Delivery system can also be improved if the management focuses on the ways to speed up the services without having so much bureaucracy along the process. The public demand a services and products with a professional ways without having to wait for hours to fill the form and are asked to come back later (Hodges, Wright, & Keasey, 1996). This situation portrays that the government is not performing well enough and there are a tight control and bureaucracy in the public sector (Frant, 1993, Hodges et al, 1996). Therefore, it is very important for the public sector to apply all the good governance principles and framework for their future improvement in their delivery system. As what Barret (1997) said "decisions are made effectively in a "governed" rather than "managed" sense."

Building a trust from the public is very important as it portrait that the government is exercising what the public demand such as openness, integrity and transparency. Failure to capture the heart of the public will cause a catastrophic effect on the economy of a nation. For instance, people do not want to vote or participate in developing the economy and causes investments to flow out from the capital market. When the public sector seems to have lack of control and fail to admit their mistakes, a good governance framework is necessary to be implemented in their management (Audit Commission, UK, 2003).

Governance issues are also important to the public sector where it serves as a tool and mechanism in guiding the management to perform on the public interest without neglecting their responsibility, integrity, accountability and objectivity of the organizations (Langlands, 2005). In addition, public sector has to produce these positive values to their customers as they are the one who is paying these services through tax payment. As a conclusion, public sector organization with applying good governance definitely will portray better relation and performance in the eyes of its citizens (George, 2005).

1.2 Problem Statement

Ryan and Ng (2002) has stated that at this moment, there are increasing attentions given to the issues of governance from worldwide. Governance issues include the way an organization is structured, operated and controlled in order to achieve long term strategic goals, appropriate returns to the shareholders, and good customer and employee relations.

In the public sector, governance matter takes on even wider dimensions. It's about how Parliament, the Government, boards, and management relate to one another in stewardship, besides their responsibility in ensuring that they deliver the best delivery systems to the citizens within the public interest (Independent Commission UK, 2004). While there may be many similarities between governance in the private sector and public sector, and even many of the general principles translate across perfectly well, there are some fundamental differences in the nature of governance in the public sector (Bailey, 2003).

Nowadays, the issue of governance has become a hot topic and a critical issue for the public sector especially in Malaysia. The Prime Minister of Malaysia, Datuk Seri Abdullah Ahmad Badawi has stress more on the transparency, accountability, integrity and openness in public sector. By having these values, which are part of governance practices, Malaysian public sector can become more effective, efficient and performing well in their daily operation as well as building a better nation with a trust given from the public.

Given that, the main part of corporate governance in private sector had been covered in various studies, but there is lack of study of governance in public sector especially in the disclosure, practices and the effectiveness of governance matter (New South Wales Audit office, 1997a). According to Ryan and Ng (2000), there is less research study or literature review on governance issues in the context of public sector as a whole. Furthermore, the authors describe that the first step in creating good governance in the government is to really understand the term "governance". Then, governance model must be developed which has the consistency of approach across the wider dimensions of the public sector. Ryan and Ng (2000) also argued that, there is a scarcity of reporting on governance practices and its diversity in the public sector. The above statement had been supported by Ryan, Stanley and Nelson (2002) and Kloot (2001), where they claimed that, there has been limited research undertaken for the governance issues in the public sector.

Ryan and Purcell (2004) argued that, a lot of public sector governance literatures were only concerned in establishing framework and developing best practice by the professional bodies, researchers and the government audit office, whereby, the practices and disclosure of governance issues relatively limited in the public sector. According to Barret (1997), public sector organization works in a unique and complex environment, whereby it has to satisfy complex range of political, economic and social objectives. In addition, the public sector roles were largely focus on implementing program in accordance with the policies and legislation in a cost effective manner, so that they can deliver positive outcome to the people.

According to Langlands (2005) there is a strong need for good governance practices and example in the public sector as they play an important role in the economy. Therefore, more variety of disclosure and practices of governance issues of public sector governance should be investigate in order to provide guidance across the complex and diverse world of public service.

The relationship of good governance and organization performance are one of the example of disclosure and practices of governance issues in public sector governance. According to Parekh (2007), the relationship between good governance and organization performance received a tremendous interest from the managers, researchers, policy makers and the academicians. The focus on weather or not good governance leads to good organization performance had been strongly debated and received wide attention in the private as well as public sector. Among others, the research by Stanwick and Stanwick (2002), Drobetz, Schillhofer and Zimmermann (2004), Klapper and Love (2003), Coles, McWilliams and Sen (2001), showed that good corporate governance seems to be effectively improving the organizational performance.

In Malaysian, there is also a growing concerned regarding this issue. The research done by Roselina Shakir (2004), Roszaini Haniffa and Mohammad Hudaib (2006), Khatri, Leruth and Piesse (2002) had also support the statement that performance of companies has somehow related to the governances practices by the companies. Nevertheless, all of the researches above were conducted in the private sector instead of public sector. Skelcher and Mathur (2004) also state that there is some research done in the public sector governance, but it appears to be very limited in scope.

Considering with the factors given in the significance of governance in the public sector and others apparent and critical issues related to governance matters raised by many researchers, policy makers, academicians and nations throughout the world, governance in the public sector is also significance and important in one of the Malaysian public sector, namely, Majlis Amanah Rakyat (MARA).

Since the establishment of MARA in 1966, there are four (4) types of program created to help Bumiputera in the area of entrepreneurship. The programs are business loan, educational loan, business premises, and factory premises. Nevertheless, based from the data collected and experience from the Credit Control Department, the most uncollected loan is the educational loan. The issue of uncollected loans from students has never end. Although a number of actions have been taken by the authority, the amount of collection is still at the unsatisfied level (CCM, 2006).

Surprisingly, the amount of educational loan which were released to students since 1965 until now is RM7, 649,959,396 and only RM 542,381,284 are collected. After taking account, the conversion and scholarship given to the selected students who perform well for their degrees, MARA should have collected RM4, 171,372,903 from the educational loan. This amount shows that only 13% were collected. Based from the data collected, the amount of uncollectible loan is keep increasing every year. Surely, the authority has yet to find a better solution to overcome this problem.

As for the collection part, it appears that, the Credit Control Department of MARA had played their role in achieving the target of the collection of educational loan set by the higher management of MARA. Unfortunately, this percentage is very small if we compare it with the amount of uncollectible loan which are billions of Ringgit Malaysia.

The authority should have paid more attention on this matter before it getting worsen. When the amount of collection is very small, the uncollectible in educational loan will keep increasing and the problems will spread to the future students when MARA has no more funds to give out in their educational expenses. Therefore, it is very important for MARA to organize a better solution or ways for their formers scholars to pay their educational loan as it will affect our next generation future. Education is very important for a nation as it will increase our productivity and mentality for a better nation.

Overall, even though the Credit Control Department had managed to perform its function in collecting and managing the repayment of educational loan by achieving its yearly target, and it has a good structure and up-to-date database system but the issue of uncollected loans from students has never end the amount seems to be increasing as year goes by.

Considering of all the facts given, apparently, it is important to implement good public sector governance which may leads to good organization performance into the issues of uncollectable of educational loans faced by Credit Control Department of MARA.

Therefore, this study will be exploring on these issues and perhaps it may reveal some potential solution for MARA especially in the aspect of public sector governance practices which will be addressed by its seven dimensions which is leadership, stakeholder relationship, risk management, accountability, planning and performance monitoring, information and decision support and review and evaluation in terms of improving the organization performance in the aspect of efficiency and effectiveness, productivity and cost and customers satisfaction.

It is now clear that there is a gap in the relevant theories and empirical study concerning the issues and practices of good governance in the public sector, and in addition to its relation with the organization performance. A study is needed to add more into the existing literature of public sector governance as there are very limited in scope world wide as well as in Malaysian public sector.

1.3 Research objectives

The main objectives of this study are:

1. To determine the level of good public sector governance score in Credit Control Department, MARA.
2. To examine the relationship between good public sector governance and the performance of Credit Control Department, MARA.
3. To identify the significant element of good public sector governance that contributes to the variation of the performance in Credit Control Department, MARA.
4. To identify the relative problems in collecting the educational loans faced by the Credit Control Department, MARA.

1.4 Significance of the study

According to George, (2005) good Governance in the public sector deserves the same attention as corporate sector and it appears that research done in the public sector governance is very limited in scope (Skelcher & Mathur, 2004). Therefore, studying the relationship between good public sector governance and the organization performance can contribute: 1) To add and expanding more literature in the area of good governance in the scope of public sector organization, particularly in the Malaysian context, 2) Providing important information about public sector governance for MARA and other public sector as a whole, and at the same time giving some guidelines for Credit Control Department in collecting the educational loan within the scope of public sector governance, 3) To create awareness to the public servants regarding the effect and usefulness of good governance in the public sector.

This study used the latest Good Public Sector Governance framework developed by the Australian National Audit Office in 2003. The framework covers all the dimensions which are comprehensive that can be implemented across the wide range of public sector organization and it's useful to all the public sector organization (Ryan& Ng, 2000, Howard & Seth-Purdie 2005). Furthermore, the guide is aimed to benefits all level of public sector organization from governing board members to ordinary staffs (Barret, 2003). Therefore, considering the aspect above, it is considered as a contribution to the Malaysian public Sector as a whole, specifically to the Majlis Amanah Rakyat (MARA).

This study also used the performance indicators model released by the Malaysian Public Service Department (JPA) in measuring organization performance in all Malaysian Public Sector and its agencies. The model is governed under the Pekeliling Kemajuan Pentadbiran Awam, Bilangan 2, 2005, (PKPA bil.2, 2005). The main purpose of the circular is to give instruction to all the Malaysian Publics sector organization and its agencies to implement performance indicator in their organization as a measuring tools in order to measure performance. Furthermore, The Prime Minister of Malaysia, Datuk Seri Abdullah Ahmad Badawi in his speech dated 9 January 2004, also encourage the public sectors to implement performance indicators in their day to day work. This Performance indicators model had been acknowledge by the Malaysian government (PKPA, Bil. 2, 2005) as comprehensive, accurate and complement in measuring performance in Malaysian public sector agencies.

Therefore, this study had taken into account the new performance measurement system in Malaysian Public Sector and it is considered as a contribution to the general Malaysian public sector organizations.

1.5 Significance of using MARA Credit Control Department as a Case study

The establishment of Malaysian government educational loan program is to provide financial aid for Malaysian students to further their studies at the institutions of higher learning such as local and overseas Universities, Private College and other higher education centre.

The educational loan programs are being funded by the Public sector organization, States foundations and the Malaysian ministries namely:

1) Majlis Amanah Rakyat (MARA)

2) National Higher Education Fund Corporation (PTPTN)

3) Public Service Department (JPA)

4) Ministry of Higher Education

5) Ministry of Youths and Sports

6) Malaysian States Foundation

Source: www.gov.my

Among the six (6) organizations that being listed above, Majlis Amanah Rakyat (MARA), Public Service Department (JPA) and National Higher Education Fund Corporation (PTPTN) were categorize as the major fund and scholarship provider and had become synonym to the Malaysian students in helping them in the aspect of financial assistance in pursuing their studies in higher education.

Majlis Amanah Rakyat (MARA) is a unique organization compares to the Public Service Department (JPA) and National Higher Education Fund Corporation (PTPTN) whereby, it is a Council of Trust for the Indigenous (Bumiputera) People and it only focus in helping the Bumiputera which is the largest or the majority ethnic group in Malaysia. The main objectives of MARA is to encourage, guide, train and assist the Bumiputera to participate actively in the aspect of entrepreneurship and increase the level of education among the Bumiputera towards creating a Bumiputera Commercial and Industrial Community.

Since the establishment of Majlis Amanah Rakyat (MARA) in 1966, evidently, MARA had become the longest serving organization in providing educational loans especially for the Bumiputera students, whereby for Public Service Department (JPA) the educational loans programs only started in 1968 and later, National Higher Education Fund Corporation (PTPTN) established its educational loans program in 1999. In addition, Public Service Department (JPA) and National Higher Education Fund Corporation (PTPTN) not only give educational loans to the Bumiputera but to the Non-Bumiputera as well.

Since 1966 until 2006, MARA had surpassed the Public Service Department (JPA) and National Higher Education Fund Corporation (PTPTN) in terms of the amount of money that being allocated and the number of Bumiputera students that being received the educational loans programs. Having said that, MARA had previously released the amount of RM 7.65 Billions from the period of 1966 until 2006 and the number of students that being benefited approximately 300,000 students (CCD, 2006).

Based on the above evident, therefore, it is important for this study to choose Majlis Amanah Rakyat as a case study due to its huge responsibility and its significant impact in providing the educational loans to the Bumiputera people and to the students itself in order to create a Bumiputera Commercial and Industrial Community, that will increase the productivity and mentality for a better nation.

1.6 Organization of Dissertation

Chapter one is the introduction of the dissertation. It covers the background of the study, statement of the problem, research objectives, significance of the study and significance of using MARA Credit Control Department as a Case study. Chapter two presents literature review on the governance in the public sector, reviews on the literature of good governance and organization performance and reviews on the performance measurement in the public sector, overview of public sector in Malaysia and the organization case study background. Chapter three covers the conceptual, theoretical framework and the hypothesis development of the study. Chapter four covers the methodology of the study. Analysis and Finding are presented in chapter five, and finally in chapter six covers the conclusion and recommendation and limitation of the study.

CHAPTER TWO: LITERATURE REVIEW ON PUBLIC SECTOR GOVERNANCE AND PERFORMANCE MEASUREMENT IN THE PUBLIC SECTOR

2.1 Introduction

The objective of this study is to observe the relationship between good governance and organization performance in the context of public sector and it focus on one of the Malaysian public sector agencies. Therefore, this chapter outlined the issues that focus on governance in the public sector. The first section reviews the empirical research finding on the principles, guidelines and disclosure and practices of Governance in the Public Sector. The second section deals with review of performance measurement in the public sector, third section focus on public sector agency in Malaysia and finally, the chapter concludes with the organization case study.

2.2 The Principles and Guidelines of Governance in the Public Sector

This subsection deals with related study on public sector governance. It contains the establishment of principles and guidelines of governance in the public sector throughout the world.

Even though corporate governance has been a hot topic in the public and private sector since the collapse of giant companies around the world way back in the early 90's, there are still lack of research study or literature review on corporate governance in the context of public sector. (Ryan & Ng, 2000; Ryan & Purcell 2004).

Nevertheless, there is a number of studies and research, mainly focus on developing the principles and best practice guidelines of corporate governance to suite the public sector organization throughout the world. The first principles of corporate governance come from the Cadbury report. The objective is to address the financial aspects of corporate governance in the private sector. The Cadbury report was chaired by Sir Adrian Cadbury and was set up in May 1991 by Financial Reporting Council, the London Stock Exchange and the British accountancy profession. The Cadbury report underlined 3 fundamental principles of corporate governance which are "Openness, "Integrity" and "Accountability". All of these three principles are important as it show how the organization is run in a correct and governed way. Furthermore, all organization should have the element of openness in their business operation in order to build up trustworthiness from all interested parties towards the organization. The disclosure of information should be well open, so that the management allows itself to necessary assessment.

As for "Integrity" it is defined as 'straightforward dealing and completeness' (Cadbury report 1992:3.3). The financial report should be prepared in an honest way and shows the balance view of the state of the financial affairs. The report also added that the truth of integrity lies on the person who is preparing and presenting the organization financial aspect. Lastly, the third element of fundamental corporate governance is "accountability". According to the Cadbury report, the management which is the board of directors and other party involves in running the business operation is accountable to their shareholders for the quality of information and action that they provide, in return, responsibility as owners towards the management lies in the shoulders of shareholders.

The Nolan committee report on Standards of conduct in Public life in 1995 was directly addressed to the Public sector. The report underlined the guidelines concerning on the key personal qualities that are required from the governing board members and senior management of public sector bodies. The required qualities are important in order to achieve the highest standards of behavior in the public sector organization. The seven principles of Nolan report are selflessness, integrity, objectivity, accountability, openness, honesty and leadership. According to the Nolan report, selflessness refers to the decision made by the civil servants for the interest of the public and not for the interest of the officer, family and their friends.

The second principle is integrity, whereby the so-called civil servants cannot place themselves to be in a situation that can influence the performance of their official duties which can bring benefit to the outside party. Objectivity in the other hands, focused on the governing board members and senior management of public office in exercising the "choices of merit" and must avoiding buyers decision in carrying out public duties for example awarding contract and making public appointment.

Like many other principle of corporate governance, Nolan report also took into consideration of the principles of accountability; whereby the civil servants are accountable for their decision and action and they should ever ready to face what ever scrutiny if the public demand it. While, principles of openness stated that the civil servant must also be as open as possible when it comes to the disclosure of information regarding public duties to the public. Furthermore, The Nolan committee report on Standards of conduct in Public life underlined honesty as one of its principles, whereby the holder of public office should avoid conflict of interest in doing their job as civil servants.

Finally, leadership is an important aspect in a public sector corporate governance framework. For Nolan, leadership aspect shows a performance dimension of corporate governance, the report stated that governing board members as well as senior management of public sector bodies should have leadership by example criteria. Whiteoak (1996) had stress out the importance of leadership in any corporate governance framework.

Even though The Cadbury report was directed to the private sector, it was the starting point for the development of many principles of corporate governance in the public sector. Further development of principles of corporate governance comes from Chartered Institute of Public Finance and Accountancy (CIPFA) in 1995. It was the first public sector corporate governance framework. CIPFA accepted the three fundamental principal defined by the Cadbury committee which is openness, integrity and accountability in their 1995 publication. In order to apply the three fundamental principle of Cadbury report to the public sector context, CIPFA redefined them to fulfill the objective of satisfying the diversity of political, economic and social objective. CIPFA applied the three principles of Cadbury report to the public sector context in terms of organizational structures and processes, financial reporting and internal controls and standards of behavior. CIPFA also took into account of the governance principles from The Nolan committee on Standards of conduct in Public Life published in 1995. Finally, the framework meets the above objective and subjects them to a different set of restriction, influence and accountable to their various stakeholders in the context of public sector.

The increasing focuses on corporate governance in public sector also reached Australia. The Australian audit offices play an important role in conducting review and developing the guidelines on the aspects of public sector corporate governance. According to Ryan and Ng (2000), they are raising the agenda of corporate governance issues in their researches. Several audit offices in Australia are involving themselves in building up the element of corporate governance in the public sector. The audit offices are Australian national audit office; New South Wales audit office, Queensland audit office and Victoria parliament, Public Accounts and Estimates Committee. The Australian National Audit Office (ANAO) had played a leading role in taking care of corporate governance aspect in the Australian public sector. ANAO had published several documents of corporate governance. Among others, the report titled, applying principles and practices of corporate governance in budget funded agencies in 1997. The guide dealt with the application of governance in public sector and highlighted the benefits of applying principles and practice of corporate governance for budget-funded agencies. It was first of a kind that has been released by ANAO.

The second guide was released in 1999, examining governance aspect in Commonwealth authorities and companies. This guide was designed to assist members of the boards, Chief Executive officer and senior managers of Commonwealth Authorities and Companies Act bodies to evaluate their governance system and adding value to the frameworks so that it will become more effective. Both guidance papers outline the same principles of corporate governance which are leadership, management environment, risk management, monitoring and accountability and the element of legislation.

Apparently, it is argues that clearly defined legislation and regulations are fundamental principles to an effective corporate governance. Ryan and Ng (2000) stated that the report to support legislative requirements would be placed under the accountability principles and there would be no need to have a separate principle for 'legislation'.

ANAO in its publication refers leadership as, the role of governing board members or Chief executive officer in governing the organization as a whole. The effectiveness of the organization can be measured in the way the organization works together under the leadership of board members or Chief executive officer. Furthermore senior management also plays an important role to form effective governance, by having collective ability to provide leadership. Management environment is the second principles of ANAO five principles of corporate governance. Management environment is related to the aspect of setting clear objectives and an appropriate ethical framework, defining roles and responsibilities, implementing sound business planning, and encouraging business risk assessment. The third principles is risk management, which can be describe as establishing a process of identifying, analyzing and treating risks that could become a barrier for organization from achieving its goal. The organization should have links between risks and return and resources priorities. Risk management includes putting appropriate control mechanism to manage risk. In doing so, the organization should be able to develop sound risk management plans for example using the effectiveness of information technology, outsourcing, appropriate delegation and segregation of duties, allow healthy competition among staff and staff appraisal and development.

According to ANAO, monitoring principles work as a check and balance of control system to ensure that the organizations are on the right track in pursuing its objectives. It includes quality assurance, benchmarking and other improvement tools. Finally, accountability is the last element of ANAO five principles of corporate governance. Accountability deals with lines of responsibility, generally through the Chief executive officer to the Board, to the responsible Minister and to Parliament. Accountability can be achieves by having clear definition of responsibility, accountability and reporting structure. Responsible officers need to be clearly identified and held accountable for their designated responsibilities and related performance (ANAO, 1999).

On July 2003, ANAO had released its third and latest guide titled “Public Sector governance”. The guide discuss about better practice governance and ways to help all types of Australian Public Sector organisations to improve their governance framework, processes and practices. The scope of the latest guide is widened compared to the previous two, which were structured to address specific purposes. With the publication of the third guide, ANAO took into consideration Commonwealth organization recent legislative changes and current concerns. Although the third guide specifically focuses on Commonwealth organization, it also can be apply to the state government and local government sectors. The report outlined the definition of public sector governance as “how an organization is managed, its corporate and other structures, its culture, its policies and strategies and the way it deals with its various stakeholders. The concept includes the manner in which public sector organizations acquit their responsibilities of stewardship by being open, accountable and prudent in decision making, in providing policy advice, and in managing and delivering programs” (ANAO, 2003).

In the third publication, ANAO had details out the guidelines and they come out with two different aspects in reporting governance, which are the principles and the framework of public sector governance. ANAO had identified the core principles of public sector governance as Accountability, Transparency/ Openness, Integrity, Stewardship and Leadership. The meaning of the principles remains the same as the other previous report. The third report of ANAO argued that, best practice of governance requires the application of the above core governance principles. ANAO established "The house of public sector governance" to describe the framework of public sector governance in its latest report. The "house of public sector governance" underlined leadership, ethics and culture as the foundation of the "house", and the three aspects are essential in order to achieve good public sector governance.

Leadership is the most important aspect that strongly influences all elements of governance. Leadership principle refers to Boards, CEO, senior management that deal with overall organisation policy, direction and culture. They involve in a task such as decision making, developing business strategies, implementing and monitoring, supervisory and some administrative job which is associated with on-going organizational business operations. All of them provide the 'tone at the top' that is essential for sound governance. Besides, the framework also specifies that, good governance require strong behaviours and values of the organization's leaders and the overall culture of the organization. The second factors of the framework are stakeholder relationship. Public sector organization have a wide range of stakeholder to be taken care of, therefore organization should be able to avoid any conflict of interest among its stakeholder. In doing so, it involves stakeholder management for the purpose of ensuring the legitimate interest of its many stakeholders is being considered. The report outlines two kind of stakeholder, which is internal and external stakeholder. Internal stakeholders include overall staff from the management level to the operational level in the organization, where by the external stakeholders are the outsiders for example public and other person that have interest in the organization.

Furthermore, risk management, external and internal conformance accountability, planning and performance monitoring, information and decision support and finally reviewing and evaluation of governance arrangement are the other factors that build "the house of public sector governance" in ANAO latest report. As we look through, ANAO had strengthened out the framework by adding values to the framework/principle. For example, ANAO identifies on the term's organization external and internal conformance accountability. Based on the report, external conformance accountability refers to whom that the organization are accountable for, whereas, internal conformance accountability dealing with organizational affairs such as clear understanding of responsibility between all staff, decision and action.

Information and decision support and reviewing and evaluation of governance arrangement are the new elements added in the frameworks as compared to the previous ANAO report. The latest report states that, information and decision support is important for the boards as well as seniors management to ensure that they have the right information at the right time. In order to ensure that, organization should have a good record keeping of file maintenance, minutes of meeting and expertise in using information technology for example created, store and retrieved information from computers to allow boards and senior's management make correct decision at the right time. Finally, organization should review and evaluate their governance process, so that organization can make an improvement and corrective action plan from time to time if there are changes in the organization. These elements are design in the framework in order to attain the public confidence in the public sector organization.

In April 2002, Victorian parliament, under the committee named as "Public accounts and estimates committee" had published an issues paper entitled "inquiry into corporate governance in the Victorian public sector. The main objective of this paper is to evaluate the existing of corporate governance practice in the Victorian public sector and to find out whether it is appropriate and effective and finally to determine what improvements are needed.

Evidently, this paper has awakened numerous corporate governance issues in Australia. The issues paper list seven principles and practice for effective corporate governance in the Victorian public sectors. The principles consists of public governance, strategic leadership, board independence, values and codes of ethics, board structures, systems and processes, evaluation and reporting and public accessibility to information. The paper also provide a list of useful question which concerns with the issues faced by public sector organization in implementing corporate governance practices and processes.

In the United States of America, the growing concern of corporate governance in public sector comes from The International Federation of Accountants (IFAC). IFAC in its study 13 established a report on "Governance in the public sector" on August 2001.IFAC study 13 had adopted the framework of corporate governance titled, "A framework for public service bodies", from the Chartered Institute of Public Finance and Accountancy (CIPFA) in 1995. The study also acknowledges the principles of Cadbury report in 1992 and Nolan report in 1995, which are openness, integrity and accountability (Cadbury, 1992) and selflessness, integrity, objectivity, accountability, openness, honesty and leadership (Nolan, 1995).

The IFAC study 13 then, applies both principles into the aspect of organizational structures and processes, internal controls, reporting and standards of behaviour. The study underlined aspect of accountability, roles and responsibility of top management level within an organization as the content of organizational structures and process. In the standard of behaviour the study states leadership as the main focus, as well as the code of conduct and values of the organization. Internal control is defined as the control done by the top management to meet organizational goal, which includes, risk management, internal audit, staff training and budgeting. Finally in the reporting aspect, it demonstrate how the top management in an organization show its accountability for the stewardship of public money by taking several approach through annual report, use of accounting standards and performance measures as the obligation to its many stakeholders.

The research concerning best practice and guidelines of corporate governance in public sector continues to be established through out the world. In United Kingdom, The Independent Commission constitutes of Chartered Institute of Public Finance and Accountancy (CIPFA), Office for Public Management Limited (OPM) and partnership with Joseph Rowntree Foundation published the report on the good governance standard for public services in 2004. This guideline had been done to assist "governors" in all public sectors organization, in handling their responsibility as civil servants in a proper governance manner. The report refers governors as the member of governing body which consists of board, CEO and Senior Management. The guideline builds on The Nolan principles for the conduct of individuals in public life. The principles outlines by CIPFA and OPM are focusing on six different aspect, among others, organization's purpose and the outcomes for publics, clear definition of function, roles and responsibility, promoting good organization's values and ethics through behaviour of all staff (Nolan, 1995), transparent decisions and managing risk, developing the capacity and capability of the governing body and accountability to the public, staff and the stakeholders.

Professional bodies such as Hong Kong Institute of Certified Public Accountants also produce a guideline on corporate governance for public sector bodies (A basic framework). This guideline was making published in 2004, to address specifically for the Hong Kong Public sector organization. The purpose of this guideline was to provide guidance on the framework of corporate governance as well as recommending good corporate governance practice to the Hong Kong public sector. The study applies the IFAC study 13 corporate governance frameworks and also took consideration of the fundamental principles of Cadbury report and also The Nolan Committee Report.

