

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

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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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TABLE OF CONTENTS

PERMISSION TO USE	i
ABSTRACT	ii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS	v
LIST OF TABLES	x
LIST OF FIGURES	xiii
LIST OF CHART.....	xiv
LIST OF GRAPH.....	xv

CHAPTER ONE: INTRODUCTION OF THE RESEARCH

1.1 Background of the study	1
Governance in the public sector	3
Two important aspects of good governance in public sector	5
The significance of governance in the public sector.	6
1.2 Problem Statement.....	8
1.3 Research objectives.....	13
1.4 Significance of the study	14
1.5 Significance of using MARA Credit Control Department as a Case study...16	
1.6 Organization of Dissertation.....19	

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

2.1 Introduction.....	20
2.2 The Principles and Guidelines of Governance in the Public Sector.....20	
2.3 The Disclosure and practices of governance in the Public Sector	38
2.4 Governance and performance	60
2.4.1 Evidence from Public sector.....68	
2.5 Overview of performance measurement in the Public Sector	71

2.5.1	The defination and concept.....	72
2.5.2	Performance measurement in the Public Sector.....	73
2.5.3	Obstacles in measuring Public Sector performance.....	76
2.5.4	Comparison of performance measurement between public and private sector.....	77
2.5.5	Empirical research on the model of performance measurement used in in public sector	78
2.5.6	Performance indicator.....	80
2.5.7	Performance measurement in Malaysian Public Sector.....	81
2.5.8	Justification of using non-financial elements in measuring performance ... in the public sector.....	84
2.5.9	Conclusion.....	86
2.6	Overview of public sector in Malaysia	87
2.6.1	Public sector in Malaysia.....	87
2.6.2	Ministry of Entreprenuer and Cooperative Development	90
2.7	MAJLIS AMANAH RAKYAT.....	92
2.7.1	CREDIT CONTROL DEPARTMENT (MARA).....	94
2.7.2	Educational loan	96
2.8	Chapter summary	101

CHAPTER THREE:THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

3.1	Introduction.....	102
3.1.1	Overview of Australian National Audit Office framework of good governance in the public sector.....	103
3.1.2	Justification for applying 7 dimensions of Australian National Audit Office (ANAO) Good Public Sector Governance into the Malaysian Public Sector Organization.....	107
3.2	Research Theoretical Framework.....	110

3.2.1	Development of hypotheses	113
3.2.1.1	The relationship between good public sector governance and the ... department performance.....	113
3.2.1.2	The relationship between leadership and the department ... performance.....	114
3.2.1.3	The relationship between stakeholder relationship and the ... department performance... ..	115
3.2.1.4	The relationship between risk management and the department performance.....	117
3.2.1.5	The relationship between accountability and the department performance.....	118
3.2.1.6	The relationship between planning and performance monitoring and the department performance.....	119
3.2.1.7	The relationship between information and decision support and the department performance.....	120
3.2.1.8	The relationship between review and evaluation of governance arrangement and the department performance.....	121
3.3	Chapter summary.....	122

CHAPTER FOUR: RESEARCH METHODOLOGY

4.1	Introduction.....	123
4.2	Research design.....	123
4.3	Sampling Method	124
4.4	Data collection method	126
4.5	Measurement and Instruments method.....	128
4.5.1	Measurement of variables.....	129
	4.5.1.1 <i>Measurement of Good Public sector governance and dimensions</i>	130
	4.5.1.2 <i>Measurement of Department performance</i>	132
4.5.2	Structured interview	134

4.5.3 Reliability Analysis	135
4.6 Factor analysis.....	136
4.7 Data collection	139
4.8 Method of Data Analysis.....	141
4.9 Chapter Summary.....	144

CHAPTER FIVE: ANALYSIS AND FINDINGS

5.1 Introduction.....	146
5.2 Data background.....	146
5.2.1 Demographic Information of the Respondents	147
5.3 The level of good public sector governance score in Malaysian public sector	151
5.3.1 <i>The Score of good public sector governance and its dimension.....</i>	151
5.3.2 <i>The score of department performance</i>	157
5.3.3 Summary of finding and discussion.....	158
5.4 To identify the relationship between good public sector governance and the performance of Malaysian public sector.....	160
5.4.1 The relationship between Good Public Sector Governance and Department Performance.....	160
5.4.2 The relationship between leadership dimension and department performance.....	161
5.4.3 The relationship between Stakeholder relationship dimension and department performance.....	162
5.4.4 Relationship between Risk Management dimension and department performance.....	163
5.4.5 Relationship between Accountability dimension and the department performance.....	164
5.4.6 Relationship between Planning & Performance Monitoring dimension and Department performance.....	165

5.4.7	Relationship between information and decision support dimension and department performance.....	166
5.4.8	Relationship between review and evaluation of governance arrangements dimension and department performance.....	167
5.4.9	Summary of finding and discussion.....	168
5.5	To identify the significant element of good public sector governance that contributes to the variation of the performance of Malaysian public sector	170
5.5.1	The result of linearity, Normality and Homoscedasticity testing	171
5.5.2	Regression analysis of Good Public Sector Governance with public sector performance.....	174
5.5.3	Regression analysis of Good Public Sector Governance with the 3 dimensions of performance in MARA Credit Control Department	176
5.5.4	Summary of findings and discussion.....	181
5.6	To identify the relative problems in collecting the educational loans faced by the Credit Control Department of MARA.....	182
5.7	Chapter summary.....	184

CHAPTER SIX: CONCLUSIONS AND RECOMMENDATIONS

6.1	Introduction.....	185
6.2	Discussion and conclusion	185
6.3	Contribution of the study	189
6.3.1	Contribution to Academia/ Theory	189
6.3.2	Contribution to practitioners.....	190
6.4	Recommendation of the study.....	191
6.5	Limitation of the study	192
6.6	Direction for future research	194

LIST OF TABLES

		Page
Table 2.1	Performance indicators and evaluation criteria	82
Table 2.2	Summary of previous literature on performance indicator/ measures in Public Sector.	84
Table 2.3	Accumulated amount of uncollected educational loan balance (2006)	97
Table 2.4	Deferral amount of educational loan	98
Table 2.5	Performance of collection in educational loan (2001-2006)	99
Table 2.6	Statistic of educational loan collection since 1965	100
Table 4.1:	Summary of variables and Measurements Instruments	129/130
Table 4.2:	Internal Consistency Coefficient	136
Table 4.3:	KMO and Bartlett test.	137
Table 4.4:	