In June 2006, Chartered Institute of Public Finance and Accountancy (CIPFA) with The Society of Local Authority Chief Executives and Senior Managers (SOLACE) of United Kingdom wrote a report on corporate governance in local government. The report was specifically focussed to the local authorities to deal with corporate governance issues in their organization, and also covers the best practice for developing and maintaining the code of governance within the local government. The report underlined six core principles which have been taken from the good governance standard developed by The Independent Commission with support from Chartered Institute of Public Finance and Accountancy (CIPFA), Office for Public Management Limited (OPM) and partnership with Joseph Rowntree Foundation. The principles had been adapted to be used in the local government. The principles focus on the purpose of authority and outcomes for the community including citizens and service users, secondly, focus on the roles, responsibility and relationship between publics, members of boards and officers to work together in order to achieve one objectives. Furthermore, the report focuses on the aspect of values and high standards of behaviour and conduct among the people in the local government and finally, on the capability and capacity of the organization to deliver services effectively to the publics and public accountability.

In the States of Jersey of United States of America, the State Audit Commission had published a corporate governance report titled "A proper conduct of government" in 2004. The report aiming to establish a fair standard and best practice framework of corporate governance that governed the activities of all States Committees and other public bodies in the States of Jersey in order to ensure that the Jersey public sector organization direct and control their activities in a proper manner. The State Audit Commission had adopted CIPFA framework of corporate governance in 1995 to be implemented to its public sector organization, as well as applying the principles of Cadbury 1992 and Nolan 1995 report into the aspect of Statutory accountability, Accountability for Public Money, Communication with stakeholders, Roles and Responsibilities, Annual reporting, Internal controls, Audit Committees, External Auditors, Leadership, Codes of Conduct and Conflicts of interest. All of these elements are reflected in the dimensions of organisational structures and processes, financial reporting and internal controls and standards of behaviour.

In South Africa, The Association of Chartered Certified Accountants (ACCA) with the assistance of few African accounting bodies established a guideline titled "Governance in the Public sector" in 2002. This guidelines was prepared for the Eastern, Central and Southern African Federation of Accountants (ECSAFA) which consist of several African nations in order to promote, gives better understanding and implementing of governance frameworks in their respective public sector organizations. (Central agencies, State agencies, related government agencies and government business enterprise)

The guidelines defined corporate governance as the process by which organization is directed, controlled and held into accounts and it includes the elements of openness, integrity and accountability (ANAO, 1999). The guideline used the term "governance" instead of corporate governance to avoid misunderstanding because the "corporate" term usually associated with private sectors. The authors outline the reasons on emphasizing good governance in the African Nation, among others, such as the international aids agencies which demand nation to have good governance practices, in terms of globalization that involved the issues of information flows and freedom of expression and public awareness regarding the management and conduct of government agencies and its staffs.

The guideline describe openness, integrity and accountability as the fundamentals principles of governance and it outlines standards of behaviour, organizational structures and process, control and external reporting (IFAC, 2001) as the elements of good governance to be implemented in the public sector organizations. It also stated, the fundamental principles and the elements of good governance should reflect each other in implementing sound governance practises.

In 2000, The Netherlands Ministry of Finance had published a guideline titled "Government Governance". This paper had been developed for the benefits of The Netherlands public sector organization in dealing with the issues of corporate governance. The paper described corporate governance as "safeguarding the interrelationship between management, control and supervision by government organization and by organization set up by the government authorities, aimed at realising policy objectives efficiently and effectively, as well as communicating openly and providing an account for the benefits of the stakeholders (DAR, 2000).

The paper used the term 'government governance" to best describe the governance in the Netherlands public sector. Safeguarding the policy and objectives of the organization is the main objectives of the "government governance" system. The paper outlined the four important elements of "government governance" in order to safeguard the policy and objectives which includes management, control, supervision and accountability. Based on the guideline, management deals with setting up and design the organization structure for example human resource, developing policy and implementation processes. Secondly, control deals with rules and best practices in order to make sure the organization are on the right track (properly governed) in achieving its objectives. Thirdly, the element of supervision, it describe as the way organization policy, day- to- day operation and other organization affairs are being monitored and lead in fulfilling its objective. Lastly, accountability refers to the liability of the person when dealing with the task assigned and also in the delegation of power. The organization also should provide adequate information on the aspect responsibility and staff reporting. The paper also outlined the important of the relationship between the four elements as to improve "government governance" in the The Netherlands public sector. The paper stated when there is a linkage between the four elements the objectives and transparency can be achieved.

Finally, the paper concludes that, the implementer only limited to developed system, tools and mechanism. At the end of the day, it depends on the people behaviour whether the public sector organization can really achieved sound government governance or otherwise.

In Malaysia, an instruction letter titled "effort in improving governance in the public sector" has been released by the Chief Secretary General (Ketua Setiausaha Negara) in March 2007.The instruction letter heavily focus on improving the efficiency of the Malaysian public sector delivery system to the citizens. The letter describe that, the public sector delivery system was the main attention of the Malaysian government and in achieving that purpose, good governance is crucial in order to accomplished better performance in terms of delivery system to the publics.

The instruction letter released by the Malaysian Chief Secretary General was attached with the guidelines of good governance in the public sector. The objective of the guidelines was to instruct the Malaysian public sectors agencies to apply and practice the aspects of good governance in order to improved performance ability in achieving Malaysian National mission. The guidelines drew heavily based on the Australian National Audit Office (ANAO) Public Sector Governance, 2003, whereby it describe that, conformance and performance requirements are the important aspects in achieving good governance in the public sector. Besides, the guidelines also outlined the integrity, accountability, stewardship and openness as four principles of good governance in the Malaysian public sector.

In addition, the guidelines released by the Malaysian Chief Secretary General also underlined five elements of good governance in the public sector. The elements are leadership, stakeholders relationship, accountability (external and internal), Strategic management and performance monitoring and risk management. The guideline describes leadership as the most important elements of the good governance in the public sector, because leader is the one that ensure the successfulness of implementing and improving the good governance structure and process in an organization. They are doing so, by acting as a role model in terms of its behaviour and performance. Furthermore, it also outlined the characteristic that effective leaders should have such as, strategic thinking, communicate with influence, illustrate good behaviour and integrity, achieving results and creating productive working environments among other staffs.

For the second elements which is stakeholders relationship, the guideline differentiate between external stakeholders and internal stakeholders, which means external stakeholders refers to members or organization that are outside from the organization but have interests in the organization, on the other hands, internal stakeholders refers to staffs, departments or units in the organization that have direct interest with the organization. The guideline also added that, stakeholder relationship should be identify and need to be explained formally in the governance structure of an organization so that, better communication channel among the stakeholders can be achieved. By doing that, public sector organization received quality feedback from its many stakeholders, and as a result of that, the organization achieved better organization performance.

Accountability elements deal with organization or individuals responsible for their decision and action towards the internal or external scrutiny. The guideline outlined two factors of accountability which is external accountability and internal accountability. External accountability deals with several bodies which the organization are accountable and required them to provide organization information such as their performance and conformance with regulatory requirements, among others, parliaments and Auditor General. For internal accountability deals with clarity of roles, communications, decision and action among its management and staffs, such as, documentation on objectives, roles and power among managements staffs, internal audit and review processes, fraud control plan and policies on handling of conflict of interests and ethical behaviors.

In the elements of Strategic management and performance monitoring, the guideline stated that in ensuring the organization performs as well as possible in meeting its policy and objectives, key governance structure and processes is essential in an organization. A well governed organization will includes among others, ensuring corporate and business planning in terms of time based, such as, long term, middle term and short term planning, ensuring the services to the publics is efficient, effective and economic and developing a key performance indicators for performance monitoring and evaluation.

Finally, the guideline describes the element of risk management as the last element of good governance in the Malaysian public sector. Risk management deal with process of identifying, analysing, treating, monitoring and communicating risks. The guideline stated that, it's the responsibility of whole public servants to identify and treating the risks that could prevent the organization from achieving its objectives. In addition, risks management should become central agenda in order to achieve good governance in the Malaysian public sector organizations. In order to achieve effective risk managements, the guideline outline several key components such as, governing members give more consideration and attention on applying the risk management process and policy, review and analysis of risk management approach and the active involvements in risk management of everyone in the organization.

2.3 The Disclosure and practices of governance in the Public Sector

All of the above literatures focus on the establishment of various frameworks and principles of corporate governance through out the world, but the literature concerning the disclosure of corporate governance practice in the public sector context is still small in numbers (Ryan & Ng, 2000).

Among a few researches, there is Ryan and Ng (2000) who has done a very extensive literature review and search for a number of corporate governance guidelines framework in order to find the best applicable framework of corporate governance to the public sector. The study adopts the ANAO five principles to the eighteen public sectors in Queensland, which are government own corporations (GOCs), state government departments, local government and statutory bodies. The authors look at the annual report of the public sectors in search of the five principles of ANAO that are "*leadership*", "*management environment*", "*risk management*", "*monitoring*" and "*accountability*".

Apparently, the findings of this study reveal that the corporate governance principles seem to be fitting quite well among GOCs than others and the monitoring principles received most disclosures in fifteen entities annual report. Furthermore, the finding also found that the accountability principle received the lowest disclosure whereby only five of the entities reveal some information that meets the classification scheme. Finally, the authors concluded that the public sector needs some form of "generic framework" of corporate governance that can disclose out the information in a structured manner about their performance and achievement.

In 1997, Australian New South Wales Audit office (NSWAO) established a performance audit report on the practices of corporate governance by board of directors. The report has two volumes. Volume one is in principles while volume two is in practice. In volume one, the report outline the relationship between the government and boards and how can boards add values in the public sector organization in the aspect of corporate governance. The board can be attached to organization such as University, Regulatory authorities, Government business, statutory authority, Trust, Non-statutory authorities and companies. The good relationship between government and boards is essential so that public sector organization can have a strong leadership in the organization. It also emphasize on how boards can add values in the organization, with having a clear roles, power, function, responsibility and accountability between boards, CEO, government and minister, the public sector organization in the leadership of the board of director can be effective and efficient in carrying out governance function and finally achieve public accountability. Volume one also studies on governance model elsewhere on how boards can add values.

In volume two, the report outlines the findings of a survey conducted across 210 boards in the NSW public sector namely in statutory authorities, government trading enterprise, state own corporation, university council and regulatory authorities regarding the area of role and functions of boards, board's appointment, board's performance, board's accountability and achieving efficiency and effectiveness. The finding of this study shows that, 73.7% of boards classified themselves as controlling party rather than as advisory in the organization, with majority of them saying that their function was ensuring proper resources management, monitoring and reviewing corporate strategy and establishing and communicating objectives, corporate strategy and visions. In the aspect of board appointment, government trading enterprise (GTE) and state own corporation (SOC) shows 64% of their boards agreed that minister seek their advised on the appointment of new board members. The audit survey also asked boards regarding the element of performance; the finding shows that, 65% of boards did review organizational performance against strategic objectives of the organization. For accountability issues, the report outlined issues on preparation of board meeting, how decisions are made and how decisions are reported at the board meeting. The finding shows that 50% of boards distributed their agenda papers four or five days before meeting, 77% of boards finalized their decision making through consensus, while in the aspect of behavior, the finding found that 53% of board did not have a register of conflict of interest and 61% of boards did not have a code of ethics adopted and endorsed by the board.

In addition, the result shows that, board likely to report on organizational performance instead of their own performance. Lastly, for the element of achieving efficiency and effectiveness, the NSW audit office conducted a survey regarding factors that affect the efficiency and effectiveness of boards. Among others, recognition the scope and issues of corporate governance, for example setting up corporate governance committee, establishing written rules and procedures and had a chairman for promoting better practice of corporate governance. Beside the two volumes, The Audit Office of New South Wales also published a supplement report presenting the Audit office survey finding as reported in the volume two.

In 2003, Audit commission in United Kingdom produced a corporate governance report titled "improvement and trust in local services". The study focus on the relationship between the qualities of corporate governance compares with the quality of services that the public sectors provide. The study also acknowledges that public sector is a complex organization in terms of legislative, political and local context. It also outlined that in order to achieve good corporate governance, the combination of "hard and soft" factors is essential. The "hard" factors are the robust systems and processes while the "soft" factors consists the element of leadership, culture and the high standards of behavior in an organization. In the report, Audit commission of UK had evaluated four different types of public sector organization namely, local government, health, police and probation in the criminal justice system. The report evaluated on the four components of governance, which is financial management and financial standing, risk management and internal control, internal audit and audit committees, and standards of conduct. The findings shows that health sector have an higher risk on the element of financial management and financial standing which concern on the proper management of resources and a sound financial position to achieve the objectives. Local government and police face a greater risk in terms of risk management and internal control because their lacks of corporate risk management in place. The study found that both sector was making a slow progress in fulfilling in the elements of risk management and internal control. On the elements of standards of conduct, all four sectors were in good position and they had established the code of conduct in their respective organization. In the aspect of internal control and audit committees, the finding shows that they were adequate in all four sectors that had been evaluated by the audit commission.

Finally audit commission in the report concludes that, in achieving good corporate governance, the organization should have a strong leadership that can create a vision for organization, clear organization strategy and objectives and roles and responsibilities. The organization should also apply a "clean" culture that consist the elements of openness and integrity, the organization should have "robust" organization system and processes so that reliable and accurate decision making can be made. Finally, the organization should also focus on the needs of public, service users and complexity of stakeholders.

In Australia, Queensland Audit office had released a report titled, corporate governance beyond compliance. The report was published in 1999 and it reviewed on the principles of corporate governance and risk management practices on 13 Queensland public sector departments. The report emphasize on leadership and risk management, which are the fundamental principles in the corporate governance framework. The report also acknowledges that, public sector organization is varying in size and complex in terms of political and legislative environments. The principles of corporate governance used by the Queensland Audit office were management structure and operation, management standards, control, monitoring and reporting, external accountability and risk management. On the principles of management structure and process, the report found that, most of the departments had adequate term of reference. They defined clearly the executive group and committee's roles and responsibility towards its accountable officer. Most of the department also maintaining the quality of records in terms of easy accessible and in orderly fashion. For the management standards principle, majority of the reviewed department had established and issued their code of conducts, induction courses and training. Furthermore, the principles had been well prepared and documented for the employees and provide up to date information regarding new policy and procedures.

Queensland Audit office also reviewed most of the department focus on financial information instead of non-financial information in the aspect of internal reporting. The QAO argued the report should be reviewed in order to achieve balance reporting for both aspects. All the reviewed departments had established internal audit and audit committees. Furthermore, most of the departments had managed their financial statement information in organized and structured manner and also disclosed their corporate governance disclosure in annual reports. The disclosure should be more comprehensive in order to show the organization is well governed, effective and efficient. In terms of risk management, most of the department had successfully established the risk management culture within the organization. Senior management play an important role to support the risk management culture for example by appointing risk management coordinator and provide risk management training for the staff. Most of the department also had risk management policy in place and at the same time, applying risk management practices within their organization.

Ryan and Purcell (2004) study on what are the factors that influence local government to disclosed their corporate governance information in the annual report. Ryan and Purcell (2004) outlined the key aspect of corporate governance as dealing with the procedures associated with decision-making, performance and control of the organization, providing structures in giving overall direction and lastly the elements of accountability to meet the expectation to those outside the organization. Ryan and Purcell (2004) argue that there is no compulsory legislative or requirement to instruct the local government to disclose their corporate governance information in the annual report. This paper applies institutional theory which consists of coercive, mimetic and normative isomorphism to develop an understanding of what motivates local government to disclose corporate governance information in their annual report. Institutional theory is "exploring the manner in which an organization relates to its environment and its reasons for adopting certain structures, cultures, routines and practices" (Ryan & Purcell, 2004).

115 Queensland local government councils annual report of 2000/01 had been examined. The finding shows that one of the reasons that motivate local government to disclose their corporate governance information in the annual report was the increasing demand by the public for better accountability, transparent and open decision-making process is. Furthermore, how the preparer's viewed the important of annual report is also one of the factors that influence local government to disclose their corporate governance information in their annual report. The preparer's will disclosed the corporate governance information if he or she viewed the annual report as accountability document, written specifically for the public to enable them understand the operations of the local government activities. Other than that, influence of annual report competitions and

compliance with 'best practice guidelines' also motivates local government to disclose their corporate governance information in their annual report.

A report titled corporate governance in National Health Service (NHS) - an assessment of boardroom practice was established by Harrison (1998) in United Kingdom. The report emphasized on corporate governance aspect in assessing the boardroom practice in three English district health authorities (DHA). The report focused on the issues of tenure, age, gender and ethnicity that influence the composition of boards of the three English district health authorities. The report looks at the elements of Tricker corporate governance categories which is strategic direction, executive management, supervision and accountability and finally the report look at the boards and directors improvement. Data were collected through the postal survey from DHA executive and Non-executive directors within three English district health authorities. The finding shows that, two third of the three English district health authorities boards had been served the organization for two years or more, while a third less than two years. For age factors, majority of the directors were in the late middle aged and 72.9% of boards representing male while 27.1% were female boards. In terms of ethnic, 96.6% was white while remaining 3.4% of boards were non-white.

In strategic direction, the report shows majority of the DHA executive and Non-executive directors agreed that they had discussed and established the element of strategic direction such as organizational purpose, mission statement and organizational values.

In terms of executive management, it shows 63% of the DHA executive and Non-executive directors stated that they had the opportunity of placing items in the board's agenda, while 86.3% stated decision making in boards meeting was made by consensus.

While in supervision aspect, 55.7% of DHA executive and Non-executive directors stated supervision of the boards comes from audit committee, and the remaining comes from management review and remuneration. In the element of accountability, surprisingly the finding shows that, only 18.6% of respondents agreed accountability was clearly defined in the District Health Authorities (DHA). In the aspect of improvement for the boards and directors of DHA, 61.4% of the respondent agreed they had the opportunity to enhance knowledge by participating in induction and training programmed but the allocation was imbalance. Most of the opportunities were given to chairman and CEO while little opportunities were allocated to executive and Non-executive directors of DHA.

Farrell (2005) studied on governance issues in the UK public sector. The author specifically focuses on the involvement of the school governing body in strategic activity in school. The author outlined the theoretical perspectives in the scope of corporate governance in describing the extent of board involvement in strategic activities within schools. The theoretical perspectives are agency theory, resources dependency theory, stewardship theory, stakeholder theory and management hegemony theory.

The research applies McNulty and Pettigrew's (1999) model of governing bodies/ board participation within the organization. The model outlined three main elements in determining the level of board participation in developing the strategy in the organization. These elements consist of taking strategic decisions, shaping strategic decisions and shaping the content and conduct of strategy. 28 school governors in 8 schools within the South Wales local education authority had been examined through semi-structured interview method in 2002/ 2003 academic year. The findings shows that, in the aspect of taking strategic decisions, most governing body only participated in giving approval while all the “hard work and brainstorming “ had been done earlier by the head teacher. While in the aspect of shaping strategic decisions, it appears that, only the chair person involved in shaping the strategic decision and not all the members of school governing body committees. Finally in the aspect of shaping the content and conduct of strategy, the governing bodies more involved in the area which were not specifically education centered, such as finance, accounting and other personal matters and leaving the core activities to the head teacher.

Finally, the study concludes that, the school governing body is not actively involved in the aspect of strategic activity in the schools. It is clear that, head teacher and other staff within schools are more dominant in planning and implementing the strategy.

Howard and Seth-Purdie (2005) conducting a research regarding governance issues for public sector boards. The research concerning the experience of boards in Commonwealth authority (CAC act) and Financial Management and Accountability (FMA Act) agencies in Australia working within the corporate governance issues. 24 interviews had been conducted involving 8 departmental secretaries, 3 CEO’s of statutory agencies, 3 executive directors of authority, 4 non-executive directors of agencies/authority board, 3 chairs of authority boards and 3 other senior officials. The major governance issues (according to Howard & Seth-Purdie, 2005) which had been discussed were the roles, conflicts, evaluation of the governance arrangements and the board’s skills. In their findings, the authors states that, in FMA Act Agencies the boards are lack of power in terms of formal or legal authority. The power of responsibility and decision making were in the shoulder of CEO. The authors conclude that, the role of the board in FMA Act is at an early stage. In contrast, the role of boards in CAC agencies was much more different. The boards seem to have formal authority, clear responsibility and accountabilities within the organization. Through the interview, the research outlined on how minister exert influence on boards, by creating "informal communication" with boards and bypass the protocol of communication. The minister directly deals with the boards members and senior management without the concerns of the chairperson and finally through their control over the appointment of the board member. According to the authors, conflict arises when the role and responsibilities of the boards were not properly clarified. On the other hand, most of the boards were well aware regarding their personal responsibility and lines of accountability and feels no conflict in terms of their position.

In the aspect of evaluation of the governance arrangements, the study shows both in CAC and FMA agencies there is no systematic process to evaluate the governance arrangement within the organization. It appears both agencies regarded their governance arrangement as good when the portfolio minister was "happy" with the department's performance. On the perception of external stakeholder, the organization was performing well when it's achieved partnerships with other organization and by having the audit and risk management committees.

Finally in the aspect of board skills, most of the boards in CAC and FMA agencies were agreed that variety of expertise and skills are essential in determining the effectiveness of the boards. Boards develop list of skills needed, and provided to the minister to assist in the selection and also put forward nomination. In certain cases the appointments by the minister do not take into consideration the skills needed in the organization. In conclusion, both boards, specifically in CAC and FMA agencies need the generalized guidance and framework for best practices of board governance in handling the organization direction and strategic management.

Greer and Hogget (2000) also done a research regarding issues on governance for public sector boards and their management, titled “contemporary governance and local public spending bodies”. The authors examine the nature of boards and executive and their relation and the process of organizational decision making in three different kinds of Local public spending bodies (LPSB) which is the housing association (HA), further education corporation (FEC) and training and enterprise councils (TEC) in England. Semi structured interview were conducted with the boards members, senior management, including chairman and chief executive officer of the respective organization as well as analyzing several documents such as annual reports, minutes of meeting, mission statements, agendas and strategic and operational plans. The sample consist of four colleges, three housing association and one training and enterprise councils. The finding shows that, the majority of the boards in three LPSB describe their roles as strategic, steering and guiding role to the management or executive. The boards play an important role in giving the direction and confident for the management in running the day to day operation in the organization. Beside that, all the boards in three LPSB have a vital stewardship role, for instant, dealing with the public money, where it is properly spent and reported. The boards also argued that, lacking of information regarding day-to-day operation of the organization makes them feels less contribute and disadvantage. Furthermore, the boards in all three LPSB organizations had implemented more open procedures regarding the appointment of the board’s member. They had done significant changes for example, established a committee, skills audit, advertise for the recruitment of board members, and introduce age limits. All of these efforts are due because of the growing concerns regarding the experience, skills and knowledge of the boards that represent the board's members in their respective organization.

The research also shows, Chairman of the board play an important role in managing the conflict between the members of the boards and senior management within the three LPSB organizations. Beside, in all the three sectors, boards always put proposal or any issues in a formal vote.

In the nature of executive, their clear responsibility is to runs day-to day operation of the organization and ensures it is properly managing accordance to the organization objectives. They also play the significant role in formulating policy and setting strategic direction. The National Housing Federation outlines the role of the executive which is to help boards determine organization strategy. FEC principal are members of the boards while CEO in TEC and HA were not a member of the boards, but they attended the board meeting. The entire executive in this study agreed that, boards should makes it clear regarding the matters of policy, strategy and direction of the organization, and the most important matter is the good relationship between the chief executive and the chairman of the boards, where by the vital point where effective corporate governance lies.

In the nature of board and the executive relation, many of the boards in the LPSB organization was describe as "rubber stamp". The boards simply go along with the Chief executive and other executive, where decision agreed for what had been proposed. That type of boards are categorized as level A, but slowly the boards are developing more towards questioning and participating in the organization matters. Many of the CEO and senior executive in three LPSB organization feels that their board should leads the organization in terms of the strategy, policy and objectives, but the problem is that, the roles clarification between the two were blur and not clear. In the process of organizational decision making, all the three sectors had combined the element and adopted the approach of functional committee, inner core and corporate board model in decision making. In functional committee, decisions were made by main board that meets quarterly and consider report from committee such as finance and development. Then, the approval was made by the full board and considers important issues from the committee which cannot be resolved. Inner core is the approach where by most influential members of the boards meets regularly with the management team and it allow quicker decision making.

Finally, the corporate board model decision was taken by small board members, but has no ultimate decision making and more towards ad hoc task. The full board will meet within the period of a month to consider all issues that important to the organization. In conclusion, the authors conclude that, the boards in the LPSB organization should be more "businesslike" in terms of the expertise and the conduct of the board members.

Smith, Mathur and Skelcher (2006) study on the issues of corporate governance when two or more (partnership) public sector organization work together to achieve desired objectives or set of goal by the government. It explores the "democratic deficit" in the aspect of governance of collaborative working through partnership arrangement in the public sector in the United Kingdom. The partnership responsible for government matters such as regeneration, social care, sustainability, community safety, service for young children and culture. The research consisting various method which is through identification of partnership organizational, face to face interview with fifty board members and partnership members, using governance assessment tool comparing with the governance practices of the partnership, questionnaires and through observation and meeting.

The research had identified twenty six partnerships, one with long history of working partnership and the other one is newly engaged partnership. The type of partnership consisting of club, agency and polity. The authors identify several benefits of partnership organization which is providing flexibility, where members can use their discretion in managing the organization; create integration among cross agencies and enhanced legitimacy of public policy by involving wider group of interested parties. The study focus on the governance issues of public access, internal governance, member conduct and external accountability. The findings shows that, on the element of public access, the partnership been rated as poorly.

There is a lack of consideration on the transparency and openness when it comes to the access of information to the public such as attended meeting, reports and minutes of meeting. The scenario is more towards “ad-hoc access” rather than absolute rights. In terms of internal governance, the partnership had a better outcomes whereby most of the partnership governed by a written constitution or memorandum/ article of association. Then it is rated poorly again in terms of the member conduct, whereby no clear guidelines for managing the conduct of the members and it depends on the personality of the leaders or chairperson. Furthermore, conflicts of interest also were not properly practices. External accountability is well developed in the partnership organization. Most partnership had a high awareness on the financial rules and requirements towards their funding bodies.

The most important finding in this research is that the partnership working organization is lack of public accountability compared to financial accountability. The important issues that been highlighted was the ability of the community or public to hold the partnership accountable for it actions. In conclusion, the research outlines several governance guidelines for improving partnership governance, so that it fulfill the so-called "democratic values" to the wider public community, and the research also stress that the guidelines must be well align with the three types of the partnership which is club, agency and polity.

Clatworthy, Mellet and Peel (2000) study corporate governance issues under new public management. In their paper titled "Corporate governance under 'New Public Management': exemplification, they reviewed the model of corporate governance (Tricker, 1995) used in private sector whether there is sufficient relatedness of the elements to be applied and transfer to the public sector. They also used National Health Service Trust organization (NHS UK) as the example of the public sector organization. The paper argued, if such adoption cannot be made, modification of governance model should be made in order to be applied to the public sector.

The Tricker (1995) model consists of the elements of the boards, management, auditors and regulators, members and other stakeholders. In the context of board and management, NHS trust boards consist of between nine to eleven directors, mixed of executive and non-executive directors. The state secretary appointed as the chairperson, some members of the boards come from local community. The chairman and non-executive directors appointed the Chief executive. When the trust board had been constituted, they will develop the management systems and structures to fulfill its objectives. In the private sectors, the boards and management aspect was covered in its memorandum and articles of association. Private sector was required to have an Annual General Meeting (AGM). The AGM in the private sector allowed members participate in decision making by having the voting rights. By doing so, members have some contribution towards the management and strategy of the company. Furthermore, the AGM were restricted to the “members only”. Unlike in the NHS trust, the AGM is only “one way reporting”.

The authors also make comparison regarding performance indicators. In companies, performance was largely based on the profit, the more companies make profit, and the better they performs. In NHS trust, performance is based on the quality and efficiency of services that they provide. Failure of delivery systems means, lack of public accountability. The authors also describe governance structure in NHS trust was complex compared to the companies, whereby principal and agent term is not clearly stated and difficult to identify.

In the context of Account and audit, while the private companies uses the full sets of accounts consist of profit and loss, balance sheet and cash flow statement, NHS trust had the income and expenditure account. Furthermore, the authors also emphasize on the interested party of the information provide in the accounts. In the private companies, the information of the accounts is so important for the users to make decision-making and assessing the stewardship matters of the management. In NHS trust, the authors argue, the information provided in the accounts had very little impact on the users group. Finally in the context of service accountability and audit, NHS trust was accountable on the action and services that they provide for example in terms of statutory and service accountability similar to the private companies. The paper stated that, there is some lack of clarification regarding the issues of audit. The trust auditors consist of audit commission or district audits, both are public sectors agencies, which may create conflict of interest when implementing an audit work in NHS trust. Unlike in the private companies whereby, audit is the pivotal tools for check and balance of the companies in order to provide a ‘true and fair view’. The paper also raised question regarding to whom the auditors owes a duty in NHS trust as the fact that the principals is not clearly defined.

In conclusion, the authors claimed, the private sector governance model cannot be applied in the public sector without modification. Even though there is some similarity regarding the governance issues but the activities, culture and practices were different. Further more, the authors stated, even in the public sectors it required tailor-made governance frameworks to be suit in the unique and complex range of public sector organization (ANAO, 1997).

Bailey (2003) in his article titled “The governance of the public sector” discussed on managing the public sector in the context of corporate governance. Bailey stated that public sector is unique in terms of its activities compared to the private sectors. Public sectors have to fulfill the social obligation or benefits towards the citizens and at the same time balancing the resources allocation. Bailey describes clarification of roles and responsibility is the crucial problems that encounter in the public sector organizations in United Kingdom.

In his study, Bailey underlined political and professional judgments were the pivotal area that needs to be clarified. In the case in United Kingdom, too much intervention from the so-called political judgment will make the professional or the practitioners doing nothing but accountable for any failure of public service delivery.

Bailey also suggested the good governance practices among participants in the public sectors activities comes when there is high level of trust among colleagues based on their experience and expertise that they acquired. Beside, understanding to each other and clear roles and responsibility among politicians, minister, public officials, professionals and managers for the purpose of delivery of services to the public also portray good governance practices.

Bailey argued the most important aspect is that, all the players could manage to work as a team. In conclusion Bailey stated politicians and minister could play a vital roles when comes to a guidance and the allocation of resources roles but it is the responsibility of the practitioner or public officials to deliver the service to the public.

Ferlie, Ashburner and Fitzgerald (1995) had done a research regarding corporate governance in the public sector taking some issues and evidence in National Health Service (NHS) of United Kingdom. The authors study on the aspect of corporate governance in the 1990 reorganization reforms of NHS particularly in the nature and model of the boards of directors.

The authors outlined the series of corporate governance failure for example in the Regional Health Authority (RHA) and in the NHS itself. The failure concludes as evidence in order to implement the reorganization and introducing the new corporate governance system of NHS in the 90s. Some of the new system of corporate governance had been outlined by authors was setting up the audit committees, register of member's interest and the effective system of control and accountability. Beside that, the authors also acknowledge the emergence of the new public management (NPM) as the important factor to reform the corporate governance issues in the NHS. The NHS should adopt private sector boards of director model in order to give an effective impact in developing the NHS. By doing so, the NHS consist of boards which is more determine, highly expert and experience in contributing ideas and managing the NHS.

The study emphasize on the arrangement of the new style of boards of directors. The authors gather information on the roles, relationship and the process of the boards of directors in the NHS. They take two regional health authority (RHA), three district health authority (DHA), two family health authority (FHSA) and four acute NHS trust as a sample of the research. Furthermore, the authors conducted semi-structured interviews with the management and boards to gathered information regarding the style of boards of directors in NHS. For the finding, in the aspect of variation of authority type, the authors found that, non-executive directors in RHA have the less contribution in the meeting, due to lack of clearly defined roles, and in the meeting of RHA it is clearly dominated by the chairman or the CEO. Meanwhile in the DHA, the finding shows that, non-executive directors have little involvement in the meeting but still dominated by the executives. In FHSA, the members of the boards consist of one executive member and four practitioners whereby the practitioner dominated the meeting. Finally in the NHS Trust, the non-executive directors had more involvement in the meeting due to the lack of experience by many of the NHS Trust executive.

In terms of the values and beliefs, the 1990 reforms of the NHS, bring the positive effects in the sense that, all the people that involve in the management in the NHS can work together as a group rather than as an individual with different background and views. The new reforms of corporate governance and reorganization had brought a positive effect in terms of collective decision making and unity. Beside that, the new system of corporate governance change the board's process in the NHS, for example in the aspect of attendance of meeting, the absentee rate was low compared to the old style of corporate governance system.

FHSA and trust was managed to get the higher attendance rate compared to the RHA and DHA. With the new system of corporate governance, it brings the quality of discussion and ideas to the NHS organization, whereby, the member's can feels more open and relax atmosphere. In addition, the new style of corporate governance, managed to change the NHS from representation orientation to the achievement orientation, by upgrading the skills, knowledge and contribution of the non executive directors and bring the new breads of NED's which have the leading role with wide expertise and knowledge that can contribute to the strategic and decision making of the NHS. In other aspect, the chairman play an important role in leading the NHS organization, to be more specific, the chairman and the CEO relationship was pivotal in all NHS organization. This evidence shows that the new style of corporate governance brings the positive effects in the leadership role of the NHS.

In the aspect of Chairman and NED, the study revealed that, chairman was the dominant role when it comes to the relationship. It is rarely to see the NED's had an argument or challenging the opinion of the chairman during the meeting. By doing so, NED's promoting politeness, consensus and conformity within the board's structure. The study also found that, if any NED's where debating or challenging the chairman in an open meeting, the NED's will be dismissed and will get little support from other members in the meeting. Nevertheless, there is situation whereby, NED can work well together with the chairman and the CEO, this situation exist when the NED's had a strong historic relationship with the chairman or the NED's acquired knowledge and expertise that can add value to the chairman and CEO.

In the study, the authors outlined the terms dissent. The new reforms of corporate governance and reorganization in the NHS seem to bring added value to the culture of the organization by creating positive challenge environment. The so-called dissenter, act as an agent of change by challenging other member's decision and opinion rather than being a follower. The author's also identify what sort of NED's characteristic are in the NHS organization. They categorize the level as level A, B and C. In level A, NED's more likely as a "rubber stamp". In level B, the NED are more involved in terms of probing, arguing and questioning, while in level C, they involved in organization culture and vision, specifically in implementing organization strategy and decision making. The study found that, the NED's within NHS organization more towards level B style and some in the transition to level C especially in NHS Trust.

In conclusion, the 1990 corporate governance reform and reorganization of the NHS organization bring more positive effect and added value to the organization as a whole. The boards was seen act as a starring role rather than a' rubber-stamp'. The reforms also create new positive challenge environment to the organization towards greater managerial effectiveness. The authors also outline that the private sector model were heavily influence of the reorganization of the NHS. Finally, the aspect of accountability must be well understood and clear in order to achieve better performance and control.

2.4 Governance and performance

Many people believe that when firms, markets and countries have good governance in its system, their performance is much better than the less government firms and states. In this section, the study will literately review the link between governance and performance. However, the main part of governance and performance relationship had been covered in various studies in the private sector, but there is lack of study of governance in public sector especially in the disclosure, practices and the effectiveness of governance matter (New South Wales Audit office 1997), as Ryan and Ng (2000) support this argument, there is less research study or literature review on governance issues in the context of public sector as a whole.

It is believe that when good governance exists in the management of the cities or states, there will be broad improvements in the cities performance. According to the report of OECD (2001 1a, 1b) and ODPM (1999; 2005), key factors that lead to positive, social and economic change at the local level are the government and leadership. A report in Whitehall stated that local governance matters to Britain's economic performance and competitiveness. A five years plan constructed in the ODPM has outlined strategy to Vibrant Local Government (2005) for consultation on the future local government. The plan has emphasized the importance of good governance and effective leadership which seem to make a difference in terms of economic outcomes. Furthermore, the report also stressed out that the appointed mayor in cities and towns will assume to be improving governance and hence performance.

The contradict finding was revealed by some researches from the ESRC cities program which undertook a wide program of consultation in UK cities. They argument was that "we have not found simple evidence of the impact of better governance or urban economies performance across British cities". This statement can be argued as numerous reports stated that, Liverpool was linked with bad governance and bad performance during the 1990s while London, which has no governance structure, achieved very good governance (Marshall, 2005). According to Stone (1989), the success of cities was due to "good leadership" provided by mayors and business elites. This statement has be supported by the article wrote on the role of mayor in transforming the economic fortunes of large cities in the Time magazines (TIME Magazine, 8th May, 2005).

In a World Bank study, Kaufmann and Kraay (2003) reported that there is a causal link between governance and income level. Their studies are based on several hundred individual measures of governance perceptions drawn from 25 sources of 18 different organizations, covering the period of 1996-2002. The indicators used in 2002, cover 199 countries and territories. The finding of the study suggested that policies to bolster governance are important to economic success or performance.

A lot of academic attention in corporate governance has been devoted to making predictions about the firm's performance as a result of governance practices (Jog and Dutta, 2004; Klapper and Love, 2003). The study by Klapper and Love (2003) revealed that there is a positive relationship between good corporate governance behavior and firm performance which is measured by return on asset (ROA). The data used in their study are taken from a report by Credit Lyonnais Securities Asia (CLSA) that constructed companies' government ranking for 495 firms across 25 emerging markets and 18 sectors.

Other researches that support the hypothesis of good governance has an impact on the firm performance are by Drobetz, Schillhofer and Zimmermann (2004). The finding of these studies fails to reject the null hypothesis and conclude that there is a strong relationship between corporate governance and German stock exchange companies (DAX 30 and MDAX) performance (market valuation). The study use a Tobin's Q method and market to book ratio in order to test the hypothesis.

The works of LaPorta, Loprz-de-Silanes, Shleifer and Vishny or better known as LLSV on corporate governance is also important as it have been published in very prestigious academic journal. In 1997, LLSV conducted a research using a sample of 49 countries by looking at the investor protection through the system of legal rules and quality of enforcement of the rules (governance). The finding suggested that countries with poorer investor protection have smaller and less liquid capital market. Here, it can be said that when a countries have good governance, in term of investor protection, the capital market can perform much better with a more liquidity to roll on. Several years later, LLSV (2002) also reported that a cross-section of countries that have better shareholders' right is empirically associated with a higher valuation of corporate sector.

The study on shareholder's right and twenty-four antitakeover provisions has also been carried out by Gompers, Ishii and Metrick (2003). The authors tried to find any relation between the index (shareholder's right and antitakeover provisions) and corporate performance. As it is reported, the study find some evidence that portfolio of firms with weakest antitakeover provisions earn more stock return in the long run with a higher firm valuations than portfolios of firms with strongest antitakeovers provision. Their result was based from the measurement of Tobin's q. This shown that the performance of companies (higher firm valuations) with good governance (weakest antitakeover provisions) is much better.

It is widely acknowledge that a company or organization that practicing good corporate governance will eventually benefit from good corporate results (Shakir, 2004). Many studies had shown the significant relationship between good governance with better performance in an organization (Coles et al., 2001). Among others, research by Jinarat and Quang (2003), titled "The impact of good governance on organization performance after Asian Crisis in Thailand. The research studies the relationship of good governance at functional level with the organization performance in Thailand private company. The study had used the method of questionnaires in finding the answer of the research. The sample size consists of staffs from Thailand public listed companies, and a number of 122 respondents had been chosen as respondents.

The authors divided the questionnaires into three sections. The first section of the questionnaires measures corporate governance, while the second section measures governance at functional level and the last section measures performance of the organization. The study takes in to account the financial and non-financial aspect on measuring the performance of the sample companies. The finding shows that, there is a positive relationship between good governance at functional level with the organization performance in Thailand private company particularly in terms of non-financial aspect. Finally, the authors conclude that, institution that good in corporate governance can ultimately contribute to overall satisfaction of employees.

Coles, McWilliams and Sen (2001) examined the relationship between good governance mechanism and performance in the private sector firms in United States of America. The authors highlighted several governance mechanisms to be tested with the performance measures. The authors identify CEO compensation, CEO tenure, Board composition, leadership structure and ownership structure as the governance mechanisms whereby Market Valued Added (MVA) and Economic Value Added (EVA) were the performance measure. MVA deals with market performance measure and EVA deals with accounting or financial measure such as return on investment (ROI), profit margin, cash flow margin and sales margin.

The research used both primary and secondary data whereby the data were gathered from various sources such as proxy statement, CEO compensation information, performance measure data and size of the firms and all data were collected from the year of 1984 until 1994. The dependent variables for the study were performance measures which is MVA and EVA while independent variables were the elements of the governance mechanisms.

From the finding, the research indicates that, good corporate governance leads to better firm's performance. Mostly all the governance mechanisms had the significant relationship with the performance measure namely Market Valued Added (MVA) and Economic Value Added (EVA).

A study by Yacuzzi (2005) titled "A primer on governance and performance in small and medium-sized enterprises. The research focus in stressing on the existing literature related to the measurement of corporate governance and performance and its application towards the Small and medium-sized enterprise (SME's). The author outlined the so-called "problem traits" that characterized many SME's firms such as lack of material, limited financial and human resources, lack of expertise among personnel, lack of strategic vision and many other problem which is associated with firm's mission and vision such as planning, training and others.

The study had adapt four theories on corporate governance which is agency theory, stewardship theory, resource based theory and stakeholder theory to be applied in Small and medium-sized enterprise and to show weather these theory had the impact on the performance of Small and medium-size firm. Based on the existing literature, the study found that, there is a significant relationship between good governance and better firm's performance in SME's. Better governance arrangement helps to improve productivity, corporate functions and family welfare in the Small and medium-sized enterprise (SME's).

Based on the research by Kouwenberg (2006) titled better Governance = Better Performance? The author defined corporate governance as the system by which companies are managed and controlled. Furthermore, it clarifies the *rights and responsibilities* of the main players which is the managers of the firm, the shareholders, the Board of Directors, creditors, employees and other stakeholders.

The author also outlined that Good corporate governance codes usually emphasize that a public company should provide accurate and timely information to all stakeholders and make it easy for shareholders to use their voting rights. Further, good governance codes also try to strengthen the Board of Directors' role as an independent body supervising the management as a whole.

Based on the research finding on the impact of good governance on the financial performance of companies listed on the Thailand Stock Exchange, the result indicates that, better corporate governance is associated with better stock market performance among companies trading on the Stock Exchange of Thailand.

The research shows that, firms that followed most of the 15 good governance principles introduced by SET in 2002 had a higher stock market value, higher stock return and good in accounting performance as measured by the Return on Equity (ROE) in the period 2003-2005 compared to firms that did not implement.

Based from the above arguments, it can be said that by having good corporate governance, a firms can add value and improving the performance of firms through more efficient management, better asset allocation and better decision making policies (Claessens, 2006). Moreover, many strongly suggest that at the firm level, better corporate governance leads to higher rates of return on equity, higher valuation and higher profits and sales growth (Gompers, Ishii & Metrick 2001, Brown & Caylor 2006, Bebchuk, Cohen & Ferrell 2005).

2.4.1 Evidence from public sector

In 2003, Audit commission in United Kingdom produced a corporate governance report entitled "improvement and trust in local services". The study focus on the relationship between the good public sector governance with the performance in terms of the quality of services that the public sectors provide. The study also acknowledges that organization with good public sector governance have the capacity to maintain high quality service and deliver high performance.

In the research, Audit commission of UK had evaluated three different types of public sector organization such as local government, health, police and probation in the criminal justice system. The report evaluated on the four components of governance, which is financial management and financial standing, risk management and internal control, internal audit and audit committees, and standards of conduct. The performance was been measured through performance information given by councils, government department, auditor and inspection. The sample study of 32 public sector organization in the area local government, health, police and probation had been chosen, and the research used the method of statistical analysis of data collected through comprehensive performance assessment (CPA). The findings show that there is strongly significant relationship between good governance and organization performance of the public sector organization in terms of service delivery.

Skelcher and Mathur (2004) in their research titled "governance arrangement and public service performance" studied the relationship between governance arrangements and the performance of the public sector organization. The authors choose partnership public service organization in order to show the link between the two variables. . In this research, the authors outlined two performance indicators: namely- organization and democratic performance.

In conducting the research, the elements of governance arrangements was used as the independent variable are : organization status- partnership, Board- Appointed/ nominated, Mandate- single purpose, Discretion- Compliance on programmed achievement, while organization performance was measured through the elements of output and outcomes, legitimacy, consent and accountability. The authors used Governance Assessment Tool (GAT), questionnaires and also conducting structured interviews to board members, partnership managers, and staff in two localities, one with long history of partnership and the second with more recent engage partnership in order to show the relationship. The samples size of 51 respondents had been taking parts for the study.

The finding shows that, the governance arrangements in public sector partnership organization do affect the performance in positive manner. In other words, there is positive relationship between the two variables under study, namely governance arrangement and organization and democratic performance.

A research by Alexander and Lee (2006) at the Not for profit hospitals in United States found that there is a significant relationship between good corporate governance practices and hospital performance. The authors identify the element of boards effectiveness in governing the Not for profit hospitals as the governance aspect whereas in measuring the hospital performance they indicates the elements of efficiency, occupancy, adjusted admissions, market share and cash flow as the measuring tools for measure hospital performance.

The research used questionnaires method to gather data. The questionnaires were distributed to the CEOs of all U.S community hospitals and the response rates were at 57%. The other sources of information were gathered from American Hospital Association, Bureau of Health Professions and the Medicare cost report on the information regarding county-level demographic, health care resources, economic, hospital size, system membership, ownership type and financial performance information. All data were gathered from the year of 1985 until 1994.

The finding shows positive relationship between good corporate governance practices with hospital performance particularly in the aspect of hospital efficiency, adjusted admissions, and market share.

Based from the above arguments, it can be said that by having good public sector governance, an organization can add value in improving the performance of the organization through more efficient management, better asset allocation and better decision making policies (Claessens, 2006). Moreover, many researches (see Gompers, Ishii & Metrick 2001; Brown & Caylor 2006; Bebchuk, Cohen & Ferrell 2005) strongly suggest that at the firm level, better corporate governance leads to higher rates of return on equity, higher valuation and higher profits and sales growth.

2.5 Overview of performance measurement in the public sector

Nowadays, government gives more attention, time and money on performance measurement and evaluation in the public sector than ever before (Organization for Economic Cooperation and Development (OECD), 1996; Pollitt and Bouckaert, 2000, p 87; Power, 1997). Although the measurement of performance in the public sector is relatively new, a substantial body of literature on performance management has been developed since the late 1970s (Boland and Fowler, 2000). **This includes the terms such as performance measures, performance indicators, performance appraisal and review, value of money and more recently quality assurance (Boland and Fowler, 2000)**. Also, a new "industry" has been created within the public sector which is concerned with collecting, reporting, and appraising organizational performance (Holloway, 1999; Rouse, 1993, 1999)

Public sector organizations are different from the private sector. These public sector organizations are created to meet some form of perceived societal need. The focus is not on profit maximizing and there is no potential for income generation. Generally, there is no bottom line against which performance can ultimately be measured (Boland and Fowler, 2000). The vast majority of public sector organizations still generate most of their income from the government (Boland & Fowler, 2000).

This section outlines the definition, concepts and the measurements of performance in the public sector. The first section presents the definition and concepts of performance. The second section deals with literature on performance measurement in the public sector, and finally the section concludes with the model of performance measurement in the Malaysian public sector.

2.5.1 The definition and concept

"If you can't define performance, you can't measures or manage it" (Armstrong & Baron, 1998). Performance is referred to as being about doing the work, as well as being about the results achieved (Otley, 1999). Performance is a multidimensional construct, the measurement of which varies, depending on a variety of factors that comprise it (Fitzgerald & Moon, 1996). Others argue that performance should be defined as the outcome of work because they provide the strongest linkage to the strategic goals of organization, customer satisfaction, and economic contribution (Rogers, 1994). It is important to determine whether the measurement objective is to assess performance outcomes or behavior. Therefore, an organization should be able to distinguish between outcomes (results/outputs), behavior (the process) and appropriate performance measurement devices (Mwita, 2000).

In general, performance can be defines as the execution of an action or something accomplished or the ability to perform (Merriam Webster online dictionary, 2006). In the context of public sector, performance can be described as the achievement of planned results (Drucker, 1990; Radnor & McGuire, 2004). Other author describes performance as the level of satisfaction of stakeholder's expectation (Bovaird, 1996).

For a public sector, finding the general agreement in the literature concerning the meaning of performance within the public sector perspective is a difficult task (Campbell 2002). The statement also agreed by Mauhood (1997), as he concludes that performance in the context of public sector is a difficult concept. Furthermore, some researchers acknowledge that there are a great number of meanings, applications and viewpoints concerning the definition of performance in the public sector (Downs & Larkey 1986; Carter 1991).

According to Bovaird and Sharifi (1992), the concept of performance is interpreted differently in the social science and in management study. In the public sector, there are three dimensions of performance that need to be considered, which is under the judgment of the organization itself, secondly, the service system and finally the communities or public (Bovaird, 1994). According to Bovaird (1996), the different dimensions above need different types of measurement in order to show its performance.

It is common practice in public sector performance management literature to talk about the three E's of economy, efficiency and effectiveness based upon a simple input and output model of organizations (Flynn, 1997; Rouse, 1999; Carter, Klein, & Day, 1995). In summary, the concept of public sector performance is a multidimensional concept and can be associated with variety of meanings and definition.

2.5.2 Performance measurement in the public sector

Performance measurement is the process of quantifying action, whereby it is the process of quantification and action leads to performance (Yacuzzi 2005). Performance measurement also can be defined as a quantified description of a component of a product process, a policy process or a budget process (Sorber, 1996). According to Halachmi and Bouckaert (1996), public sector performance measurement is a system that consists of the elements practices, procedures, criteria and standards that govern the required outcomes (input and output). According to Organization of Economic and Community Development (OECD), the main objective of performance measurement in the public sector is to support better decision making and towards improving outcomes for the publics.

In the 1996 publication of OECD, it states that, performance measurement arise from performance indicators which is outcomes to measure effectiveness, outputs to measure efficiency and accessibility, continuity, accuracy and timeliness to measure quality. Skelcher and Mathur (2004) states that, performance measurement deals with efficiency, effectiveness, service quality and compliance with normative standards. Other author also outlined the purpose of performance measurement for example; Sorber (1996) states that, performance measurement in the public sector deals with measuring the hidden aspect of a production, policy and budget process and to be able to control these processes. Beside that, performance measurement is a key element in monitoring, controlling and improving public services (Bouckaert, 1996).

In order to measure organizational or department performance, the first step is to find out what the organization is attempting to achieve and some other criteria on how to judge the success or failure of the organization or department (Hatinen, 2004). The important steps in developing performance measurement model, is to establish a well defined performance measures and targets. This is important as the performance measures and targets are the indicators of the effectiveness and efficiency of the policy, program and process (Phang, 2006). According to Pollitt, Girre, Lonsdale, Mul, Summa, & Waerness (2002), economy, efficiency and effectiveness are the three main elements used in assessing performance in terms of whether the achievements of planned results is being achieve by the public sector organizations.

The concept of “economy” is defined as acquiring input or resources of an appropriate standard at the lowest cost (Campbell, 2002). The commonly used measures of “economy” in public sector are based on derivatives of this “economy” or input oriented perspectives, which are express in terms of costs, budget and staffing totals (Boland and Fowler, 2000). Then, the result of this can be compared across similar types of organizations. Some of the examples of generic measure used in “economy” measurement include cost per case, cost per service type, number and categories of staff involved (Boland and Fowler, 2000). These can then be translate into specific measures such as cost per patient, staff-student ratios, numbers of employed ancillary, skilled and professional employees and so on. Any change in these performance measures reflects the “economy” with which the organization is using it resources but it provides little information about the operational processes within the organization (Boland and Fowler, 2000).

While, the efficiency concepts on the other hand, is the ability to performs well or achieving result without wasting of resources, effort, time or money. Greater efficiency is said to be achieved when standards amount of services is produced at the lowest cost (Phang, 2006). According to Boland and Fowler (2000) “*an increase in the number of outputs, for a given inputs, simply demonstrates how efficiently an organization is converting its inputs into outputs but provides very little information about the effectiveness or value of these outputs*” (Boland & Fowler, 2000).

Finally, effectiveness is concerned with the extent to which outputs meets organizational needs and requirements (Boland & Fowler, 2000).It actually measure the ability of a program or work task to produce specific desired result consistent with the organization mission and vision in supporting the organization goals and objectives. Boland and Fowler (2000) states that the effectiveness is difficult to measure. Bovaird (1996) argued that, performance measurement in the public sector must always be viewed within a variety of aspect in terms of its framework and also in its form and content.

2.5.3 Obstacles in measuring public sector performance

There are many conflicting views concerning measurement of performance between Public and Private sector (Campbell, 2002), even though there is similarity between the management of public and private sector, whereby both organization made up of people who shared a same mission in order to fulfilled organization goals and satisfies customer needs (Phang, 2006). Evaluation studies show that many attempts to introduce result-based management in the public sector are still unsuccessful (see for example, Leeuw & Van Gils, 1999, for a review of Dutch studies). Nevertheless, the need for measuring output, outcomes and evaluations activities remains an important element in statements by politicians and administrators focused on improving government's performance (Thiel & Leeuw, 2002).

According to Campbell, (2002) the obstacles or dilemmas in measuring public sector performance are:

1) Multiple stakeholder interest – Public organization are answerable to numerous of stakeholder and interest group which appear to focus on a different measure of performance, for example public may interested in measuring cost-effectiveness while tax payer are concerned on efficiency measures and politicians concerned regarding social impact.

2) General methodology and measurement problems effecting on public sector performance – Clear policy and objectives of organization often absent within the context of public sector service. According to Wholey (1983) public sector organization often operate in complex political environments, whereby the objectives and policy being pushed and pulled in many directions by its many interest stakeholders. As a result it failed to develop indicators which are valid and reliable in terms of its objectives and policy.

3) Resource limitations on performance measurements – Constraint of resources limiting the performance evaluation process within the public sector. Washington (1999) states that, limited evaluation capability within the public sector in order to measure performance as well as lack of funding (Campbell, 2002).

4) Barriers imposed by the government structure and processes – Lack of support in terms of the activity regarding the performance measurement by the stakeholders in public service (Berman & Wang, 2000). On the other hand, evaluation of performance measure is tied up into the electoral cycle.

2.5.4 Comparison of performance measurement between public and private sector

In private sector, the era of the measurement of performance began by using financial measures, and slowly followed by the non financial aspect. According to Otley (1999), in private sector measurement of performance consists of two aspects, which is: financial and non-financial aspect.

The financial aspect consists of measurements of sales revenue, profit after tax, market share and return on investments (Ling, 2000), profit, profit growth, sales growth, after tax return on assets and after tax return on sales (Bontis, Keow & Richardson, 2001). As for the non-financial aspect, it consist of customer satisfaction (Feurer & Chaharbaghi, 1995), productivity, marketing and human resource (Adu, 1998). From the above statement it is clear that, the performance measurement in private sector includes the measurement of financial factor as a key element in order to determine the performance of the company or business beside the non financial factors, whereby in public sector, the performance measurement mainly focus on non-financial aspect in order to improve service delivery and service satisfaction to the publics, as public sector organizations are more obligated and accountable to its political, parliament, the public and the judicial system, besides that, public sector organizations must respond to an 'outside' agenda set by political leadership (Hughes 2003).

2.5.5 Empirical research on the model of performance measurement used in public sector.

Literature on performance measurement is now starting to address issues of strategic linkages with operational performance in the local government system and organization (Atkinson, Waterhouse & Wells, 1997). However, further research claims, prior to the 1990s public sector reforms, performance measurement is not a priority in Victorian local government in Australia (Kloot & Goodwin, 1997). Nowadays, the managerialist changes instituted by the state government in other Australian government sectors, New Zealand, the UK, Canada and the United States, now demand a focus on performance measurement (Dixon, Nanni & Vollmann, 1990; Epstein, 1996, Greiner, 1996). Performance can be measured in terms of the achievement of a goal, whereby, organization or department wants the individual members of the organization to achieve the organization goals (Hatinen, 2004). Greiner (1996) states that, some government's limits the measurement of performance within its organization by measuring only efficiency and effectiveness aspect; others restrict only measuring of service quality or customer satisfaction. According to Campbell (2002), performance measurement model in the public sector emphasis on effectiveness aspect.

According to the United States General Accounting Office (1992), public sector performance measurement deals with regular collection and reporting of a range of data which includes:

1) Efficiency - Inputs (dollars, staff and materials)
2) Effectiveness - Workload or activity level
3) Effectiveness - Outputs or final products
4) Customer's satisfaction - Outcomes of products and services
5) Productivity

Sorber (1996), states that performance measurement in the public sector involved the elements of:

1) Efficiency – Production, policy
2) Effectiveness – Production, policy
3) Productivity – Production
4) Impact on society (Service delivery/ customer satisfaction)

Sorber (1996) also identifies all the elements above to be measured in the aspect of a production, policy and budget process. Apparently, the production and policy process consists of input, throughput, output and outcomes.

Bouckaert (1996) outlined the framework of performance measurement in public sector which includes:

1) Client satisfaction
2) Efficiency and effectiveness - productivity
3) Subsidiarity – measurement on relationship between public service and citizens

Greiner (1996) outlined public sector performance measurement that includes; economy measures (money and other resources), normalized input (resources and potential workload) and the most important was the increasing focus on measuring client satisfaction.

Bovaird (1996), states that, performance in the public sector can be measures on the basis of:

1) Productivity rate – measuring input and output ratio
2) Effectiveness – Setting objective for each individual/ group and measures the achievement.
3) Efficiency – Measure the achievement regarding financial cost (cost per unit of input and output.
4) Service quality – Quality management approach
5) Consumer/client satisfaction.

2.5.6 Performance indicator

In Britain, the performance indicators has been develop in order to measure performance in the British public sector (Carter, 1991) such as local and federal government, higher education department, police department and training and enterprise councils (TEC) (Bovaird & Gregory, 1996).According to Booth, Dawes and Kigbo (2004), performance indicator can be defined as a particular value or characteristic used to measure output or outcome, it includes measuring of:

1) Service quality – Outcome of the service/ product
2) Performance efficiency - productivity
3) Customer satisfaction

Performance indicator had been used as a tool to measure strategic direction, resources allocation, exercising control and encouraging learning in the U.K public sector (Bovaird and Gregory, (1996).

Campbell (2002) explains that performance indicator has been used in measuring performance of New Zealand public sector. Here, the performance indicator was developed in the aspect of:

1) Outcomes – The result of the service
2) Client satisfaction – Measuring client satisfaction
3) Input/ Output - Productivity
4) Quality – Service quality

2.5.7 Performance measurement in Malaysian public sector

In the context of Malaysian public sector, in 7 April 2005, the government had endorsed a circular to all Malaysian Public Sector and its agencies known as the Pekeliling Kemajuan Pentadbiran Awam, Bilangan 2, 2005, (PKPA bil.2, 2005). The main purpose of the circular is to give instruction to all the Malaysian Publics sector organization and its agencies to implement performance indicator in their organization as a measuring tools in order to measure performance.

Hence, this can increase the quality of the delivery systems of all Malaysian public sectors and its agencies towards its stakeholders especially the publics, politician and others. The circular outlined three evaluation criteria of performance indicators in measuring performance, which are: 1) Effectiveness and Efficiency, 2) Productivity and Cost 3) Customer satisfaction.

Table 2.1: Performance indicators and evaluation criteria.

Performance Indicator	Performance indicator evaluation criteria
1) Effectiveness and Efficiency	1.Customer waiting time at the counter 2. Time duration in dealing with customer 3. Margin of error in delivering service to customers 4. Number of output in a specific period of time
2) Productivity and Cost	4. Individual and group output 5. Cost used in producing output/ service delivery
3) Customer satisfaction.	6. Customer reply form in measuring service delivery. 7. Customer survey in measuring customer satisfaction 8. Time taken in giving feedback to customer's complaint. 9. Percentage of complaint received and being solved.

Source: (PKPA bil.2, 2005)

Table 2.1 summarizes the performance indicator and its evaluation criteria for measuring performance in the context of Malaysian Public Sector. Clearly, it seems that from the reviews of all the related literature, the elements of efficiency and effectiveness, productivity and cost and customer satisfaction was being used as the main indicator or aspect in measuring performance in public sector.

Furthermore, countries like United Kingdom, New Zealand and Malaysia has implement performance indicator as a measuring tools in highlighting the performance of its public sector. Therefore, this study investigates the performance of Credit Control Department of MARA by using the performance indicator as govern by the Pekeliling Kemajuan Pentadbiran Awam, Bilangan 2, 2005, (PKPA bil.2, 2005).

Table 2.2 summarizes the literature on previous researches which uses and implements the performance indicators such as the elements of efficiency and effectiveness, productivity and cost and customer satisfaction. However, the evaluation criteria were tailored according to its own government interest and the services of its public sector. Research on performance measurement in public sector (Bovaird, 1996; Campbell, 2002; Mcnamara & Mong, 2005; Phang, 2006) supports this argument.

	Measurement elements/ indicator	Research/ Author
1.	Efficiency and Effectiveness	United States General Accounting Office 1992b, p.2, Sorber 1996, Bouckaert 1996, Bovaird 1996, Booth et al., 2004, PKPA bil.2, 2005
2.	Production and cost	United States General Accounting Office 1992b, p.2 Sorber 1996, Bovaird 1996, , Greiner (1996), Campbell (2002), Booth et.,al 2004, PKPA bil.2, 2005
3.	Customer satisfaction	United States General Accounting Office 1992b, p.2 Sorber 1996, Bouckaert 1996, Bovaird 1996, Greiner (1996), Campbell (2002), Booth et al., 2004, PKPA bil.2, 2005

Table 2.2: Summary of previous literature on performance indicator/ measures in Public Sector.

2.5.8 Justification of using non-financial elements in measuring performance in the public sector.

In the public sector, organization performance can be described as the achievement of planned result (Drucker, 1990) that meets the level of satisfaction and expectation of its various stakeholders (Bovaird, 1996). Stakeholders in the public sector refer to the parliament, the government, the citizens and others that have interest to the organization (ANAO, 2003). Organization performance in the public sector consist the elements of practices, procedures, criteria and standards that govern the required outcomes (Halachmi & Bouckaert, 1996). According to Organization of Economic and Community Development (OECD), the main objective of performance measurement in the public sector is to support better decision making and towards improving the service quality to the publics.

Public sector organizations are different from the private sector. Public sector organizations are created to meet some form of perceived societal need. The focus is not on profit maximizing and there is no potential for income generation (Boland and Fowler, 2000). The performance measurement in the public sector organization mainly focus on non-financial aspect in order to improve service delivery and service satisfaction to the publics, as public sector organizations are more obligated and accountable to its political, parliament, the public and the judicial system. In addition, public sector organizations must respond to an 'outside' agenda set by political leadership (Hughes 2003).

According to Hatinen, (2004), performance in the public sector can be measured in terms of the achievement of a goal, whereby, organization or department wants the individual members of the organization to achieve the organization goals. Greiner, (1996) states that, some government's limits the measurement of performance within its organization by measuring only efficiency and effectiveness aspect and with others restrict only measuring of service quality or customer satisfaction. Generally, there is no bottom line against which performance can ultimately be measured in the public sector organization (Boland and Fowler, 2000).

According to examination of studies on performance measurement in the public sector (United States General Accounting Office, 1992; Sorber, 1996; Bouckaert, 1996; Bovaird (1996; Campbell, 2002; PKPA bil.2, 2005; Booth *et al*., 2004) suggests that the measurement indicators in the public sector are more towards non financial measures which is involved the elements of efficiency and effectiveness, productivity and cost, service quality and customer satisfaction.

In private sector, financial measures are more significant when firm or company evaluate its business performance rather than using non-financial measures. It happened for the reason that, private sector inclined towards calculating its profit instead of fulfilling social needs or obligation. Among others, performance measurement in the private sector consist of the financial aspect of measuring sales revenue, profit after tax, market share and return on investments (Ling, 2000), profit, profit growth, sales growth, after tax return on assets and after tax return on sales (Bontis, Keow & Richardson, 2001).

From the above statement it is clear that, the performance measurement in the public sector inclined and significant with the measurement of non-financial factor as a key element in order to determine the performance of the organizations.

2.5.9 Conclusion

Finally, there is no universal framework to measure performance in the public sector, as each public sector organization has its own model of performance measurement which contains useful lessons for policy makers and its practitioners (Bovaird, 1996). Besides that, Mcnamara and Mong (2005) believed that, there is no single performance measurement model that fits all organization and each organization should customized its own system and measures.

2.6 Overview of public sector in Malaysia

Public sector refers to all agencies that undertake the activities on behalf of the government or are financed by the government. In other words public sector can be defined as the part of economic and administrative life that deals with the delivery of goods and services by and for the government. It includes national, regional or local government (www.wikipedia.org).

According to Business Dictionary, public sector refers to Part of national economy providing basic services that are either not, or cannot be, provided by the private sector. It comprises of national, state or provincial and local governments, public corporation, and quasi-autonomous non-government organization (QUANGO) (www.businessdictionary.com).

2.6.1 Public sector in Malaysia

In the Malaysian context, public sector is governed under the Article 132 of the Constitution of Malaysia that stated the public service consists of:

i) The General public service of the federation

ii) The State public services

iii) The Joint public services

iv) The Education service

v) The Judiciary and the Legal Service

vi) The Armed forces

Under the Constitution, it also emphasize on the two biggest terms in Malaysian public sector namely Public agencies and Central agencies. Public agencies refer to the agencies in the Public Service at the Federal, State and the Local Government levels. Under the Federal agencies, it consists of Ministries, Federal Departments, Federal Statutory Bodies, City Hall of Kuala Lumpur and the Municipal Council of Labuan. There are twenty eight (28) ministries overall in the Malaysian public sector and each ministry is headed by a Minister and assist by one executive officer is known as the Chief Secretary General (Ketua Setiausaha Negara). Furthermore, there are also a number of departments and statutory bodies as well under a ministry, whereby the Head of departments are given the title Director General and the Head of statutory bodies are called chairman.

For the objective of its public sector, according to the instruction letter titled effort in improving governance in the public sector which is released by the Chief Secretary General (Ketua Setiausaha Negara) dated March 2007; the main focus of public sector in Malaysia is to improve the efficiency of delivery system to the citizens.

The Ministries (28) of Malaysian public sector composed of:

1) Ministry Agriculture and Agro-Baseb Industry
2) Ministry Culture, Arts and Heritage
3) Ministry of Defence
4) Ministry of Domestic Trade and Consumer Affairs
5) Ministry of Education
6) Ministry of Energy, Water and Communications
7) **Ministry of Entrepreneur and Cooperative Development**

8) Ministry of Federal Territories

9) Ministry of Finance

10) Ministry of Foreign Affair

11) Ministry of Health

12) Ministry of Higher Education

13) Ministry of Home Affairs

14) Ministry of Housing and Local Government

15) Ministry of Human Resource

16) Ministry of Information

17) Ministry of Internal Security

18) Ministry of International Trade and Industry

19) Ministry of Natural Resources and Environment

20) Ministry of Plantation Industries and Commodities

21) Ministry of Rural and Regional Development

22) Ministry of Science, Technology and Innovations

23) Ministry of Tourism

24) Ministry of Transport

25) Ministry of Women, Family and Community Development

26) Ministry of Works

27) Ministry of Youths and Sports

28) Prime Minister's Department

Source: www.gov.my

However, there are some agencies or departments which are exempted from the term public service. The constitution explained that, the term Public Service does not include special institutions like the Judiciary, Public Service Commissions, the Election Commission and like institutions whose members are appointed by the king. Nevertheless, the organizations providing support or secretarial services to these institutions are public agencies whose officers and staff are from the Public Service.

State Agencies consist of state departments and state statutory bodies and Local Governments. In addition, local government consists of Municipal Councils and District Councils. Each state is headed by a Chief Minister and the executive officer is known as State Secretary.

On the other hands, Central Agencies are Federal agencies responsible for formulating the national financial and economic policies, the public sector human resource policies and the monitoring and supervising the implementation of these

policies. Under the Central agencies, it consists of The Economic Planning Unit (EPU), The Implementation Coordination Unit (ICU JPM), The Malaysian Administrative Modernisation and Management Planning Unit (MAMPU) and The Public Service Department (PSD).

2.6.2 Ministry of Entrepreneur and Cooperative Development

The Ministry of Entrepreneur and Cooperative Development was established in 2004. This Ministry is responsible for assisting and encouraging the Malaysian citizens especially for the Bumiputera's in the aspect of entrepreneurship development. The Ministry is headed by Y.B. Dato' Noh bin Hj. Omar assisted by a Deputy Minister which is Y.B. Dato' Saifuddin bin Abdullah and the Ministry Parliamentary Secretary is Y.B. Encik Samsu Baharun Bin Haji Ab. Rahman.

This ministry consists of three different bodies which are agencies/ department, statutory bodies and other department. The agencies/ department of the Ministry consist of:

i) Contractor Services Centre (PKK)

ii) Department of Cooperative Malaysia (KOPERASI)

iii) Malaysian Peninsular Commercial Vehicle Licensing Board

iv) Perbadanan Nasional Berhad (PNS)

The statutory bodies of the Ministry consist of:

i) Cooperative College of Malaysia

ii) Council of Trust for the Bumiputera (MARA)

iii) Credit Guarantee Corporation (CGC)

iv) Development Bank of Malaysia

v) Yayasan Tekun Nasional

The other bodies of the Ministry consist of:

i) UDA Holdings Berhad

Source: www.mecd.gov.my

2.7 MAJLIS AMANAH RAKYAT (MARA)

The History

Majlis Amanah Rakyat (MARA), or the Council of Trust for the Indigenous People, is an agency under the Ministry of Entrepreneur and Co-operative Development. It was incorporated on 1 March 1966 through a Parliamentary Act as a statutory body, resulting from a resolution of the first Bumiputra Economic Congress held in the previous year.

It is the Council's responsibility to promote, stimulate, facilitate and undertake all activities pertaining to the economic and social development of the nation particularly in the rural areas.

Objective

The objectives of MARA as a whole, is to encourage, guide, train and assist the Bumiputera to participate actively in commercial and industrial activities towards creating a Bumiputera Commercial and Industrial Community.

Implementation Strategies

The aim is to create and increase the number of Bumiputera entrepreneurs and upgrade their level of participation in the commercial and industrial enterprises thereby creating a strong and viable business community. The strategies also focus on the Bumiputera involvement (actively) in specific commercial and industrial enterprises as a means of nurturing and promoting Bumiputera participation in commerce and industry.

Furthermore, to increase the number of trained Bumiputera manpower at all levels and in various fields to cater to the needs of the nation's commercial and industrial sectors. Lastly, to provide other facilities and services where appropriate and act as a trustee in areas that can help raise the social and economic status of the Bumiputera community.

Organization

Majlis Amanah Rakyat (MARA) is an autonomous organization answerable to the Minister of Entrepreneur and Co-operative Development. The MARA Council comprises the Chairman and members appointed by the Minister.

MARA administration is under the leadership of the Director General, assisted by three Deputy Directors General. There are Divisions and Units which are led respectively by a director and head of unit to undertake the functions and objectives of MARA at the headquarters level. The divisions are supported by State and District MARA Offices as well as MARA educational institutes. MARA also has offices in London and Washington D.C.

Other than that, MARA also has its educational centers such as MARA Junior Science Colleges (MRSM), MARA Colleges, GIATMARA, MARA Vocational Institutes (IKM), MARA Higher Vocational Institutes (KKTM), College Poly-Tech MARA (KPTM) and MARA Professional Colleges (KPM).

2.7.1 CREDIT CONTROL DEPARTMENT (MARA)

The Credit Control Division (CCD) was set up in 1989 with the main objective of collecting all debts and loan repayments as well as rental revenue from the premises belonging to the Agency. Prior to Credit Control Department, the activities were managed by the respective divisions offering such services.

Vision

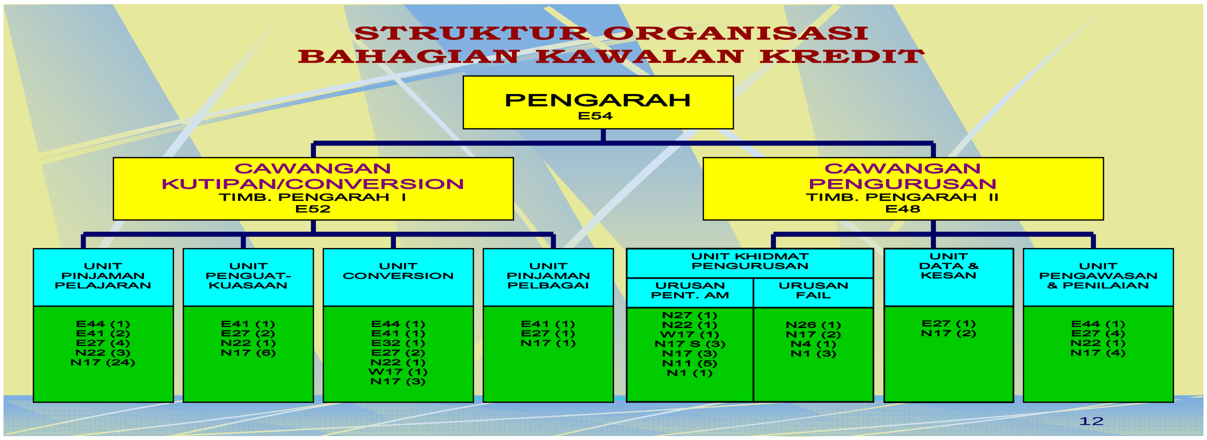
To be a division that is competent in its collection of debts, rental revenue, financing, reducing volumes of accumulated arrears and providing a collection that is accurate, efficient and effective. There are also efforts to ensure a fully committed and determined workforce to attend to customer needs as well as to be in line with the rapid development of IT.

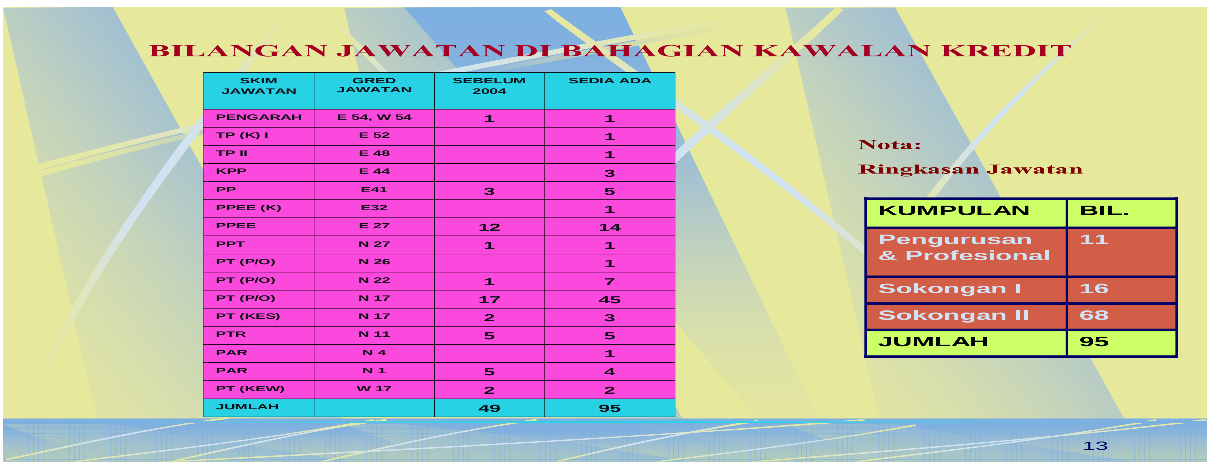
Mission

To provide the best service by giving accurate and up-to-date information through the availability of various repayment facilities among former students, entrepreneurs and former MARA staff as well as to provide consultations in repayments/rental. Our focus is to increase the amount of collection and number of people paying besides providing excellent service by working as a team and establishing a sincere workforce.

Objective

Implementing and overseeing various loan repayments and rental according to the rules and policies of the organization from time to time.





BILANGAN JAWATAN DI BAHAGIAN KAWALAN KREDIT

SKIM JAWATAN	GRED JAWATAN	SEBELUM 2004	SEDIA ADA
PENGARAH	E 54, W 54	1	1
TP (K) I	E 52		1
TP II	E 48		1
KPP	E 44		3
PP	E41	3	5
PPEE (K)	E32		1
PPEE	E 27	12	14
PPT	N 27	1	1
PT (P/O)	N 26		1
PT (P/O)	N 22	1	7
PT (P/O)	N 17	17	45
PT (KES)	N 17	2	3
PTR	N 11	5	5
PAR	N 4		1
PAR	N 1	5	4
PT (KEW)	W 17	2	2
JUMLAH		49	95

Nota:
Ringkasan Jawatan

KUMPULAN	BIL.
Pengurusan & Profesional	11
Sokongan I	16
Sokongan II	68
JUMLAH	95

13

Chart 2.1: Organizational chart and structure of Credit Control Department of MARA

Notes:

Designation	Grade
a) Director of CCD (Pengarah)	(E54)
b) Senior Deputy Director of CCD (Timbalan Pengarah)	(E52, E48)
c) Senior Executive Officer (Ketua Penolong Pengarah)	(E44)
d) Executive Officer (Penolong Pengarah)	(E41)
e) Operational Officer (Pen.Peg.Ehwal Ekonomi)	(E32, E27, N27)
f) Clerk (Pembantu Tadbir)	(N26,N22,W17,N17)

Activities

At the level of credit control department the activities that has been carry out is managing and controlling the collection of scholarship/ educational loan, students micro computer loan, reduction of loan repayment (Conversion), former MARA staff loan- (Transport, Housing, Computer, Turnover notice of resignation), damages claim for former MARA Vocational Institute Trainee and (MIV) and MARA Professional College (MPC) students.

While at the state level, the activities are to oversee collection of loan / business financing and former tenants for business premises.

2.7.2 Educational collection

Since the establishment of MARA in 1966, there are four (4) types of program created to help Bumiputera in the area of entrepreneurship. The programs are business loan, educational loan, business premises, and factory premises. Nevertheless, based from the data collected from the Credit Control Department, the most uncollected loan is the educational loan. This figure seems to be increasing as year goes by and it become critical in year 2003 and 2004. The issue of uncollected loans from students has never end. Although a number of actions have been taken by the authority, the amount of collection is still at the unsatisfied level. Surprisingly, the amount of uncollected educational loan since 1965 were billions and it almost hit RM 2 billions by the end of 2006. (Table 2.3)

Table 2.3 : Accumulated amount of uncollected educational loan balance (2006)

Year	RM	% (Change)
2001	1,200,023,448	
2002	1,226,185,080	2.180
2003	1,297,605,666	5.825
2004	1,612,386,622	24.259
2005	1,796,779,584	11.436
2006	1,969,166,980	9.594

Source: CCD (2006)

In 2004, the uncollected loans reach it highest point by increasing 24% from RM 1,297,605,666 in 2003 to RM1, 612,386,622 in 2004. The increasing amount of uncollectible educational loan from 2003 to 2004 was RM 314,780,956. Based from the data collected, the amount of uncollectible loan is keep increasing every year. Surely, the authority has yet to find a better solution to overcome this problem.

In 2004, the amount of deferral loan was RM 244,694,307 and there were 70,160 students who failed to pay their bills to MARA. The scholars seem to ignore their responsibility in paying the educational loan. Based on the analysis done on the data collected, in year 2003 and year 2004, the collection is very slow, the uncollectible loan also increasing and there were increasing number of deferral loan. (Table 2.4)

Table 2.4: Deferral amount of educational loan

Year	RM	Number of Students
2001	155,357,974	39,827
2002	180,563,794	49,502
2003	186,612,757	54,579
2004	244,694,307	70,160
2005	281,499,758	81,512
2006	313,355,671	90,957

Source: CCD (2006)

As for the collection part, it appears that, the Credit Control Department of MARA had played their role in achieving the target of the collection of educational loan set by the higher management of MARA. Table 3 indicates the Credit Control Department had managed to collect the repayment up to ninety percent (90%) of the educational loan from the students compares with its target. Unfortunately, this percentage is very small if we compare it with the amount of uncollectible loan which are billions of Ringgit Malaysia. The authority should have paid more attention on this matter before it getting worsen. (Table 2.5)

Table 2.5: Performance of collection in educational loan (2001-2006)

Year	Amount targeted (RM)	Amount collected (RM)	Percentage achieved (%)
2001	28,000,000	29,388,586	105
2002	30,000,000	31,021,463	103
2003	33,000,000	35,036,345	106
2004	40,000,000	42,478,588	106
2005	50,000,000	48,148,961	96
2006	65,000,000	59,942,105	92

Source: CCD (2006)

When the amount of collection is very small, the uncollectible in educational loan will keep increasing and the problems will spread to the future students when MARA has no more funds to give out in their educational expenses. Therefore, it is very important for MARA to organize a better solution or ways for their formers scholars to pay their educational loan as it will affect our next generation future. Education is very important for a nation as it will increase our productivity and mentality for a better nation.

In the 8th Malaysian Master Plan, which starts from year 2001 until 2005, the funds allocated to MARA were RM2, 834,682,000 and roughly about 77 % were allocated to education. Nevertheless, the amount of educational loan which were released to students since 1965 until now is RM7, 649,959,396 and only RM 542,381,284 are collected.

After taking account, the conversion and scholarship given to the selected students who perform well for their degrees, MARA should have collected RM4, 171,372,903 from the educational loan. This amount shows that only 13% were collected (Table 2.6).

Table 2.6: **Statistic of educational loan collection since 1965**

Year	Amount of loan disbursed.(RM)	Payment of loan should be received.(RM)	Payment received.(RM)	Balanced of uncollected loan.(RM)
1965 <	318,454,686	108,273,075	84,008,211	26,091,238
1966-1975	3,224,037	946,790	696,954	303,525
1976-1985	706,665,077	328,940,412	213,258,436	118,981,153
1986-1990	427,453,304	174,566,844	78,282,779	97,032,767
1991-1995	1,793,282,695	441,891,870	89,994,487	351,913,797
1996-2001	2,432,578,004	1,310,901,830	68,922,341	1,241,979,489
2001-2005	1,968,301,593	1,805,852,082	7,218,076	1,798,634,006
Overall	7,649,959,396	4,171,372,903	*542,381,284*	**3,634,935,974**

Source: CCD (2006)

Overall, even though the Credit Control Department had manage to performed its function in collecting and managing the repayment of educational loan by achieving its yearly target, and it has a good structure and up-to-date database system but the issue of uncollected loans from students has never end the amount seems to be increasing as year goes by. Therefore, this paper will be exploring these issues and it will reveal some potential ways for MARA in the aspect of public sector governance practices in term of improving its collection of their educational loan from the public.

Evidently, due to the concern of growing amount of uncollectible educational loan, MARA is taking several recovery actions in order to stimulate the collections from the educational debtors such as advertising the name of the failure debtors in the newspapers, appointing several agencies as an agent to collect the debt, restructuring of the repayment, converting the educational loan and suggesting other methods to collect the payment. Recently, the government has rejected the proposal made by MARA to deduct the amount own by debtors through Employee Pension Funds (EPF).

2.8 Chapter Summary

In this chapter, the study had outlined the literature review on public sector governance and the performance measurement in the public sector. In addition, this chapter also discussed on the performance indicator model that being apply by the Malaysian public sector. The background of Malaysian public sector as well as the organizational case study also been discussed in this chapter. Finally, the next chapter presents the theoretical framework and hypothesis of this study.

CHAPTER THREE: THEORETICAL FRAMEWORK AND HYPOTHESES DEVELOPMENT

3.1 Introduction

In public sector, governance issues is not clearly defined and understood, not only does the term corporate governance need to be clearly defined and understood, but a governance model should be developed for the public sector which has a consistency of approach across the public sector (NSWAO, 1997a). Therefore, the disclosure and establishment of public sector governance issues and frameworks in public sector is limited and small in numbers (Ryan & Ng, 2000).

Based on the literature review, within the few years, many country in the world, started to realize the important of implementing public sector governance agenda within their public sector organizations (George, 2005). There are numbers of efforts that have been done by the audit office, academicians, professional bodies and other related bodies regarding the establishment of frameworks and the disclosure of governance in the public sectors (Ryan & Ng, 2000). Among them are Australian Audit Offices, Chartered Institute of Public Finance and Accountancy of United Kingdom, The International Federation of Accountants (IFAC) of USA and many more. Several framework and guidelines had been developed by the respective organization and individuals in order to achieve good public sector governance in the public sector organization through out the world.

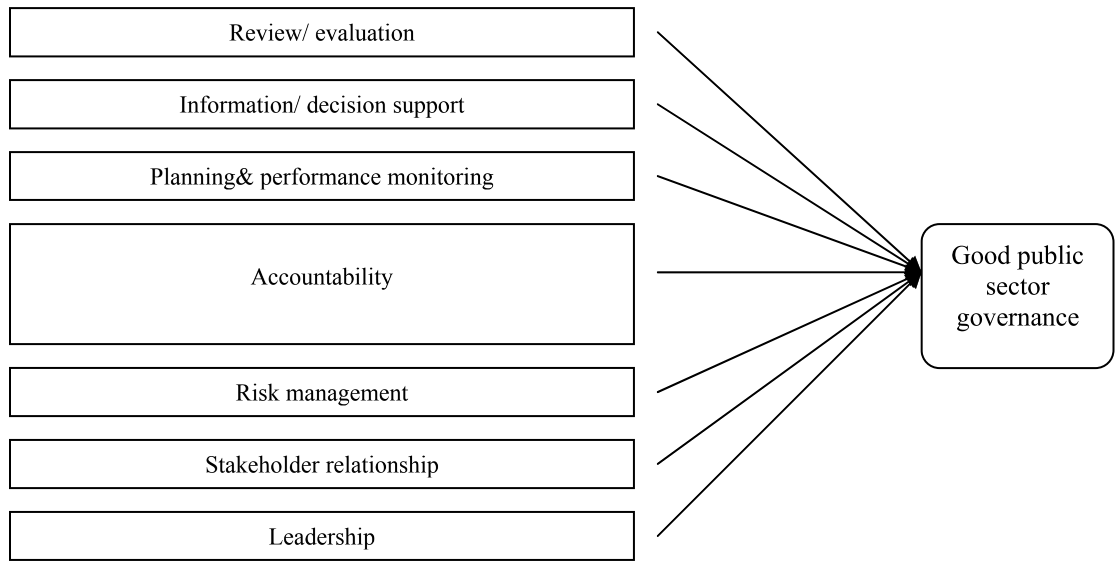
Good governance generally focuses on two main requirements of organisations, firstly, performance, whereby the organisation uses its governance arrangements to contribute to its overall performance and the delivery of its goods, services or programs; and secondly, conformance, whereby the organisation uses its governance arrangements to ensure it meets the requirements of the law, regulations, published standards and community expectations of probity, accountability and openness (ANAO, 2003). This Chapter will address the development of theoretical framework and hypothesis of this study.

3.1.1 Overview of Australian National Audit Office framework of good governance in the public sector

According to Ryan and Ng (2000), the ANAO principles of leadership, management environment, risk management, monitoring and accountability are applicable elements for all public sector entities in order to achieved good corporate governance in their organization. Howard and Seth-Purdie (2005) in their research titled "governance issues for public sector boards " state that the ANAO's framework of good public sector governance (ANAO, 2003) are widely used by many of the public sector organization and are considered quite helpful.

Therefore, this research had adopted Australian National Audit Offices framework of good public sector governance (ANAO, 2003) to be tested in MARA's Credit Department particularly in managing the collection of educational loans and to find out the level of good public sector governance score.

Figure 3.1: The Australian National Audit Office elements of good public sector governance



The ANAO framework (see figure 3.1) of Good Public Sector Governance are developed specifically to the CEO, Boards members, corporate governance practitioner and other management and staff within the context of public sector in order to have a greater understanding and to assist them in improving their governance processes and practices. It provides guidance relevant to all public sector organizations (Barret, 2003). The 2003 frameworks of Public Sector Governance updates the previous ANAO frameworks published in 1997 and 1999.

The framework contains seven elements of good Public Sector Governance which is leadership, stakeholder relationship, risk management, accountability, planning and performance monitoring, information and decision support and review and evaluation. The framework describe that, leadership, ethics conduct and culture support sustain the framework as a whole, which means to achieve good governance, the behaviors and values of the leaders and overall culture of the organization is essential. Whiteoak (1996) had stress out the importance of leadership in any corporate governance framework.

The second elements are stakeholder relationship. The framework identifies two stakeholders that are external and internal stakeholder. This element focuses on dealing with legitimate interest of its many stakeholders for example managing conflict of interest. Stakeholder relationship influences the effectiveness of the element of accountability and planning and performance monitoring. On the other hand, if the organization had a poor relationship between its many stakeholders it will affect the accountability and the objectives of the organization as a whole.

The third element which been underlined by the framework is risk management. Risk management can be defined as a process of identifying, analyzing, treating, monitoring and communicating risks (ANAO, 2003). In order to manage risk, an organization should have robust systems which require governing bodies have a detailed consideration of the risks, established necessary processes and practices to manage risk, analysis and review of risk management system and develop a risk management culture and active participation among staff in the organization. Boyd (1997) had stated that risk management should be part of the fundamental principle for corporate governance. It also outlines that top management such as boards, CEO and audit committees should give a strong commitment towards risk facing the organization by establishing policy, task or project towards risks. It also emphasizes on appropriate process and practices to manage risk, analyzing and review risks as well as involvement of all staff in risk management activities. All above are the key components of effective risk management.

In the framework, accountability (the fourth element) is classified as external and internal accountability, whereby the organization had to deal with the internal and external stakeholders regarding the disclosure of organization information for example accounts, annual report, financial matters, lines of responsibilities and others matters that is relevant. Planning and performance monitoring in the framework concerned with ensuring the organization meets its policy and operational objectives by underlines the structures and process which contains the scope of corporate and business planning, present the true and fair view of the operational results and a structured approach to risk management.

Information and decision support (the fifth element) defined as how well the organization managed its information in order to ensure the right decision can be made at the right time. It involved good record keeping, such as file maintenance, minutes of meeting, spread information through intranets and store and retrieving information.

Finally, the framework outlined review and evaluation of governance arrangement as last element to achieve good corporate governance. It is important for the organization to make the corrective action plan and to review its governance process. Review and evaluation of governance arrangement should be done on an on-going basis and in detail every one or two years or there is a major event that effecting the organization accountability and management arrangement. Beside that, it also can be done through the assessment of the senior management and the audit committees.

3.1.2 Justification for applying 7 dimensions of Australian National Audit Office (ANAO) Good Public Sector Governance into the Malaysian Public Sector Organization.

In Australia, the Australian Audit Offices had played an important role in conducting review and developing the guidelines on the aspects of public sector governance. According to Ryan and Ng (2000), they are raising the agenda of public sector governance issues in their researches through out the world.

The 7 dimensions of Australian National Audit Office (ANAO) Good Public Sector Governance are widely used by many of the public sector organization and the result was revealing (Howard and Seth-Purdie, 2005). The 7 dimensions of ANAO Good Public Sector Governance are leadership, Stakeholder relationship, risk management, accountability, monitoring, information decision support and review evaluation of governance arrangements.

In Malaysia, a circular of Good Public Sector Governance has been established and released by the Chief Secretary General (Ketua Setiausaha Negara) in March 2007. The circular focus on improving the efficiency of the Malaysian Public Sector delivery system in order to improve performance ability in achieving Malaysian National Mission.

The Malaysian circular of good public sector governance framework was drawn heavily based on the Australian National Audit Office (ANAO) Good Public Sector Governance, but instead of 7 dimensions, the Malaysian framework of good public sector governance only outlined 5 dimensions. The dimensions are leadership, Stakeholder relationship, risk management, accountability and strategic management and monitoring.

As for the dimensions of information/decision support and review/evaluation of governance arrangements, both dimension also played an important role in order to achieve a good governance system in the public sector organization (ANAO, 2003).

Information and decision support is important in dealing with how well the organization managed its information in order to ensure the organization makes the right decision. It is useful element for the boards as well as seniors management to ensure that they have the right information at the right time. In order to ensure that, organization should have a good record keeping of file maintenance, minutes of meeting and expertise in using information technology for example created, store and retrieved information from computers to allow boards and senior's management make correct decision at the right time. According to Barret (1998), better performance outcomes in the public sector can be achieved by having good structures and processes for decision making.

Furthermore, for the dimension of review and evaluation of governance arrangements, it involve review and evaluate their governance process, so that organization can make an improvement and corrective action plan from time to time if there are changes in the organization. These elements are design in the framework in order to attain the public confidence in the public sector organization. Review and evaluation of governance arrangement is necessary in improving organization performance and its operation, whereby this dimension also play an important role in meeting new changes that allow the organization meet new challenges successfully.

In relation of Malaysian Public Sector Organization, especially for the Credit Control Department of MARA, the dimensions of information/decision support and review/evaluation of governance arrangements is evidently essential to be applied within the framework of Good Public Sector Governance as it helps the right people in the organization having the right information in order to make a good decision making for better performance.

Finally, it also creating expert in using information technology to speed up decision making and deals with quality assurance and corrective action plans in order to improve performance.

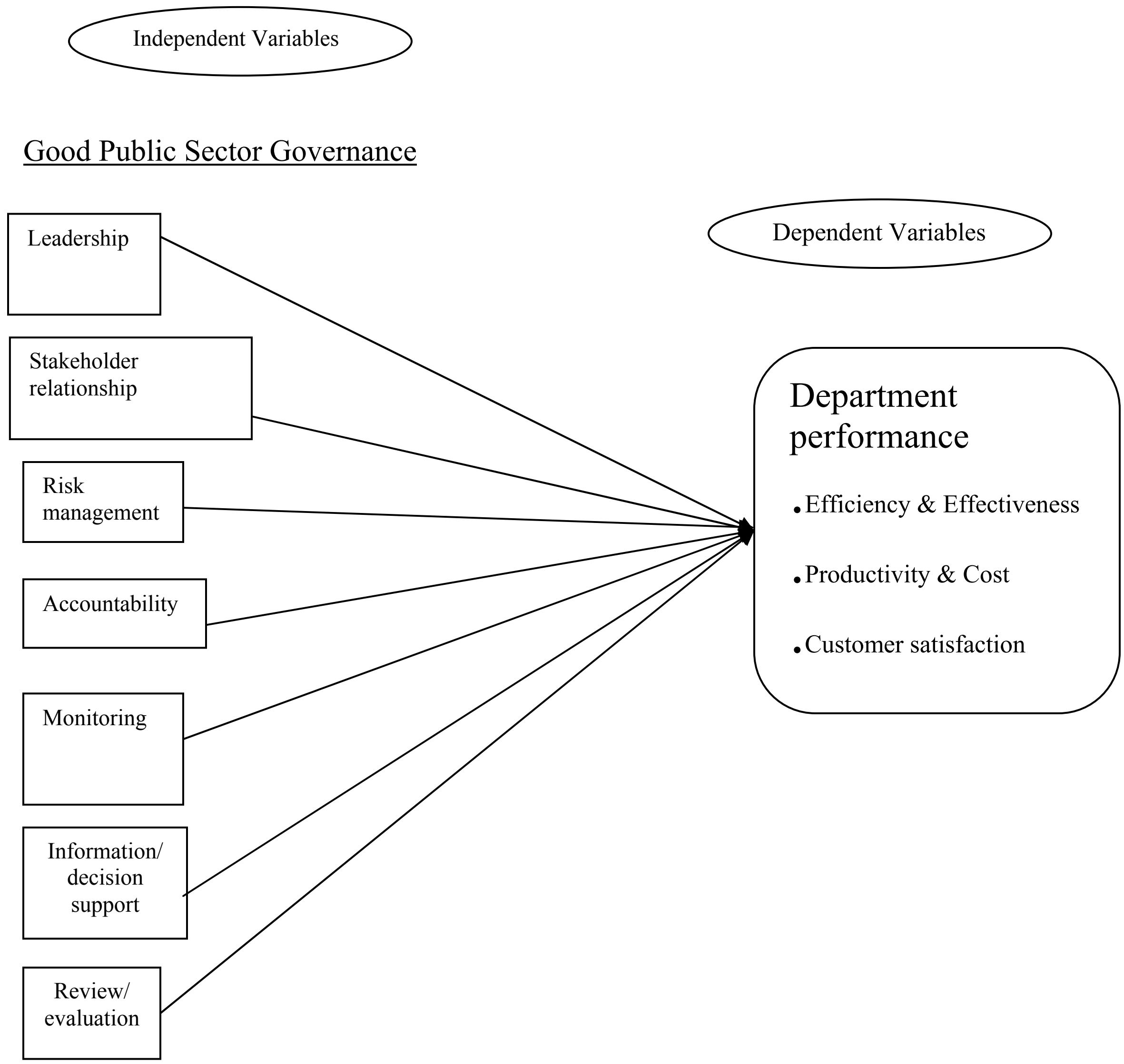
3.2 Research Theoretical Framework

The concept of theoretical framework is that the framework illustrates the relationship between the variables in this study (Sekaran, 2000). The establishment of the theoretical framework is done after assessing the literature as stated in the previous section/ chapter specifically on the theories and concepts of the Public/ Corporate governance, literature on public sector governance, literature on public sector performance measurement and empirical research on good governance and performance.

In developing the theoretical framework, it must consist of several independent variables along with dependent variables. In this paper, the dependent variable is department performance, and supported by the independent variable which are good public sector governance. The independent variable consists of the elements of leadership, Stakeholder relationship, risk management, accountability, monitoring, information/ decision support and review/ evaluation of governance arrangements.

Figure 3.2 illustrated the theoretical relationship of the two variables of the study, i.e., the relationship between good Public Sector Governance and its dimensions (Iv) and the department performance (Dv). The figure below shows eight direct relationships: firstly, the independent variable (good public sector governance) and dependent variable (department performance), secondly, the seven dimensions of good public sector governance and the dependent variable (department performance).

Figure 3.2: Theoretical Framework of the study



From the discussion of the previous chapter, it is justify that the implementation of Good Public Sector Governance dimension, namely, leadership, Stakeholder relationship, risk management, accountability, monitoring, information/ decision support and review/ evaluation of governance arrangements, resulted better department performance (dependent variable).

Therefore, this study established eight propositions to describe the relationships between the element of good public sector governance and its performance:

i) There is a positive relationship between good public sector governance and the department performance.

ii) There is a positive relationship between leadership and the department performance.

iii) There is a positive relationship between Stakeholder relationship and the department performance.

iv) There is a positive relationship between risk management and the department performance.

v) There is a positive relationship between accountability and the department performance.

vi) There is a positive relationship between planning and performance monitoring and the department performance.

vii) There is a positive relationship between information/ decision support and the department performance.

viii) There is a positive relationship between review and evaluation of governance arrangements and the department performance.

3.2.1 Development of hypotheses

This section outlines the research hypotheses based on the relationship of the good public sector governance including its dimensions and the department performance. Therefore, this study developed eight testable hypotheses to show the relationship between the independent variable (Good public sector governance as a whole and its seven dimensions) and dependent variable (department performance).

3.2.1.1 The relationship between good public sector governance and the department performance.

Good public sector governance is very important to provide adequate support and to ensure performance improvement in the public sector organizations (Barret, 2003). It is very important for every public sector to practices good governance concept as the heart of the economy of a nation depend on the outcome and productivity from the public sector. Obviously, serious services failure and financial failures are part of the outcome from poor governance in public sector.

Many studies had shown the significant relationship between good governance with better performance in an organization (Coles, McWilliams & Sen, 2001). Research by Jinarat and Quang (2003), Alexander and Lee (2006), Coles et al. (2001), Drobetz, Schillhofer and Zimmermann (2004) and Yacuzzi (2005) had proven that there is a positive relationship between good governance and the performance of the organization/ department.

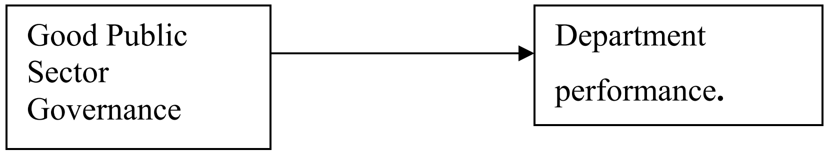


Figure 3.3: A relationship between good public sector governance and department performance.

Figure 3.3, illustrates the relationship between good public sector governance and department performance. Therefore, the relationship of good public sector governance and the department performance is hypothesized as follows.

H1: There is a significant positive relationship between good public sector governance and the department performance.

3.2.1.2 The relationship between leadership and the department performance.

Leadership dimension plays an important role in an organization in order to ensure that they address the purpose and objectives of the organization they serve and they work in the public interest (The Independent Commission, 2004). Further more, ANAO (2003) states that, in achieving good governance that leads to better organization performance, leadership is the most crucial element of all good governance dimensions in the public sector. In addition, Sidek (2007) also states that, leadership is the most important elements of the good governance in the public sector, as they acting as a role model in terms of its behaviour and performance in achieving good governance in public sector. Ryan and Ng (2000) support this argument, as they describe leadership is an important dimension of all public sector governance frameworks. By having strong leadership behavior and values it leads to better organization performance (Whiteoak, 1996).

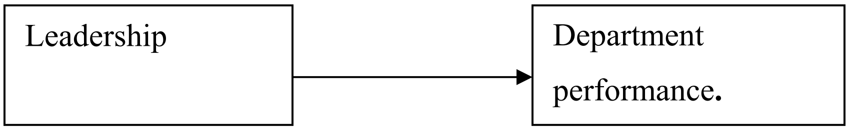


Figure 3.4: A Significant relationship between leadership and department performance.

Figure 3.4, illustrates the relationship between leadership and department performance. The relationship of leadership and the department performance is hypothesized as follows.

H2: There is a significant positive relationship between leadership and the department performance.

3.2.1.3 The relationship between Stakeholder relationship and the department performance

According to ANAO (2003), public sector organization had a wide range of stakeholders with an interest in their operations, and the interest by these stakeholders can be different. The legitimate interest by all the stakeholders should be properly and appropriately considered, in order to avoid conflict that can affect the performance of the organization. According to Hodges et al. (1996), better performance can be achieved, by providing assurance to all stakeholders that the organization is capable and honest and at the same time avoiding tight control and bureaucracy. Sidek (2007) states that, stakeholder relationship should be identify and need to be explained formally in the governance structure of an organization so that, better communication channel among the stakeholders can be achieved which leads to better organization performance. Therefore, stakeholder relationship is also one of the key dimensions of good public sector governance in ensuring the organization perform better and achieving its goal.

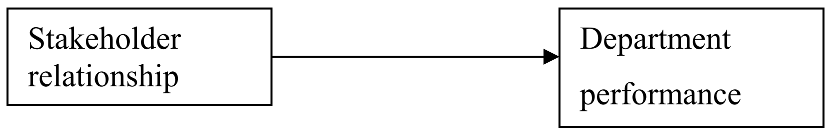


Figure 3.5: Relationship between stakeholder relationship and department performance

Figure 3.5, illustrates the positive relationship between stakeholder relationship and department performance. The relationship of stakeholder relationship and the department performance is hypothesized as follows.

H3: There is a significant positive relationship between Stakeholder relationship and the department performance.

3.2.1.4 The relationship between risk management and the department performance

Risk management dimension set up a process of identifying, analyzing and mitigating risk that could prevent an organization from achieving its goals and objectives (Ryan & Ng, 2000). According to ANAO (2003), risk management dimension is an essential parts of good public sector governance in achieving better organization performance and conformance. Boyd (1997) also agreed that, risk management is one of the fundamental dimensions of good governance. The National Forum for Risk Management in The Public Sector (ALARM, 2001) states that, risk management benefits the public sector organization by improving its performance in terms of strategic, operational and financial management. Risks management should become a central agenda in the public sector in order to achieve good governance which leads to high organization performance (Sidek, 2007). It is clear from above evidence; risk management is also one of the good public sector governance dimensions that lead to better organization performance.

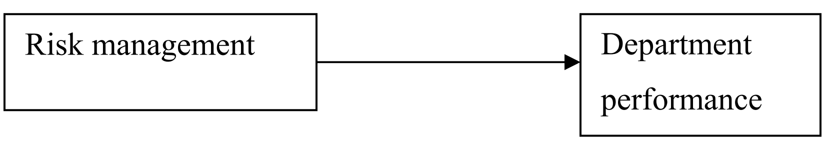


Figure 3.6: The relationship between Risk management and department performance.

Figure 3.6, illustrates the relationship between Risk management and department performance. The relationship of Risk management and the department performance is hypothesized as follows.

H4: There is a significant positive relationship between risk management and the department performance.

3.2.1.5 The relationship between Accountability and the department performance

According to Ryan and Ng (2000), accountability dimension deals with effective internal and external reporting that leads to better organization performance. ANAO (2003) states that, accountability is a crucial dimension of good public sector governance whereby, the dimension shows that the organization are well governed in terms of its accountability requirements and in particular, had a staff and management who know, understand and communicate clearly their roles, powers and responsibility which direct towards better performance. According to Sidek (2007), good compliance to accountability dimension of public sector governance portray the organization had a knowledgeable and ethical staff, besides, the organization also applying a good communication channel in doing the organization decision making and action, which also contribute to the organization performance.

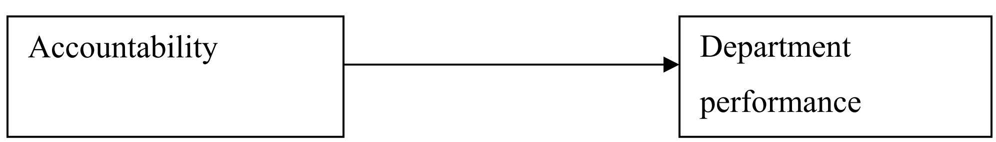


Figure 3.7: The relationship between Accountability and the department performance

Figure 3.7, illustrates the relationship between Accountability and the department performance. The relationship of Accountability and the department performance is hypothesized as follows.

H5: There is a significant positive relationship between Accountability and the department performance.

3.2.1.6 The relationship between monitoring and the department performance.

Monitoring dimension is concerned on ensuring the organization performs as well as possible in meeting its policy and performance objectives (ANAO, 2003). According to, Ryan and Ng (2000), the dimension of monitoring deals with continuous effectiveness in pursuing agency objectives. Sidek (2007) states that, the dimension of monitoring is crucial in ensuring the public sector organization performance always at the highest level. It seems clear that monitoring have relationship with department performance.

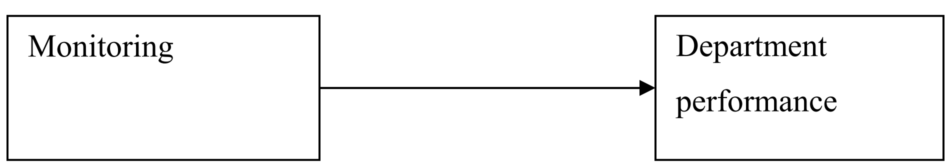


Figure 3.8: Relationship between monitoring and department performance.

Figure 3.8, illustrates the relationship between monitoring and department performance. The relationship of monitoring and the department performance is hypothesized as follows.

H6: There is a significant positive relationship between monitoring and the department performance.

3.2.1.7 The relationship between information and decision support and the department performance.

According to Barrett (1998), better performance outcomes in the public sector can be achieved by having good structures and processes for decision making. Information and decision support are the requirements of the good structures and processes that leads to good decision making. It involves ensuring proper record keeping of file maintenance, store and retrieving information using new technology. By doing so, it makes certain that right people have the right information in order to make good decision making for better performance (ANAO, 2003). It also clears that Information and decision support dimension have a relationship with department performance.

Figure 3.9: A relationship between Information and decision support and department performance.

Figure 3.9, illustrates the relationship between information and decision support and department performance. The relationship of information and decision support and the department performance is hypothesized as follows.

H7: There is a significant positive relationship between information and decision support and the department performance.

3.2.1.8 The relationship between review and evaluation of governance arrangements and the department performance.

Review and evaluation of governance arrangement is necessary in improving organization performance and its operation (ANAO, 2003). This dimension also play an important role in meeting new changes that allow the organization meet new challenges successfully. According to ANAO (1999), Review and evaluation of governance arrangement deals with quality assurance and corrective action plans in order to improve performance.

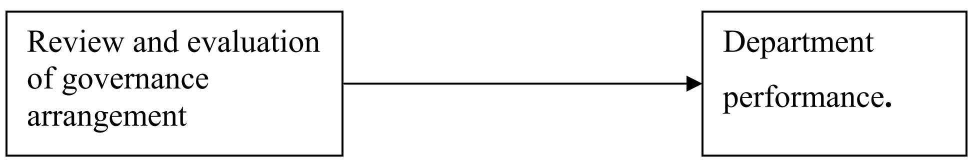


Figure 3.10: A relationship between review and evaluation of governance arrangements and department performance.

Figure 3.10, illustrates the relationship between review and evaluation of governance arrangement and department performance. The relationship of review and evaluation of governance arrangement and the department performance is hypothesized as follows.

H8: There is a significant positive relationship between review and evaluation of governance arrangements and the department performance

3.3 Chapter Summary

The ANAO framework of good governance in the public sector had been used to identify the independent variables of the study and organization/ department performance as the dependent variable of the study. This chapter also had conceptualized the research theoretical framework and the hypothesis development. Further, the hypotheses of this study will be tested by using the correlation and regression analysis, in determining the relationship of the variables under study and also to determine the most dominant dimensions that affect the most on dependent variable. Finally, the next chapter presents the research methodology of this study.

CHAPTER FOUR
RESEARCH METHODOLOGY

4.1 Introduction

This chapter details out the methodology of the research study. The chapter focuses in discussing five main sub sections, namely research design, research sampling method, data collection method, measurement and instruments method and method of data analysis. The first sub-section discussed on the research design. The second sub-section covers on the sampling procedure method. Data collection method was discussed on the third sub-section of this chapter. The fourth sub-section deals with the measurement and instruments method, and finally the fifth sub-section concerned on the method of data analysis.

4.2 Research design

This sub-section concerned on the relating elements of research design such as purpose of the study, type of investigation, researcher interference, study setting, unit of analysis and finally time horizon. All of the elements of the above are important in collecting and gathering relevant data in providing answers to the research objectives. The main objectives of this study are: To determined the level of good public sector governance score in MARA, specifically the Credit Control Department, to examined the relationship between good public sector governance and the performance of MARA, Credit Control Department, to identify the significant element of good public sector governance that contribute to the variation of the performance in MARA, Credit Control Department.

and to identify the relative problems in collecting the educational loans faced by the Credit Control Department (CCD) of MARA.

This study involves hypothesis testing, to understand the relationship between good public sector governance with the performance of Credit Control Department of MARA in managing the collection of educational loan. This study is a correlational study, whereby, involves an investigation to study the relationship between good public sector governance with the performance namely, efficiency and effectiveness, production and cost and customer satisfaction of Credit Control Department of MARA. The study involves collecting the perceptions of the respondents in a non-contrived setting within the department of the organization. The unit of analysis for this study is the Credit Control Department of MARA. For that reason, the respondents involved in this study represent the department. The data were collected once, through questionnaires, structured interview and some collection of information through files, records and documentations from June until August 2007; therefore, this study is a cross-sectional study.

4.3 Sampling Method

Sampling is the process of selecting the right individuals, objects or events and also involved selecting a sufficient number of elements from its population (Sekaran, 2003). The population of this study comprised the staffs of Credit Control Division of Majlis Amanah Rakyat. In addition, sources of data also come from the documents of educational loans from Credit Control Division of Majlis Amanah Rakyat. There were two sets of samples in the study: 1) questionnaires and performance evaluation samples and 2) structured interview samples.

As of December 2007, based on the list obtained from the division, The Credit Control Division of Majlis Amanah Rakyat consist of 95 staff overall, 11 of the members were in the upper- management level, 16 of the members were in the middle-management level and the balance of 68 staffs were in the operational level. The figures stand as the total population of the respondents in this study. The staffs in the credit control department were chosen as samples because, they are the one that perform the task and directly involved in managing and collecting the educational loan. In the other hand, the data of the educational loans where gathered from the year of 1965 until 2006.

This study chose the nonprobability sampling design (Sekaran, 2003) and it is purposive in nature, whereby it uses subjective methods such as personal experience, convenience or expert judgement to select the element (Hair, Money, Samouel & Page, 2007). This study had adopted judgement sampling method, whereby; involve selecting elements or sample in the population for specific purpose and certain characteristic (Zikmund, 1991). The samples of staffs are being chosen according to their function in the division. For the first set of sample, 82 staffs consist of 11 members in the upper-management level; 16 members in the middle-management level and the balance of 55 staffs in the operational level had been chosen as a sample size in answering the first and second objective of the study. The sample staffs comprise of (1) Director of CCD, (2) Senior Deputy Director of CCD, (3) senior executive officers of CCD, (5) executive officers of CCD, (16) operational officers of CCD and (55) clerk of CCD who is directly involved and assisting the department in managing and collecting the educational loans.

Based on the rules of thumb proposed by Roscoe (1975) in Sekaran (2003), samples sizes larger than 30 and less than 500 are appropriate for most research.

Lastly for the second set of sample, the study had chosen 12 staffs in the Credit Control Department (MARA) as a number of samples. The 12 staffs had been chosen as a samples of respondents because they are directly involved in doing the decision making in respect of managing and collecting the educational loans. The sample staffs comprise of (1) Director of CCD, (1) Senior Deputy Director of CCD, (3) executive officers of CCD, and (7) operational officers of CCD.

4.4 Data collection strategy

This study used two strategy of data collection, namely: 1) questionnaires and 2) interviews. Therefore, by having questionnaires and interviews as the means for data collection, this study is a survey research. Questionnaires is a written set of questions meant to the respondents to record their answer with alternative given answer (Sekaran, 2003).

On the other hand, a structured interview may be defined as a series of job-related questions with predetermined answers that are consistently applied across all interviews for a particular job (Pursell, Campion, & Gaylord, 1980). Kvale, (1996) defined structured interviews as attempts to understand the world from the subjects' point of view, to unfold the meaning of peoples' experiences, to uncover their lived world prior to scientific explanations. Mcnamara (1999) argued that, interviews are particularly useful for getting the story behind a participant's experiences, furthermore, the interviewer can pursue in depth information around the topic.

This study is categorized as survey in nature by getting the perceptions of the respondents i.e. the staffs of the credit control department of MARA regarding the relationship between good public sector governance and the performance in their department in terms of managing and collecting the educational loans.

The first data collection strategy in this study was through questionnaires. The purposed of the questionnaires firstly, to determined the level of score of good public sector governance in Credit Control Department of MARA, secondly, for evaluating the performance of the department particularly in managing and collecting the educational loans.

The second data collection strategy was through structured interviews. Face-to-face interviews were conducted with the respondents which is the staffs of Credit Control Department of MARA.

The development of questionnaires in terms of measurements of scale items, wording and structured interviews, were prepared in accordance to suggestions outlined by Sekaran (2003) in order to ensure the reliability and validity of both questionnaires and structured interviews. The set of questionnaires and the structured interviews questions is free from double-barrelled questions, ambiguous questions, leading questions, argon and technical words. For that reasons, close-ended questions were designed in ensuring the respondents to make quick decision and understand the objective of the questions.

4.5 Measurement and Data Collection Instruments

This study outlined one independent variable including seven of its dimensions and one dependent variable to be measured. All variables are subject to the reliability and pilot tests before the main survey was conducted. The pilot study is done for the purpose of ensuring the reliability of the elements used in this study, secondly, to make used the researcher with the fieldwork, and finally, to foresee the obstacles and make correction in the data collection method.

A pilot test was conducted in MARA Perlis and Kedah states office involving a samples of thirty staffs altogether. Data was collected and analyses using the questionnaires and interviews. About 30 questionnaires fully distributed and 12 interviews were conducted. According to Sekaran (2003), a pretest of the instruments are important in ensuring that the questions is valid and understood by the respondents and there are no problems with the wording and measurement. The staffs had been chosen because they are well experience in managing and collecting the educational loan. All the 30 questionnaires and 12 structured interviews were returned and analyzed. The amount of 30 respondents in the pilot study seems appropriate, as Emory and Cooper (1991) suggested that respondents ranging from 30 to 100 are appropriate for the purpose of pilot study.

4.5.1 Measurement of variables

The measurements for the independent variable are good public sector governance and the dimensions are leadership, stakeholder relationship, risk management, accountability, planning and performance monitoring, information and decision support and review and evaluation. In the other hand, the measurement of dependent variable which is department performance i.e. Credit Control Department of MARA, was based on a circular released by the government of Malaysia known as the Pekeliling Kemajuan Pentadbiran Awam, Bilangan 2, 2005, (PKPA bil.2, 2005). The main purpose of the circular is to give instruction to all the Malaysian Public sector organizations and its agencies to implement performance indicator in their organization as a measuring tools in order to measure performance. The table below summarized the measurements of the variables of this study.

Table 4.1: Summary of variables and Measurements Instruments

Independent variable	Questions number	Scale	Questions number	Notes
Good Public Sector Governance				
1) Leadership	1-8	1 – 5 points	-	-
2) Stakeholder relationship	10-13	1 – 5 points	9	*Used as collecting additional info.*
3) Risk management	14-16, 20,21,24-30	1 – 5 points	17-19, 22,23	*Used as collecting additional info.*
4) Accountability	32- 36	1 – 5 points	31,33	*Used as collecting additional info.*
5) Planning and performance monitoring	37- 41	1 – 5 points	-	-
6) Information and decision support	42- 46	1 – 5 points	47	*Used as collecting additional info.*
7) Review and evaluation	51-54	1 – 5 points	49,50	*Used as collecting additional info.*
Total number of questions	54			

Dependent variable	Questions number	Scale	Questions number	Notes

Department performance (Indicators) 1) Efficiency and effectiveness 2) Productivity and cost 3) Customer satisfaction	 1-4 7-13 14-18	 1 – 5 points 1 – 5 points 1 – 5 points	 - 5,6	 - *Used as collecting additional info.*
Total	18			

4.5.1.1 Measurement of Good Public Sector Governance and dimensions

For the questionnaires, a set of fifty four questions had been developed mostly using likert scale and some dichomous scale and multiple response questions. The likert scale is designed to examine the level of score on a 5-point scale, the dichotomous scale is used to elicit a yes or no answer and the multiple response questions is designed to capture as many of the possible answers to a question **(**Santos, 2000). The likert scale is ranked from 1 = strongly disagree to 5 = strongly agree. The questionnaires are divided into seven sections which is Leadership, stakeholder relationship, risk management, accountability, monitoring, information and decision support and review and evaluation. For the introduction, the questionnaires had been developing with the serial number in order to identify who is the respondent. Then, respondent had to write down their identity in terms of age, gender, years of service and position held in the Credit Control Department of MARA.

In section one, there are a total of *eight questions* (which are numbered as 1,2,3,4,5,6,7 and 8), and all of the questions was using 5-points likert scale method. In section two, it contains *five questions* (which are numbered as 9,10,11,12 and 13). For question 9, dichotomous scale was used to capture the respondent's knowledge and ability on identifying who are their internal and external stakeholders. For question 10-13, the study used likert scale method.

There are *seven-teen questions* (which numbered as 14, 15, 16, 17, 18, 19, 20, 21, 22, 23,24,25,26,27,28,29 and 30) to be answered by the respondents under section three. For questions number 14-16, 20, 21, 24-30, 5-point likert scale method were applied, for questions number 17, 18, 19 and 23 multiple response questions were used. Question 17, used to identify who is responsible for risk management, question 18 used to capture the facilitative role in risk management, question 19 were asked to identify the person accountable on risk management and finally question 23 were asked to get information regarding dissemination of risk management policy within the department. For questions 22 dichotomous scales were used in getting information regarding documented risk management policy.

In section four, it contains *six questions* (which are numbered as 31, 32,33,34,35 and 36) to measure the accountability aspect. Questions number 32, 34, 35 and 36 the study used 5-point likert scale method. Question 31 was asked using dichotomous scale to know the department external accountability institution. For question 33, the study used multiple response question on elicit type of declaration towards the department external accountability institution.

For section five, under the aspect of planning and performance monitoring, there are *five questions* (which are numbered as 37,38,39,40 and 41) and all the question were using 5-point likert scale. Furthermore, in section six, there are *seven questions* (which are numbered as 42, 43, 44,45,46,47 and 48) whereby question 47 being given to the respondents using dichotomous scale for getting information on Information & decision support requirement and the rest of the questions were using 5-point likert scale.

Finally for measuring the aspect of review and evaluation of governance arrangements, it consists of *six questions* (which are numbered as 49, 50, 51, 52, 53 and 54), whereby for questions 51-54, 5-point likert scale were being used. For question 49, multiple response questions used to capture information regarding how frequent the department do the review and evaluation of its governance arrangements and for question 50 the study used dichotomous scale method to elicit information on respondents view on the department size and complexity.

4.5.1.2 Measurement of department performance

In terms of department performance i.e. Credit Control Department of MARA, it can be measured by using the guidelines of performance indicators released by the government of Malaysia known as the Pekeliling Kemajuan Pentadbiran Awam, Bilangan 2, 2005, (PKPA bil.2, 2005). A set of performance indicator consist of 18 questions had been developed to measure the performance of the Credit Control department in managing and collecting the educational loan. The guide outlined three important aspects in order to evaluate performance which is effectiveness and efficiency, productivity and cost and customer's satisfaction.

In this study, the indicators for the measurement of department performance i.e. Credit Control Department of MARA are:

Effectiveness and Efficiency

The effectiveness and efficiency is being measured by:

1) Customer waiting time at the counter,

2) Time duration in dealing with customer,

3) Margin of error in delivering service to customers,

4) Number of output in a specific period of time;

Productivity and Cost

The productivity and cost is being measured by:

1) Amount of collection of educational loan,

2) Achievement of recovery action activities,

3) File maintenance,

4) Costs involve and the usage in managing and collecting the educational loan,

5) Achievement in collecting educational loan through internet banking;

Customer satisfaction

The customer and satisfaction is being measured by:

1) Customer reply form in measuring service delivery,

2) Customer survey in measuring customer satisfaction,

3) Time taken in giving feedback to customer's complaint,

4) Percentage of complaint received and being solved.

The measurement of items was largely based on a five-point likert scale measurement and two question numbered as 5 were using multiple response question and question numbered as 6 were using dichomous scale method. The performance measurement indicator questionnaires were numbered as question 1 to question 18. For question 1, 2, 3, 4, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17 and 18 the measurement of items was based on 5-point likert scale. For question 5 (under the aspect of Productivity and Cost), multiple response question were asked to elicit answer on the respondents main task at the department and for question 6 (under the aspect of Productivity and Cost), dichotomous scale used to capture information regarding organization target goals towards respondents job. Both of the question for the purpose of strengthening the information regarding performance evaluation of credit control department of MARA particularly in managing and collecting the educational loan from the students.

4.5.2 Structured interview

The structured interview had been developed in answering the final objectives of the study which is to identify the relative problems in collecting the educational loans faced by the Credit Control Department (MARA). The above objective can be measured by using 6 questions. The questions focus on exploring the main problems and the respondents were twelve staffs in the Credit Control Department (MARA). In this study, Face-to-face interviews were conducted with the respondents which are the staffs of Credit Control Department of MARA.

There are six questions (which are numbered as 1, 2,3,4,5 and 6) to be answered during the face to face interview with the respondents. The questions for measuring problems in collecting the educational loans faced by the Credit Control Department (MARA) are: 1) Opinion on overall performance of Credit Control Department of MARA, particularly in collecting the educational loans, 2) Problems or difficulties faced in performing duties, 3) Factors that affect in improving collection of educational loan, 4) Resources and support in performing duties, 5) Student's attitude towards repayment of MARA educational loan, 6) suggestions towards improving the overall collection of MARA educational loan. The answers of all the twelve respondents were tabulated and the data analyzed, and finally, the study summarized on what is the real problem faced by the Credit Control Department of MARA in managing and collecting the educational loans from the students.

4.5.3 Reliability Analysis

The respondents were asked to evaluate based on their perception on five Point Likert-scale statements. Internal consistency method was used to test the reliability level. Churchill (1979) suggested that internal consistency method is one of the most popular methods to test the reliability test. Beside that, Nunnally (1978) states that, it provides the basic probable reliability of the instruments. The internal consistency for all of the sections was assessed with Cronbach's alpha (Cronbach, 1951). Cronbach's alpha (α) value is sufficient to determine the reliability of the constructs (Sekaran, 2000; Zikmund, 2000).

The results can be found in Table 1 below. The highest coefficient can be found for review and evaluation (0.912), monitoring (0.879) and information and decision support (0.842). The coefficient for leadership was 0.819, stakeholder relationship; 0.789, risk management; 0.772 and accountability; 0.718, indicating high reliability. For dependent variable, which is performance indicator, the highest coefficient can be found for Customer satisfaction (0.912), efficiency and effectiveness (0.898) and productivity and cost (0.754). The result of pilot study is summarized in the following table 4.2:

Table 4.2: Internal Consistency Coefficient

Independent variable	**Alpha**
Leadership	0.819
Stakeholder relationship	0.789
Risk management	0.772
Accountability	0.718
Monitoring	0.879
Information and decision support	0.846
Review and evaluation	0.912
Dependent variable- Performance	
Efficiency and effectiveness	0.898
Productivity and cost	0.754
Customer satisfaction	0.912

4.6 Factor analysis for the dimension of good public sector governance

The general purpose of factor analysis is to summarize the information contained in a large number of variables into smaller number of factors. It refers to a diverse number of techniques used to discern the underlying dimensions or regularity in phenomena (Zikmund, 1991). In addition, factor analysis may be used to untangle the linear relationships into separate patterns and to determine the linear combinations of variables that assist in investigating the interrelationships. In general, the goal of factor analysis is to reduce a large number of variables into as few dimensions or constructs as possible (Zikmund, 1991).

Factor analysis method was used to test the linear relationships into separate patterns and to determine the linear combinations of variables on the dimensions of good public sector governance. The data were collected from the 82 respondents of Credit

Control Department of MARA.KMO index shows valued at 0.958 and the Bartlett is significant at the value of $\alpha = 0.05$. Table 4.3 below summarizes the KMO and Bartlett test.

KMO AND BARTLETT'S TEST

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.958
Bartlett's Test of Sphericity	Approx. Chi-Square	21327.775
	df	703
	Sig.	.000

On the other hand, from the factor analysis result, it revealed that seven separate underlying components appeared from 54 items of good public sector governance namely, risk management (component 1), leadership (component 2), accountability (component 3), information and decision support (component 4), stakeholder relationship (component 5), review and evaluation (component 6) and finally monitoring (component 7). Table 4.4 below summarizes the result of rotated component matrix.

Rotated Component Matrix (a)

	2	5	1	3	7	4	6
	Leadership	Stakeholder	Risk Mgt.	Accountability	Monitoring	Info.and Decision support	Review and evaluation
a1	.560					.628	

a2	.803						
a3	.843						
a4	.844						
a5	.637	.473					
a6	.869						
a7	.707						
a8	.766						
b10		.827					
b11		.746					
b12		.855					
b13		.783					
c14			.562				
c15			.675				
c16			.616				
c20			.874				
c21			.853				
c24			.776				
c25			.879				
c26i			.941				
c26ii			.911				
c26iii			.919				
c26iv			.919				
c26v			.851				
c26vi			.893				
c26vii			.870				
c28			.767				
c29			.664	.469			
c30			.674	.480			
d32				.893			
d34				.674			
d35				.665			
d36				.545			
e37					.616		
e39					.747		
e40					.852		
e41					.734		
f42						.629	
f43					.497	.630	
f44	.416				.467	.480	
f45						.509	
f46				.476		.526	
f48	-.444				-.448	.658	
g51							.840
g52							.875
g53							-.805
g54							.765

Table 4.4: Summary of rotated component matrix

4.7 Data collection

The method of questionnaires was chosen for this study because there are a number of advantages. According to Sekaran (2003), when an organization is willing and able to gathered together groups of employees to respond to the questionnaires, the best way in collecting data is through self administered questionnaires. Beside that, the researcher may collect the complete questionnaires within a short period of time, and any doubt could be clarified on the spot (Sekaran, 2003). Furthermore, by using questionnaires, can also avoid the researcher to be bias, by providing the sense of anonymous to the respondents who wants to give their frank answer and enables researcher measures perception in more accurate way (Emory, 1985). Finally self administered questionnaires to a large number of individuals at the same time offer researcher less cost and consumes less time (Sekaran, 2003).

For this study, each questionnaire was accompanied by a cover letter, which stated brief explanation on the purpose of the study, request for co-operation, guarantee confidentiality and anonymity, the benefits on filling up the questionnaire and the instruction about filling the questionnaires. The questionnaires were in English, the data were collected by:

1) Self-administered questionnaires during special meeting done by the Credit Control Department of MARA
2) Structured interview.

The questionnaires were distributed to the respondents during the special meeting conducted by the Director of Credit Control Department of MARA. The meeting was held on 9 and 10 of July 2007, beside, the meeting was held after office hours between 5-6pm. The allocation of time given for each meeting was about 1 hour. The meeting was held specifically for the purpose of answering the questionnaires. The questionnaires were collected at the end of second day of the meeting. As a result, a total of 64 completed questionnaires out of 82 samples of respondents successfully gathered, but 4 respondents did not fill in the demographic information such as gender, age, year of service and position. The reason for this study could not manage to get respond from all the 82 respondents because of busy life schedules after work. The table 4.3 below summarizes the number of responses of data collection using the self-administered questionnaires.

Table 4.5: Summary of questionnaires distribution

Meeting day	Questionnaires distributed	Questionnaires returned	Percentage (%)
2 day (9, 10 July, 2007)	82	64	78

The second strategy of data collection in this study was by structured interview. The interview also been conducted during the 2 day special meeting between 5-6pm on 9 and 10 of July 2007.The meeting helped to discover the main problems in collecting the educational loans faced by the Credit Control Department (MARA). The table 4.4 below summarizes the number of responses of data collection using the structured interview.

Table 4.6: Summary of interview conducted

Meeting day	Interview distributed	Interview returned	Percentage (%)
2 day (9, 10 July, 2007)	12	12	100

4.8 Method of Data Analysis

In answering the research objectives of this study, the data were analyzed using Statistical Package for the Social Science version 12.0 software. The data were analyzed using descriptive analysis and Correlation analysis.

a) Descriptive Analysis

Descriptive analysis involved frequency, cross tabulation and measures of central tendency of the data such as mode, median and standard deviation and variance. The descriptive analysis was used in answering the first objective of this study, i.e. to observe the level of good public sector governance score in the Malaysian public sector.

b) Correlation analysis

The correlation analysis method is a technique to see the nature, direction and significance of the bivariate relationship (i.e., the relationship between two variables). A Pearson correlation matrix provides the information that indicates the direction, strength and significance of the bivariate relationship among the variables in the study. A simple correlation is a statistical measure of the covariation of or association between two variables (Sekaran, 2000; Zikmund, 2000). Furthermore, the correlation analysis method is used in order to describe the relationship and strength between two variables (Pallant, 2005) survival manual (2^{nd} edition) London: Open University press.

Correlation analysis was conducted in answering the second objective of this study, i.e. to identify the relationship between good public sector governance and the performance of MARA, Credit Control Department. This analysis helps to find the relationship and strength between two variables.

c) Regression analysis

The regression analysis technique is used for measuring linear relationship between two or more variables which is between a dependent and independent variable (Hair, Money, Samouel & Page, 2007). Multiple regression analysis is one of the regression analysis that allows several independent variables into the same type of regression equation and predicts a single dependent variable. Furthermore, a separate regression coefficient then is calculate for each independent variables that describes its relationship with the dependent variable and finally, evaluate the relative influence of several independent variables on the dependent variable (Hair et al, 2007). Regression analysis was conducted in answering the third objective of this study, i.e. to identify the element of good public sector governance that contributes the most to the Malaysian public sector. The dependent variable (Y) is related to one or more independent variables (X). The regression model can be used to describe, predict and control the variable of interest on the basis of the independent variables.

Therefore, the assumption of the multiple regression equation in this study stated that, the utility of the results of this regression is in part dependent upon the non-contravention of the assumptions of the regression analysis (Cohen & Cohen, 1983, pp.125-130). The three primary criteria concern of homogeneity of variance of the residuals, appropriateness of a linear model and normality of the residuals

d) Tabulation and analysed of information

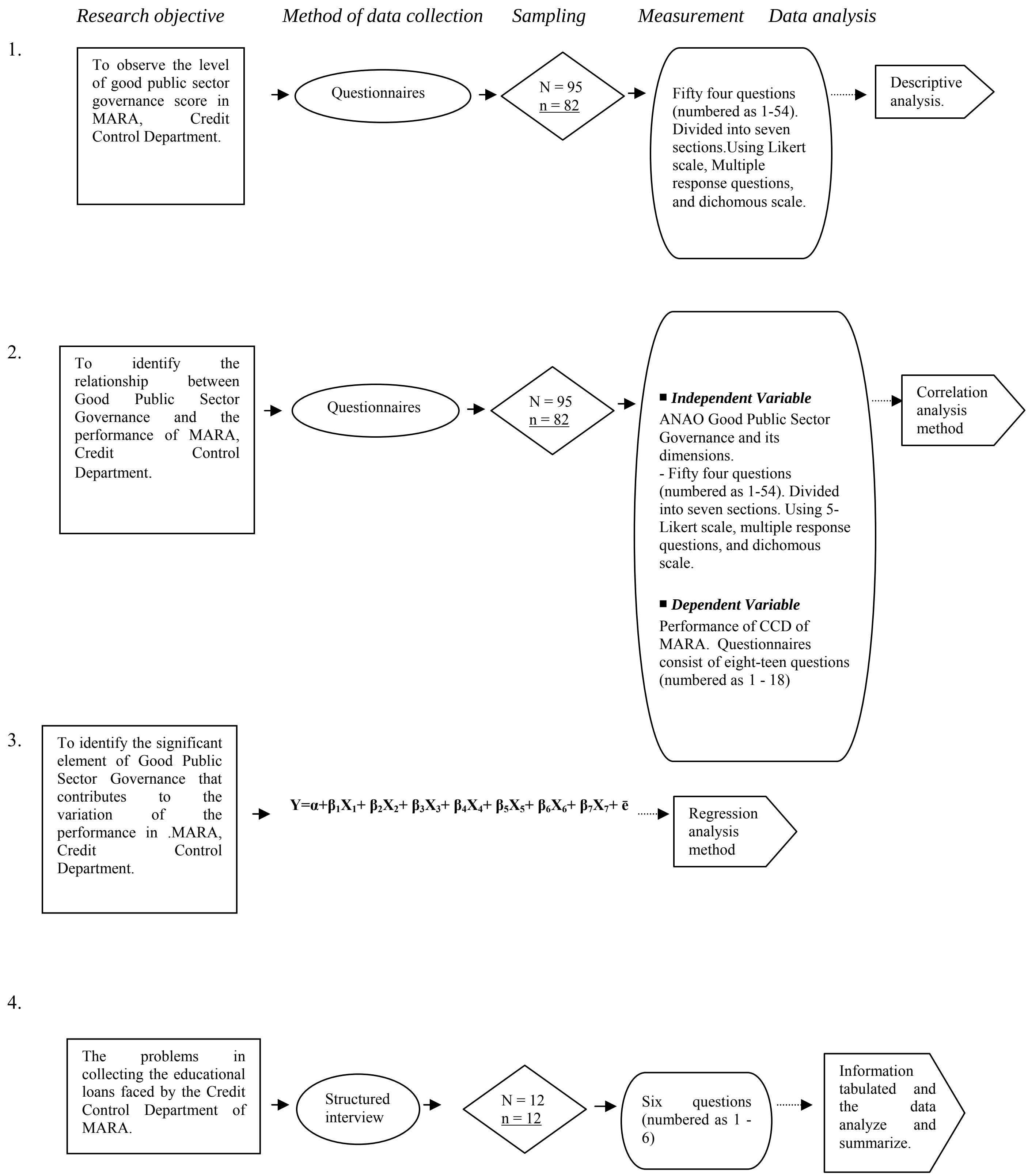
Sekaran (2003) acknowledge that the other method of collecting data is through interview on the issues of interest. Interview was divided into structured and unstructured interview. Structured interview were conducted when researcher know what kind of information is needed, in addition, after adequate information obtained, the data then were tabulated and analyzed for the purpose of identifying the specific problems (Sekaran, 2003).

Therefore, structured interview was conducted in answering the fourth objective of this study, i.e. to identify the relative problems in collecting the educational loans faced by the Credit Control Department of MARA. The answers of all the twelve respondents were tabulated and the data analyzed and finally summarize what is the real problem faced by the Credit Control Department of MARA in managing and collecting the educational loans from the students.

4.9 Chapter Summary

This chapter presents the summary of the research methodology that aims in revealing the details method of this study. The design of the methodology includes research design, research sampling method, data collection method, measurement and instruments method and method of data analysis. In addition, this chapter also discussed on the method of data analysis which involved descriptive analysis, correlation analysis, regression analysis and finally, tabulation and analysed of information. The next chapter presents the analysis and findings of this study.

Figure 4.1 Diagram of research method


Research objective
Method of data collection
Sampling
Measurement
Data analysis
1.
To observe the level of good public sector governance score in MARA, Credit Control Department.
Questionnaires
N = 95
n = 82
Fifty four questions (numbered as 1-54). Divided into seven sections.Using Likert scale, Multiple response questions, and dichomous scale.
Descriptive analysis.
2.
To identify the relationship between Good Public Sector Governance and the performance of MARA, Credit Control Department.
Questionnaires
N = 95
n = 82
■ Independent Variable
ANAO Good Public Sector Governance and its dimensions.
- Fifty four questions (numbered as 1-54). Divided into seven sections. Using 5-Likert scale, multiple response questions, and dichomous scale.
■ Dependent Variable
Performance of CCD of MARA. Questionnaires consist of eight-teen questions (numbered as 1 - 18)
Correlation analysis method
3.
To identify the significant element of Good Public Sector Governance that contributes to the variation of the performance in .MARA, Credit Control Department.
$Y=\alpha+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+\beta_5X_5+\beta_6X_6+\beta_7X_7+\bar{e}$
Regression analysis method
4.
The problems in collecting the educational loans faced by the Credit Control Department of MARA.
Structured interview
N = 12
n = 12
Six questions (numbered as 1 - 6)
Information tabulated and the data analyze and summarize.

CHAPTER FIVE
ANALYSIS AND FINDINGS

5.1 Introduction

This chapter reports the results or the outcomes of the study. The objective is to present, interpret and discuss the results of this study. The data were analyzed solely on questionnaires answered by the respondents through returned questionnaires. The first section reports on the demographic data which is the respondent's gender, age, year of service and position. The second section contains a report on the first objectives of this study which is to determined the level of good public sector governance score in MARA, Credit Control Department, furthermore, a report on the second objectives which is to examined the relationship between good public sector governance and the performance of MARA, Credit Control Department which contains several specific hypothesis testing.

In addition, a report on the third objective which is to identify the significant element of good public sector governance that contributes the most to the variation of the performance in Credit Control Department and finally the fourth objective which is to identify the relative problems in collecting the educational loans faced by the Credit Control Department. The final section provides the summary of the chapter.

5.2 Data background

The data for this study was gathered from 64 staffs comprises of 11 members in the management level and balance of 53 staffs in the operational level of the Credit

Control Department of Majlis Amanah Rakyat (MARA) Kuala Lumpur. The following sections disclosed the descriptive summary on the demographic information of the respondents.

5.2.1 Demographic Information of the Respondents

The respondents for this study are 60 staff members of the Credit Control Department of Majlis Amanah Rakyat (MARA) Kuala Lumpur. The data reveals that 25 staffs (41.7%) were male respondents and another 35 member's staff (58.3%) was female respondents. Chart 5.1 provides the gender group of the respondents.

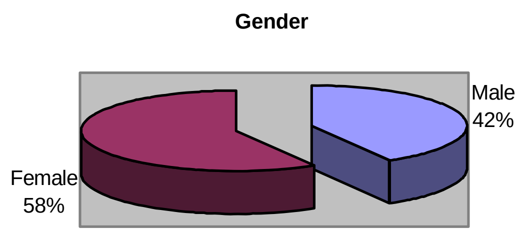


Chart 5.1: gender group of the respondents

Regarding the area of age groups, the study found that the respondents age group ranging from the age of 20 until 53 years old. The result shows that, the largest respondent's age group are between 25 – 30 years comprises of 24 people which bring the percentage of 40.0%. The second highest group age is more than 40 years old consists of 16 members (26.7%). Age between 31 – 35 years old consist of 13 members contribute to 21.7% of total number of respondents. The remaining 6 members (10.0%) were in the age group of 36 – 40 years old and finally only 1 respondent (1.6%) were in the age group of Less than 25 years old. Chart 5.2 provides the area of age groups of the respondents.

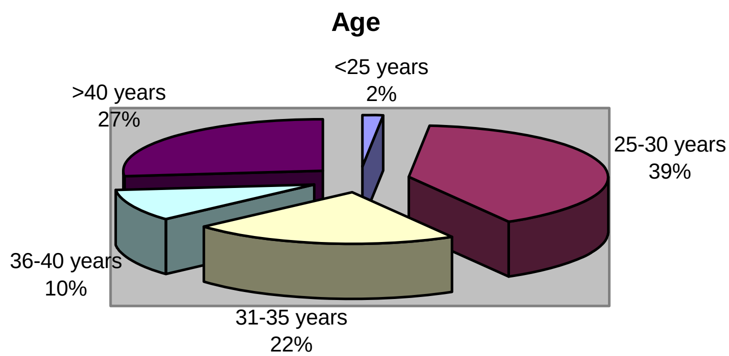


Chart 5.2: Area of age groups of the respondents.

In terms of years of service of the respondents in the Majlis Amanah Rakyat (MARA) particularly in managing and collecting of educational loan, 18 respondents had the experience of less than 5 years (30.0%) which is the largest group for indicating years of service or experience. 17 people (28.3%) were been in the service for 5 – 10 years, while 8 people (13.3%) were in the service for 11 – 15 years. For the years of service between 16 – 20 years comprises of 9 respondents (15.0%) and the remaining 8 respondents (13.3%) are considered the most experience and had the longest years of service which is more than 20 years. Chart 5.3 provides years of service of the respondents.

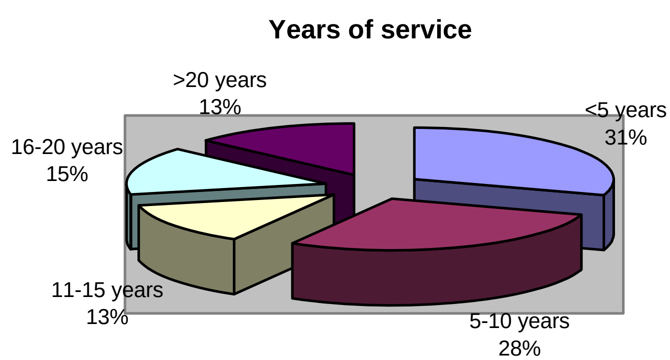


Chart 5.3: Years of service of the respondents.

Finally for the information of the respondents according to the position held by the respondents in the Credit Control Department of Majlis Amanah Rakyat (MARA) Kuala Lumpur are divided into two categories, which is in the management level and in the operational level. In the management level consists of staffs graded 41 until 54 whereby operational level comprise of staffs graded between 1 until 38 (graded according to the Civil Service Department. Furthermore, there are 11 respondents (18.3%) were in the management level group consists of (1) Director of CCD, (2) Senior Deputy Director of CCD, (3) senior executive officers of CCD, (5) executive officers of CCD.

For the operational level, there are 49 respondents (81.7%) belongs to this group which comprise of (16) operational officers of CCD and (33) clerk of CCD. Chart 5.4 shows the position held by the respondents.

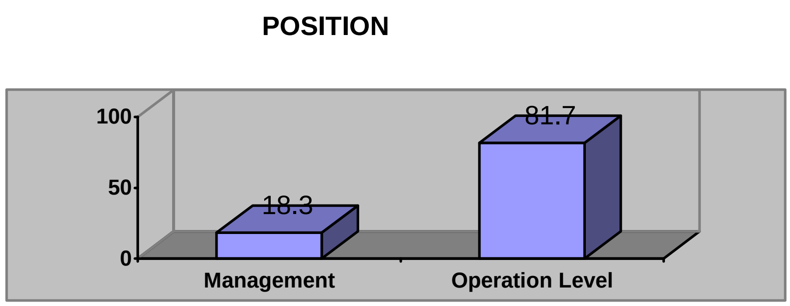


Chart 5.4: The position held by the respondents.

Table 5.1 provides the summary of the descriptive statistics for the profile of the sample respondents participated in this study.

Table 5.1: Profile of the sample respondents

ITEMS	FREQUENCY (N=60)	PERCENTAGE (TOTAL 100%)
Gender		
Male	25	41.7
Female	35	58
Age		
Less than 25 years	01	06
25-30 years	24	40
31-35 years	13	21.7
36-40 years	06	10.0
More than 40 years	16	26.7
Years of service		
Less than 5 years	18	30
5-10 years	17	28.4
11-15 years	08	13.3
16-20 years	09	15.0
More than 20 years	08	13.3
Position held in department		
Management	11	18.3
Operation level	49	81.7

* Four (4) respondents did not fill in the demographic information (gender, age, year of service, position)

5.3 The level of good public sector governance score in Credit Control Department, MARA.

This subsection present the answer to the first research objective which is to determine the level of good public sector governance scores in Credit Control Department of MARA. In order to answer the above statement, the result had revealed the score of good public sector governance as a whole, followed by its elements or dimension consist of leadership, stakeholder relationship, risk management, accountability, planning and performance monitoring, Information and decision support and review and evaluation.

The score is presented based on the descriptive statistics related to mean, standard deviation and the score range. These scores show the respondent's feedback or perception regarding the practices of good public sector governance and its dimensions in the Malaysian public sector i.e. Credit Control Department of MARA.

5.3.1 The Score of good public sector governance and its dimension

Independent variable - good public sector governance.

Respondent were asked to evaluate and giving feedback on the good public sector governance practices in their department. The results show the mean score of good public sector governance as perceived by the staffs was 3.70 with standard deviation of 0.32.The score range of 1 to 5 scales, where 1= strongly disagree to 5=strongly agree. The descriptive summary for perceived good public sector governance by the staffs is displayed in table 5.2.

Status	Good Public Sector Governance
N	64
Missing	0
Means	3.70
Standard Deviation	0.32
Score range	1 – 5

Table 5.2: Descriptive Statistic for perceived good public sector governance of the department.

Dimension – Leadership

Respondent were asked to give feedback about leadership practices in their organization based on the 1 to 5 scales, where 1= strongly disagree to 5=strongly agree. Respondents perceived that leadership contribute at the mean score of 3.94, with a standard deviation of 0.52, to the leadership existing in the organization. The descriptive summary for perceived leadership dimension by the staffs is displayed in table 5.3.

Status	Leadership
N	64
Missing	0
Means	3.94
Standard Deviation	0.52
Score range	1 – 5

Table 5.3: Descriptive Statistic for perceived leadership dimension

Dimension - Stakeholder relationship

The mean score for the feedback of respondents regarding the stakeholder relationship practices in the department was 3.91 and the standard deviation at the point of 0.52. The score range of 1 – 5. Besides that, all of the respondents can identify who is their external and internal stakeholder. The result shows that, 100% (64) of the respondents identify internal staffs, top management and MECD as their internal stakeholder, and Government agencies, Public and Students as their external stakeholders. The descriptive summary for perceived Stakeholder relationship dimension by the respondent is displayed in table 5.4.

Status	**%**	**Stakeholder relationship**
N		64
Missing		0
Means		3.91
Standard Deviation		0.52
Score range		1 – 5
External stakeholder	100	Yes(Government agencies, Public, Students)
Internal stakeholder	100	Yes (Staffs, Top Management, MECD)

Dimension - Risk Management

In the context of respondent's perception towards applying the dimension of risk management in their department, respondent perceived that they agree at the mean score of 3.60, with the standard deviation of 0.67 and the score range of 1 – 5. All of the respondents disclosed that, Director General, Senior Management and Audit committee was acted as the leading role and accountable to the risk management within the department and organization. Furthermore, 100% of the respondents also state that, the leaders facilitate risk management role in the department by creating awareness of the benefits of risk management and developed Risk management policies and procedures. In addition, all of the respondents agreed that, their department documented its risk management policy and the policy being spread through meeting and training. The descriptive summary for perceived Risk Management dimension by the respondent is displayed in table 5.5.

Status	%	Risk Management
N		64
Missing		0
Means		3.60
Standard Deviation		0.67
Score range		1 – 5
Leading role	100	Director general, Senior Management, Audit committee
Facilitative role in:	100	Awareness of the benefits and developed Risk management policies and procedures
Accountable to	100	Director general, Senior Management, Audit committee
Documented risk policy	100	Yes
Dissemination of policy	100	Training, Meeting

Table 5.5: Descriptive Statistic for perceived risk management dimension

Dimension – Accountability

Respondent were asked to give feedback regarding their perception about accountability practices in their organization based on the 1 to 5 scales, where 1= strongly disagree to 5=strongly agree. Respondents perceived that they are agreed at the mean score of 3.60, with a standard deviation of 0.64, to the accountability practices existing in the department. Beside that, 100% (64) of the respondents can identify their department's accountability institution whereby the respondents stated Auditor General and Minister as the accountability institution of their department. Furthermore, 80% (51) stated annual report and performance reporting as types of declaration that their department should fulfill towards the accountability institution and the balance of 20% (13) respondents states website and data information as the requirements to fulfill the needs of its accountability institution. The descriptive summary for perceived accountability dimension by the staffs is displayed in table 5.6.

Status	%	Accountability
N		64
Missing		0
Means		3.60
Standard Deviation		0.64
Score range		1 – 5
Accountability Inst.	100	Yes (Auditor General, Minister)
Declaration to Accountability Inst.	80	Annual report, performance reporting
	20	Website, Data information

Table 5.6: Descriptive Statistic for perceived Accountability dimension

Dimension – Monitoring

For the dimension of monitoring, respondents perceived that they are agreed at the mean score of 3.70, with a standard deviation of 0.58 to the monitoring practices existing in the department based on the 1 to 5 scales, where 1= strongly disagree to 5=strongly agree. The descriptive summary for perceived monitoring dimension by the staffs is displayed in table 5.7.

Status	Monitoring
N	64
Missing	0
Means	3.70
Standard Deviation	0.58
Score range	1 – 5

Table 5.7: Descriptive Statistic for perceived monitoring dimension

Dimension – Information and decision support

The overall mean score for the perception of respondent's agreed towards the information & decision support dimension applied in the department was 3.60. The standard deviation was at 0.71 with the score range of 1 – 5. 70% (45) of the respondents describe that, there is a requirements (act) that the department have to obey in dealing with the used of new information and communication technology, whereby they stated under license act (software) and authorized personnel are the requirement. In addition, 30% (19) of the respondents answer there is no requirements. The descriptive summary for perceived information& decision support dimension by the respondents is displayed in table 5.8.

Status	**%**	**Information and decision support**
N		64
Missing		0
Means		3.60
Standard Deviation		0.71
Score range		1 – 5
Requirements in using new info. and communication tech.	70	Under license act (soft ware), Authorized personnel
	30	No requirements

Table 5.8: Descriptive Statistic for perceived Information and decision support dimension

Dimension – Review and evaluation.

Respondent were asked to evaluate their perception about review and evaluation practices in their organization based on the 1 to 5 scales, where 1= strongly disagree to 5=strongly agree. Respondents perceived that they are agreed at the mean score of 3.85, with a standard deviation of 0.44, to the dimension of review and evaluation existing in the organization. According to the findings, 60% (38) of the respondents agreed, the department review and evaluate its governance arrangements every year or two, whereby, another 40% (26) of the respondents stated that their department done the review and evaluation when there is a significant event that effecting the organization. Beside that, all of the respondents view their department as larger and complex department. The descriptive summary for perceived review& evaluation dimension by the staffs is displayed in table 5.9.

Status	**%**	**Review and evaluation**
N		64
Missing		0
Means		3.85
Standard Deviation		0.44
Score range		1 – 5
Governance arrangement review	60	Every year or two
	40	When there is significant event
Department size	100	Large, complex

Table 5.9: Descriptive Statistic for perceived review and evaluation dimension.

5.3.2 The score of department performance

Dependent variable – Department performance (Credit Control Department, MARA)

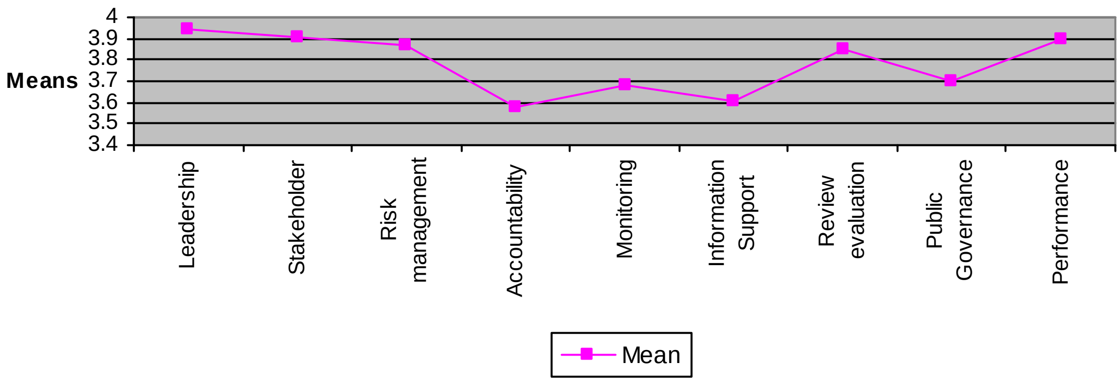
Respondent were asked to give feedback regarding their perception about their department performance based on the 1 to 5 score scales. The respondents perceived that they are agreed at the mean score of 3.90, with a standard deviation of 0.48. The descriptive summary for perceived department performance by the staffs is displayed in table 5.10.The respondents also gives feedback on some information regarding their job description and organization target towards their job. All of the Respondents (64) describe their main task in the Credit Control Department of MARA were managing and collecting the educational loans from the students and 100 %(64) of the respondents also stated that, the organization set a target towards their job achievement. Table 5.10 also shown the result of the means score for performance indicators for dependent variable namely, efficiency and effectiveness, productivity and cost and customer satisfaction. The means score for efficiency and effectiveness is 4.50, productivity and cost is 3.76 and customer satisfaction 4.09.

Status	**%**	**Department performance**
N		64
Missing		0
Means overall		3.90
Means-Effie. and Effect.		4.50
Means- Prod. and Cost		3.76
Means- Cust.Satisfaction		4.09
Standard Deviation		0.48
Score range		1 – 5
Main task	100	Managing and collecting educational loans
Target on job achievement	100	Yes

Table 5.10: Descriptive Statistic for perceived department performance.

5.3.3 Summary of findings and discussion

This section presents the summary of the result that aimed to answer the first objective of this study. The results show that, the Credit Control Department of MARA was having relatively good score of good public sector governance as perceived by the respondents which is the staffs of the department. The results also show that, the dimensions of leadership, stakeholder relationship and risk management were having the highest score. Besides, the staffs perceived that the department performance was also relatively high. Finally, the results seem to indicate that the Credit Control Department of MARA is applying good public sector governance in its activities specifically in managing the collection of educational loans from the students. Graph 5.1 shows the summary of the means regarding level of good public sector governance and the department performance.



Graph 5.1: The means score of level of good public sector governance and the department performance.

5.4 To examine the relationship between good public sector governance and the performance of Credit Control Department, MARA.

This subsection presents the result to the second research objective of this study which is to examine the relationship between good public sector governance and the performance of Malaysian public sector. In order to answer the above objective, the Pearson Product Moment Correlation Coefficients method was being used to determine the relationship of the independent variable and its dimensions with the dependent variable and finally tested the develop hypotheses. In addition, the regression analysis technique is also being used for measuring linear relationship between two or more variables which is between a dependent and independent variables.

5.4.1 The relationship between Good Public Sector Governance and department performance

To determine the above relationship, the hypothesis tested is as follows:

H1: There is a significant positive relationship between good public sector governance and the department performance.

The Pearson correlation method was applied in order to test the above hypothesis. The correlation coefficient for the above hypothesis was $\underline{r} = 0.69$, at $p < 0.01$. Therefore, there was a strong positive significant relationship between Good Public Sector Governance and the department performance. The result indicates the high in score of Good Public Sector Governance, Credit Control Department will experience better in its department performance. The summary of test result between Good Public Sector Governance and the department performance is displayed in table 5.11.

Hypothesis	r	p	Result
There is a significant relationship between Good Public Sector Governance and the department performance.	0.69	< 0.01**	Significant

Table 5.11: Summary of result- Relationship between Good Public Sector Governance and the department performance.

5.4.2 The relationship between leadership dimension and department performance

The hypothesis below is to determine the relationship between leadership dimension and the department performance.

H2: There is a significant relationship between leadership and the department performance.

By using the Pearson correlation method to test the above hypothesis, the result indicate that the Pearson correlation was $r = 0.899$ and $p < 0.01$. It is show that there is a significant positive relationship between leadership dimension and the department performance. For that reason, when Credit Control Department exercising high level of score in leadership will perform better in its department performance. The summary of test result between leadership and the department performance is displayed in table 5.12.

Hypothesis	r	p	Result
There is a significant relationship between leadership and the department performance.	0.899	$< 0.01^{**}$	Significant

Table 5.12: Summary of result- Relationship between leadership dimension and the department performance.

5.4.3 The relationship between stakeholder relationship dimension and department performance

The hypothesis developed below, is to find out the relationship between the stakeholder relationship and the department performance in Credit Control Department of MARA.

H3: There is a significant relationship between Stakeholder relationship and the department performance.

Using the Pearson correlation method for determining the existence of the above relationship, the Pearson correlation as at $\underline{r} = 0.781$, and $p < 0.01$. The result appears that there is a significant relationship between Stakeholder relationship dimension and the department performance. Therefore, when Credit Control Department exercising better relationship with its many stakeholders will achieve better in department performance. The summary of test result between Stakeholder relationship and the department performance is displayed in table 5.13.

Hypothesis	r	p	Result
There is a significant relationship between Stakeholder relationship and the department performance.	0.781	< 0.01**	Significant

Table 5.13: Summary of result- Relationship between Stakeholder relationship dimension and the department performance.

5.4.4 The relationship between risk management dimension and department performance

The related hypothesis to find out the relationship between risk management dimension and department performance as below:

H4: There is a significant relationship between risk management and the department performance.

From the Pearson correlation method which been used to determine the above relationship, the Pearson correlation was $r = 0.568$, and $p < 0.01$. Which clearly indicate that there is a significant relationship between risk management dimension and the department performance. As the result, when Credit Control Department achieve high in score will perform well in risk management dimension which leads to better department performance. The summary of test result between risk management dimension and the department performance is displayed in table 5.14.

Hypothesis	r	p	Result
There is a significant relationship between risk management and the department performance.	0.568	< 0.01**	Significant

Table 5.14: Summary of result- Relationship between risk management dimension and the department performance.

5.4.5 The relationship between accountability dimension and department performance

The hypothesis tested in order to show the above relationship is as follow:

H5: There is a significant relationship between accountability and the department performance.

From the Pearson correlation method used to test the hypothesis, the result shows that the correlation coefficient was $r = 0.384$, and $p < 0.01$. From the result it stated that, there is a significant relationship between accountability dimension and the department performance. For that reason, it indicates that high score in accountability dimension, Credit Control Department will perform better in department performance. The summary of test result between accountability and the department performance is displayed in table 5.15.

Hypothesis	r	p	Result
There is a significant relationship between accountability and the department performance.	0.384	< 0.01**	Significant

Table 5.15: Summary of result- Relationship between accountability dimension and the department performance.

5.4.6 The relationship between monitoring dimension and department performance

The statement of hypothesis below is to determine the relationship between Planning and performance monitoring and the department performance.

H6: There is a significant relationship between monitoring and the department performance.

The Pearson correlation method was applied in order to test the above hypothesis. The correlation coefficient for the above hypothesis was r = 0.316, at $p < 0.05$. Therefore, there was a positive significant relationship between planning and performance monitoring and the department performance. The result revealed that when Credit Control Department achieve high score in monitoring dimension will experience better in its department performance. The summary of test result between planning and performance monitoring and the department performance is displayed in table 5.16.

Hypothesis	r	p	Result
There is a significant relationship between planning and performance monitoring and the department performance.	0.316	< 0.05*	Significant

Table 5.16: Summary of result- Relationship between planning and performance monitoring dimension and the department performance.

5.4.7 The relationship between information and decision support dimension and department performance

The hypothesis developed below, is to disclose the relationship between information and decision support and the department performance in Credit Control Department of MARA.

H7: There is a significant relationship between information and decision support and the department performance.

The Pearson correlation result shows that there is a significant relationship between information and decision support dimension and the department performance, where correlation coefficient r = 0.411 and $p < 0.01$. For that reason, the result suggest, when Credit Control Department have a good score in information and decision support will experience better in its department performance. The summary of test result between information and decision support and the department performance is displayed in table 5.17.

Hypothesis	r	p	Result
There is a significant relationship between information and decision support and the department performance.	0.411	< 0.01**	Significant

Table 5.17: Summary of result- Relationship between information and decision support dimension and the department performance.

5.4.8 The Relationship between review and evaluation of governance arrangements dimension and department performance.

The hypothesis below is to determine the relationship between review and evaluation of governance arrangements dimension and the department performance.

H8: There is a significant relationship between review and evaluation of governance arrangements and the department performance.

The Pearson correlation method was used to determine the above relationship, the result was $r = 0.373$, and $p < 0.01$. The result indicates that there is a positively strong significant relationship between review and evaluation dimension and the department performance. As the result, when Credit control Department having a good score in review and evaluation of its governance arrangements will leads to better department performance. The summary of test result between review and evaluation dimension and the department performance is displayed in table 5.18.

Hypothesis	r	p	Result
There is a significant relationship between review and evaluation of governance arrangements and the department performance.	0.373	< 0.01**	Significant

Table 5.18: Summary of result- Relationship between review and evaluation of governance arrangements dimension and the department performance.

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

(*) Correlation is significant at the 0.05 level (2-tailed).

5.4.9 Summary of findings and discussion

This section presents the summary of the result that aimed to answer the second objective of this study, which is to identify the relationship of good public sector governance and the performance of Malaysian public sector i.e. Credit Control Department of MARA. The independent variable that used to test the relationship is good public sector governance and its dimensions namely: leadership, Stakeholder relationship, risk management, accountability, monitoring, information and decision support and review and evaluation of governance arrangements with the dependent variable which is department performance.

The Pearson correlation method was used in testing the developed hypotheses. The results revealed that, the independent variable and its dimensions are connected positively with the department performance. It is appear to show that, department that applying good public sector governance and its dimension will makes certain of better performance in the department. Table 5.19 shows the summary of the hypotheses testing.

	Hypotheses	**r**	**p**	***Conclusion***
H1	There is a significant relationship between good public sector governance and the department performance.	0.696	<0.01	*Accepted*
H2	There is a significant relationship between leadership and the department performance.	0.899	<0.01	*Accepted*
H3	There is a significant relationship between stakeholder relationship and the department performance.	0.781	<0.01	*Accepted*
H4	There is a significant relationship between risk management and the department performance.	0.568	>0.01	*Accepted*
H5	There is a relationship between accountability and the department performance.	0.384	<0.01	*Accepted*
H6	There is a significant relationship between planning and performance monitoring and the department performance.	0.316	<0.05	*Accepted*
H7	There is a significant relationship between information/ decision support and the department performance.	0.411	<0.01	*Accepted*
H8	There is a significant relationship between review and evaluation of governance arrangements and the department performance.	0.373	<0.01	*Accepted*

Table 5.19: Summary of the hypotheses testing.

5.5 To identify the significant element of good public sector governance that contributes to the variation of the performance in Credit Control Department, MARA.

This subsection presents the result of the third research objective of this study which is to identify the significant element of good public sector governance that contributes to the variation of the performance in MARA, Credit Control Department. In order to answer the above objective, the multiple regression analysis is used to determine the significant element of good public sector governance that contributes to the variation of the performance of Malaysian public sector. Multiple regressions are one of the regression analyses that allow several independent variables into the same type of regression equation and predict a single dependent variable.

The regression analysis is to summarize the relationship between two variables by producing a line which fits the data closely and finally making predictions. The construct of a linear regression model starts with the detail of the dependent variable and independent variable. The dependent variable (Y) is related to one or more independent variables (X). The regression model can be used to describe, predict and control the variable of interest on the basis of the independent variables. Therefore, the multiple regression equation in this study in order to answer the third objective is as follow:

Contribution of Good Public Sector Governance to the variation of the performance model:

$$\mathbf{Y=\alpha+\beta_1X_1+ \beta_2X_2+ \beta_3X_3+ \beta_4X_4+ \beta_5X_5+ \beta_6X_6+ \beta_7X_7+ \bar{e}}$$

Where:

Y=Department Performance (*Dependent Variable*)

α= estimated intercept

β= regression coefficient

X= *Independent Variables:*

X_1= Leadership

X_2= Stakeholder

X_3= Risk Management

X_4= Accountability

X_5= Monitoring

X_6= Information Support

X_7= Review and Evaluation

$\bar{e}$ = standard errors = 0

5.5.1 The results of linearity, normality and homoscedasticity testing

Regression analysis is the most widely applied data analysis for measuring linear relationship between two or more variables. An important part of simple linear regression is checking weather the basic assumptions of linearity, normality and homoscedasticity are met Hair, Money, Samouel & Page, 2007).

Linearity involved testing of correlations that only represent the linear association between variables. A scatter plot of the independent and dependent variable must show the dotted line which is normal line, this means, there is the normality assumption of the variables. To test the linearity assumption, a histogram of the distribution of the residuals was plotted. The distribution shows a normal curve and suggesting that the data confirm to the normality assumption.

For normality test, this study used Skewness and Kurtosis ratio. Skewness measure the departure from a symmetrical distribution, whereby kurtosis ratio measure of a distribution of peak or flatness. When skewness value larger than +1 or smaller than -1 this indicates a substantially skewed distribution, and when the distribution is symmetrical the skewness is zero. On the other hand, for kurtosis, a curve is too peaked when the kurtosis exceeds +3 and is too flat when it is below -3 and the normal curve is 0. Table 5.20 below summarizes the statistics of Skewness and Kurtosis Ratios.

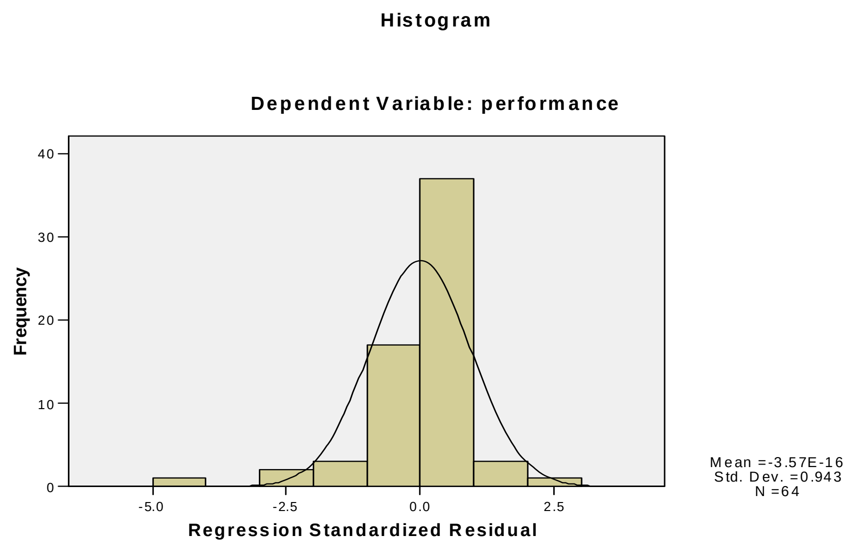
Descriptive Statistics

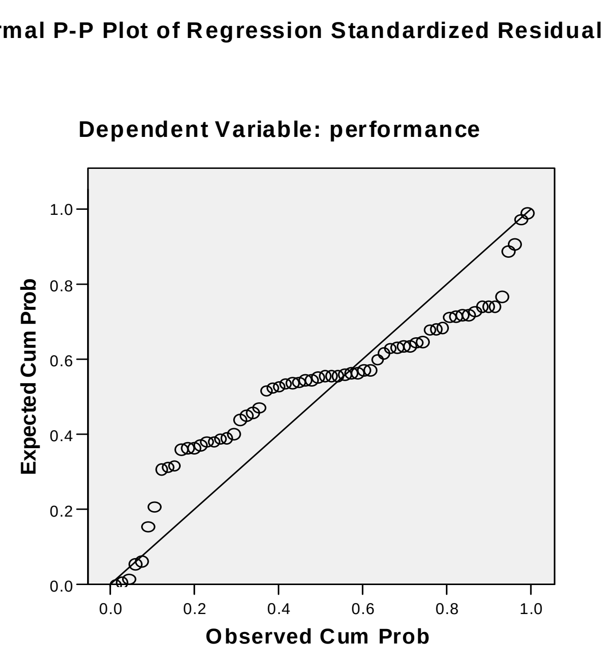
	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
leadership	64	.116	.299	.042	.590
stakeholder	64	-.358	.299	.865	.590
risk_mgmt	64	-.899	.299	1.139	.590
accountability	64	-.849	.299	-.431	.590
monitoring	64	-2.012	.299	4.765	.590
information_support	64	-.741	.299	-.210	.590
review_evaluation	64	.377	.299	1.103	.590
performance	64	.301	.299	.254	.590
Valid N (listwise)	64				

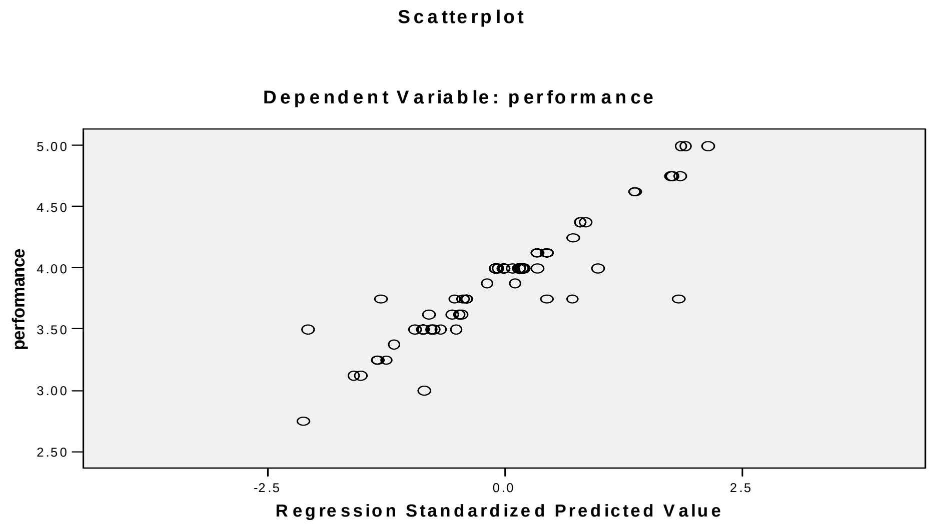
Table 5.20: The statistics of Skewness and Kurtosis Ratios

Results of linearity tests through scatter plot diagrams for various variables indicate no evidence of nonlinear pattern in the current data and furthermore, the outcomes of homoscedasticity tests through scatter plot diagram of standardized residual seem to suggest that the variance of dependent variable is the same for all values of the independent variables as no distinct pattern in the data point is detected. The data have fulfilled the linearity and homoscedasticity condition for regression analysis.

Graphs 5.2 summarize the relationship of linearity, normality and homogeneity test of IV and DV. As a result a relationship does not exist between the predicted values and the residuals. Hence, the assumptions of linearity and homogeneity of data are met.







Graphs 5.2: Test of linearity, Normality and Homogeneity of IV and DV

5.5.2 Regression analysis of good public sector governance with public sector performance

It is observed in the table 5.21 below, the 7 predictor variables were observed to positively correlate to public sector performance (dependent variable) as indicated by the positive R-value of 0.907. A computed R-square value of 0.822 suggests that the good public sector governance related variables are 82.2 per cent of the variance in the public sector performance with F-value of 36.946. Good public sector governance is significantly effect the public sector performance ($p<0.05$). One variable was found to be statistically significant ($p<0.05$) to the public sector performance. The variable is leadership.

Other variables such as stakeholder, risk management, accountability, monitoring, information and support and review and evaluation were found to be insignificant to the public sector performance. This result lends evidence to the belief that, leadership is the essential and crucial element of public sector governance that leads to the performance in the public sector. Thus, the general regression equation can be stated as follows:

PERFORMANCE = 0.313+0.924LEAD-0.137STAKE+0.005RISK+0.023ACC+ 0.019+MON-0.010INFO+0.092REV

Independent variable	B	t	Significant
Leadership	0.924	6.607	0.000*
Stakeholder	-0.137	-1.096	0.278
Risk management	0.005	0.059	0.953
Accountability	0.023	0.248	0.805
Monitoring	0.019	0.278	0.782
Information and support	-0.010	-0.135	0.893
Review and evaluation	0.092	1.367	0.177
R^2		0.822	
F		36.946	
Sig.		0.000*	

*p<0.05

Table 5.21: Summary of regression result for good public sector governance to public sector performance

5.5.3 Regression analysis of good public sector governance with the 3 dimensions of performance in MARA, Credit Control Department

In order to further understand the relationship between the elements of good public sector governance that give significant impact to the variation of the performance in MARA, Credit Control Department, 3 regression analysis had been carried out, namely: Elements of good public sector governance with Efficiency and Effectiveness, Elements of good public sector governance with productivity and cost and Elements of good public sector governance with customer satisfaction. The result is shown below.

Elements of good public sector governance with Efficiency and Effectiveness:

It is observed in the table 5.22 below, the 7 predictor variables were observed to positively correlate to Efficiency and Effectiveness (dependent variable) as indicated by the positive R-value of 0.451. A computed R-square value of 0.204 suggests that the good public sector governance related variables are 20.4 per cent of the variance in the Efficiency and Effectiveness with F-value of 2.046. Good public sector governance are statistically significantly effect the efficiency and effectiveness ($p>0.1$). Two variable was also found to be statistically significant ($p<0.05$) to the efficiency and effectiveness. These variables are risk management and monitoring.

Thus, the result revealed that, when department that have a good system in risk management and monitoring dimensions, it will achieve the ability to performs well or achieving result without wasting of resources, effort, time or money and finally, the outputs meets the department mission and vision in supporting organization goals and objectives.

Other variables such as leadership, stakeholder, accountability, information and support and review and evaluation were found to be insignificant to the efficiency and effectiveness. Thus, the general regression equation can be stated as follows:

E and E = 3.745-0.103LEAD-0.286STAKE+0.640RISK+0.137ACC-0.381MON+ 0.204INFO-0.004REV

Independent variable	B	t	Significant
Leadership	-0.103	-0.309	0.758
Stakeholder	-0.286	-0.955	0.344
Risk management	0.640	2.903	0.005*
Accountability	0.137	0.627	0.534
Monitoring	-0.381	-2.340	0.023*
Information and support	0.204	1.111	0.271
Review and evaluation	-0.004	-0.022	0.982
R^2		0.204	
F		2.046	
Sig.		0.065**	

*p<0.05 ** P<0.1

Table 5.22: Summary of regression result for good public sector governance to Efficiency and Effectiveness

Elements of good public sector governance with productivity and cost:

It is observed in the table 5.23 below, the 7 predictor variables were observed to positively correlate to productivity and cost (dependent variable) as indicated by the positive R-value of 0.506. A computed R-square value of 0.256 suggests that the good public sector governance related variables are 25.6 per cent of the variance in the productivity and cost with F-value of 2.752. Good public sector governance are statistically significantly effect the productivity and cost ($p>0.05$). One variable was found to be statistically significant ($p<0.05$) to the productivity and cost. The variable is monitoring.

Hence, the result shows that, when department concerned on ensuring the organization performs as well as possible in meeting its policy and performance, this can improve performance on the aspect of productivity and cost such as ability of a program or work task in measuring input and output ratio in order to produce specific desired result consistent with the organization mission and vision as well as organization goals and objectives.

Other variables such as leadership, stakeholder, risk management, accountability, information and support and review and evaluation were found to be insignificant to the productivity and cost. Thus, the general regression equation can be stated as follows:

P and C = 2.977-0.410LEAD+0.050STAKE+0.066RISK+0.238ACC+0.327MON-0.080INFO+0.048REV

Independent variable	B	t	Significant
Leadership	-0.410	-1.261	0.213
Stakeholder	0.050	0.173	0.863
Risk management	0.066	0.309	0.758
Accountability	0.238	1.118	0.268
Monitoring	0.327	2.068	0.043*
Information and support	-0.080	-0.449	0.655
Review and evaluation	0.048	0.305	0.762
R^2		0.256	
F		2.752	
Sig.		0.016*	

*p<0.05

Table 5.23: Summary of regression result for good public sector governance to productivity and cost

Elements of good public sector governance with customer satisfaction:

It is observed in the table 5.24 below, the 7 predictor variables were observed to positively correlate to customer satisfaction (dependent variable) as indicated by the positive R-value of 0.262. A computed R-square value of 0.069 suggests that the good public sector governance related variables are 6.9 per cent of the variance in the customer satisfaction with F-value of 0.590. Good public sector governance are not statistically significantly effect the customer satisfaction (p>0.05). None of the variables was found to be statistically significant (p<0.05) to the customer satisfaction.

The variables are leadership, stakeholder, risk management, accountability, monitoring, information and support and review and evaluation were found to be insignificant to the customer satisfaction. Thus, the general regression equation can be stated as follows:

CS = 3.357+0.094LEAD-0.059STAKE+0.161RISK-0.154ACC+0.060MON+ 0.058INFO+0.024REV

Independent variable	B	t	Significant
Leadership	0.094	0.412	0.682
Stakeholder	-0.059	-0.288	0.775
Risk management	0.161	1.072	0.288
Accountability	-0.154	-1.033	0.306
Monitoring	0.060	0.546	0.587
Information and support	0.058	0.465	0.644
Review and evaluation	0.024	0.220	0.826
R^2		0.069	
F		0.590	
Sig.		0.761	

*p<0.05

Table 5.24: Summary of regression result for good public sector governance to customer satisfaction.

5.5.4 Summary of findings and discussion

This section presents the summary of the result that aimed to answer the third objective of this study. The regression equation model had been applied to the organization performance and its variation of performance namely efficiency and effectiveness, productivity and cost and customer satisfaction. The result shows that, good public sector governance as a whole has significant effect to the public sector performance and only the element of leadership is significant with the public sector performance.

Meanwhile, the result also shows that, the element of risk management and monitoring is statistically significant to the efficiency and effectiveness. For Productivity and cost, the significant element of good public sector governance that contributes to the performance is monitoring. Nevertheless, none of the variables was found to be statistically significant to the customer satisfaction. Table 5.25 shows the summary of the significant result.

Dependent variable	**Significant elements of Good pub.sec.governance**
Performance	Leadership
Efficiency and effectiveness	Risk management, Monitoring
Productivity and cost	Monitoring
Customer satisfaction	None

Table 5.25: Summary of the significant regression result.

5.6 To identify the relative problems in collecting the educational loans faced by the Credit Control Department, MARA.

The fourth objective was to identify the relative problems in collecting the educational loans faced by the Credit Control Department (MARA) as perceived by department staffs through structured interview. Therefore, this section attempts to determine the problems and the answers of all the twelve respondents were tabulated and the data analyzed, and summarize what is the real problem faced by the Credit Control Department of MARA in managing and collecting the educational loans from the students.

The result in table 5.26 below shown that from 12 interviewee which had been interviewed, 8 of the interviewee indicates student's poor attitude towards repayment of educational loan was the major problem which effecting the collection of MARA's educational loan. Furthermore, some of the poor attitude that concerned by the interviewee was lack of communication among students regarding updating information such as latest address and current workplace. Beside that, interviewee also concerned on the matter regarding repayment of MARA educational loan is being treated as a last priority by the students.

Meanwhile, 2 of the interviewee describe lack of manpower as the main problem that effecting the collection of MARA's educational loan, and remaining 2 interviewee states, record keeping and monitoring system was the other main problem contributed to poor collection of MARA educational loan. As the result, the major problem that effecting the collection of MARA's educational loan as perceived by the 12 interviewee largely comes under the responsibility of the students. Finally, the students itself are the essential factor which determine the improvement in collecting the educational loan of MARA.

Table 5.26: Summary of problem defined and responsibility

No. of Interviewee	**Problem defined by interviewee**	**Responsibility**
1	Student's poor attitude towards repayment of educational loan.	Students
2	Student's poor attitude towards repayment of educational loan – updating information such as address, workplace.	Students
3	Student's poor attitude towards repayment of educational loan.	Students
4	Student's poor attitude towards repayment of educational loan- Repayment of MARA educational loan is last priority.	Students
5	Lack of manpower.	MARA
6	Student's poor attitude towards repayment of educational loan.	Students
7	Record keeping and updating of students information	MARA
8	Upgrade the system of monitoring and record keeping	MARA
9	Student's delaying payment – lack of communication with MARA.	Students
10	Lack of manpower	MARA
11	Student's poor attitude towards repayment of educational loan.	Students
12	Student's poor attitude towards repayment of educational loan.	Students

5.7 Chapter summary

This chapter provides the finding of the four research objectives of this study. The study using Demographic Information, descriptive statistics consist of mean and standard deviation, Pearson Correlation Coefficients method and regression analysis in order to answer the above research objectives. In conclusion, the findings indicate that Credit Control Department of MARA is performing good public sector governance in its activities specifically in managing the collection of educational loans from the students. Furthermore, eight hypotheses were developed and tested in justify the good public sector governance and its dimension. The result shows there are significantly related with the department performance.

In addition, the study also reveal that, the dimension of leadership, stakeholder relationship and risk management were the dimensions that contributes the most to the performance of Malaysian public sector i.e. Credit Control department of MARA. Finally, the study also revealed, the students itself caused an essential problem that effecting the overall collecting of educational loan of MARA.

CHAPTER SIX
CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

In this final chapter of the study, it presents the discussion of the study, contribution of the study, recommendation of the study, limitation of the study and direction for future research. For the first sub section, this chapter presents the conclusion of the study; secondly, this chapter outlined the contribution of the study. The third section presents the recommendation of the study. The fourth section presents the limitation of the study and finally the sub section on the recommendation for future research.

6.2 Discussion and conclusion

This study, has found answers to all research objectives and the evident to all hypotheses formulated. In relation to the first objective whereas to determined the level of good public sector governance score in the Credit Control Department of MARA, this study found that the perception of the staffs towards the application of good public sector governance and its dimensions in the Credit Control Department of MARA is relatively good and the results seem to indicate that the Credit Control Department of MARA is applying good public sector governance in its activities specifically in managing the collection of educational loans from the students.

This study found that there were positive relationships between the good public sector governance and its dimensions namely leadership, Stakeholder relationship, risk management, accountability, monitoring, information and decision support and review and evaluation with the performance of Credit Control Department of MARA. Therefore, it helps to explain the theory concept and previous scholar research which stated that good governance leads to better performance in the organization (Stanwick & Stanwick, 2002; Skelcher & Mathur, 2004; Alexander & Lee, 2006).

The study also reveal that, the elements of leadership, risk management and monitoring were the main elements that contributes to the variation of performance in Credit Control department of MARA i.e. Efficiency and effectiveness, productivity and cost and customer satisfaction. Survey of the literature has revealed, leadership dimension plays an important role in an organization in order to ensure that they address the purpose and objectives of the organization they serve and they work in the public interest (The Independent Commission, 2004). Besides that, studies by various scholars have demonstrated that in achieving good governance that leads to better organization performance, leadership is the most crucial element of all good governance dimensions in the public sector (ANAO, 2003).

The element of leadership is critical for the upper management position of Credit Control department of MARA because they are the one that responsible for the decision making or they set the "tone at the top". In addition, they act as a role model in terms of its behaviour and performance in achieving better performance of collection in educational loan. Leadership element becomes essential and important when upper management in Credit Control department of MARA involved in decision making in order to achieve better department performance. Ryan and Ng (2000) support this argument, as they describe leadership is an important element of all public sector governance frameworks and by having strong leadership behavior and values it leads to better organization performance (Whiteoak, 1996).

Risk management elements is said to be critical to the variation of performance in Credit Control Department of MARA namely, efficiency and effectiveness. As mentioned in chapter four, risk management dimension set up a process of identifying, analyzing and mitigating risk that could prevent an organization from achieving its goals and objectives (Ryan & Ng 2000). Risk management element is an essential parts of good public sector governance in achieving better organization performance and conformance. Besides, risk management benefits the public sector organization by improving its performance in terms of strategic, operational and financial management.

In relation to improved the performance of educational loan collection, Credit Control Department of MARA should be able to manage risk, by having robust systems which required them to have a detailed consideration of the risks, established necessary processes and practices to manage risk, analysis and review of risk management system and develop a risk management culture and by encouraging active participation among staff involved in risk management activities in the department. By doing so, Credit Control Department of MARA had the ability to performs well or achieving result without wasting of resources, effort, time or money and as the result, the outputs meets the department mission and vision in supporting organization goals and objectives.

The element of monitoring was found to be significantly effect two variation of performance in Credit Control Department of MARA namely, efficiency and effectiveness and productivity and cost. Monitoring element is concerned on ensuring the organization performs as well as possible in meeting its policy and performance objectives (ANAO, 2003). The element of monitoring deals with continuous effectiveness in pursuing agency objectives, in addition, monitoring is crucial in ensuring the public sector organization performance always at the highest level. Credit Control Department should focus on ensuring the organization meets its policy and operational objectives by underlines the structures and process which contain the scope of corporate and business planning and present the true and fair view of the operational results and structured approach to risk management. Furthermore, Credit Control Department should also concern on monitoring the continuous effectiveness on the aspects of financial matters, lines of responsibilities, man power, proper record keeping of file maintenance and store and retrieving of information using new technology in terms of managing and collecting the educational loan from the students.

Hence, this can improve the collecting of educational loan performance on the aspect of efficiency and effectiveness and productivity and cost such as ability of a program or work task in measuring input and output ratio in order to produce specific desired result consistent with the organization mission and vision as well as organization goals and objectives.

The finding of the study also show that, the students itself were the main problems faced by the Credit Control Department of MARA in managing and collecting of the educational loans. As a result, the students itself are the essential factor which determine the improvement in collecting the educational loan of MARA.

Meanwhile, this study also found that, governance issues particularly concerning on the practices and its application into the public sector world wide has been relatively small and limited. The needs of sound and effective governance system is essential for public sector, as in general the governance system help to facilitate in decision making and appropriate delegation of accountability and responsibility within and outside the organization.

Beside that, good governance is important to the public sector because, the organization works in a unique and complex environment, whereby it has to satisfy complex range of political, economic and social objectives which is refers to its many stakeholders.

6.3 Contribution of the study

This study contributes to the academia and practitioners in terms of the aspects of theoretical and practical. In the aspect of theoretical, the study contributes to academia by strengthening the evident for previous findings as how good governance leads to better performance in the public sector organization. On the other hand, in terms of practical aspect, the study provides important information for the public servants on the effect and usefulness of good governance in the public sector.

6.3.1 Contribution to Academia/ Theory

1. The main contribution of this study is on applying good public sector governance framework in the Malaysian Public Sector. This study provided evident that the framework are relevant, valid and applicable to the Malaysian public Sector specifically to the Majlis Amanah Rakyat (MARA).

2. The finding of this study had proved that organization that applying good governance system perceived to achieve better organization performance.

Therefore, this study supported previous literature findings that organizations which apply good governance system attained better organization performance.

3. This study also contributes to add and expanding more literature in the area of good governance in the context of public sector organization as a whole and in particular for the Malaysian public sector. This study contributes by highlighting issues of the limited and scarcity of literature concerning on the practices and application of governance in the public sector organization as a whole.

4. This study revealed that the measure of performance in the public sector does not focus on profit maximizing. In addition, there is no universal framework to measure performance in the public sector, as each public sector organization has its own model of performance measurement which contains useful lessons for policy makers and its practitioners and besides that, there is no single performance measurement model that fits all organization and each organization should customized its own system and measures.

5. This study revealed that, leadership dimension of any governance framework is essential whereby it is strongly influences all elements of governance frameworks.

6.3.2 Contribution to practitioners

1. The major contribution of this study to the practitioners is to create awareness and better understanding to the public servants regarding the effect and usefulness of good governance in the public sector. Particularly, providing important information about public sector governance for MARA and at the same time

giving some guidelines for Credit Control Department in collecting the educational loan within the scope of public sector governance,

2. This study revealed the implementation of performance indicators in measuring organization performance in the Malaysian public sector. Besides, the study also create better understanding to the practitioners on how the elements of performance indicators being used and measured in an organization.

3. The findings of this study also provide insight to the Credit Control Department of MARA regarding the level of implementation of governance elements as perceived by its members in the organization.

6.4 Recommendation of the study

This study provides recommendations to the public sector as a whole, particularly to the Malaysia public sector. In general, the needs of sound and effective governance system are essential for public sector because the governance system help to facilitate in decision making and appropriate delegation of accountability and responsibility within and outside the organization. Good governance is important to the public sector because, the organization works in a unique and complex environment, whereby it has to satisfy complex range of political, economic and social objectives which is refers to its many stakeholders. The recommendations of the study are discussed below:

1. The dimension of leadership, risk management and monitoring were the dimensions which have the most influence to the overall performance in the Malaysian public sector and other public sector as a whole. As a result, the public sector

organizations have to strengthening its governance matters by focusing on the three dimensions which had been discussed. Public sector organization that applies good governance definitely will portray better relation and performance in the eyes of its citizen.

2. Efficiency and effectiveness, production and cost and customers satisfaction are the indicators in measuring the performance in the Malaysian public sector. These three elements should be taken into consideration as how it relate to the dimensions of good public sector governance. Trust to government and delivery system is very important as it portrait that the government is exercising what the public demand such as openness, integrity and transparency and in guiding the government to perform on the public interest, because they are the one who is paying these services through tax payment.

Based on the finding, this study reveals that, leadership is the crucial and important element to the overall performance of public sector. Furthermore, risk management and monitoring shows the significant relationship to the efficiency and effectiveness, monitoring shows the significant relationship to the productivity and cost and finally, none of the elements in the good public sector governance shows significant result to the customer satisfaction.

6.5 Limitation of the study

This study involved applying good public sector governance framework in the Credit Control Department of MARA which played a major part in collecting all debts and loan repayments of MARA activities. Collecting all debts and loan repayments of MARA activities were the major concern by MARA itself as well as the government. In the process of gathering information from the respondents as well as acquiring information from the department, there are limitations that are beyond control of this study. The limitations of the study are discussed below:

1. The selection of samples for the survey in this study in determining the level of good public sector governance score and organization performance was assessed based on the perception of staffs in the Credit Control Department of MARA. Therefore, it could provide bias findings that are in favor to the department.

2. The samples for the survey in this study only being conducted in one department in Majlis Amanah Rakyat (MARA) i.e. Credit Control Department of MARA. Therefore, the result of this study only shows the finding of governance activities for that particular department and not for the whole organization i.e. Majlis Amanah Rakyat (MARA).

3. The secondary data of this study were gathered from Credit Control Department of MARA, the period of data collection covers from < 1965 until 2006 i.e. collection of educational loans. Nevertheless, some of the files, records and documentations were restricted due to the poor condition of the material and involved some sensitivity issue. Therefore, the accuracy of the information and figure of the collection of educational loan could be slightly incorrect.

4. The samples of this study represent by the staffs of Credit Control Department of MARA. The respondents of this study were different in terms of their educational background, capability and experience. Therefore, problems might encounter due to different perceptions, interpretations of statements and feeling among

respondents. However, the pilot study and reliability test and briefing during the special meeting conducted by the Director of Credit Control Department of MARA helped to overcome these problems.

6.6 Direction for future research

This study provides recommendations for the direction of future research in strengthening the finding and overcome the limitations:

1. The study had selected staffs in Credit Control Department of MARA as respondents. The staffs considered as internal party of the survey study. However, future research should also include publics i.e. students as the external party of the survey study. By making consideration of this aspect, it may provide different outcomes and findings.

2. The samples of this study were Credit Control Department of MARA, there are also other departments which are essential and played important roles for MARA. Therefore, this study recommends future research should include other departments. By doing so, it may provide better result and explanation to the finding on governance activities for Majlis Amanah Rakyat (MARA) as a whole.

3. This study had utilized a cross-sectional method, whereby, the data were collected once, through questionnaires and structured interview. Where the respondents were asked as on how they perceived the level of ANAO good public sector governance application in their department i.e. Credit Control Department. For

that reason, the study was not being able to observe and measure the long term effect of good public sector governance application in their department. Future research should adopt longitudinal studies method as it allows researchers to observe and analyze long term effect of good public sector governance application in leading to better organization performance.

4. The respondents of this study involved 11 members in upper- management level, 16 members in the middle-management level and the balance of 55 staffs in the operational level. This study recommends future research includes a lot of respondents from top management members of MARA as they are the one that deals with the issues of governance and decision making, and this will leads to meaningful results and findings.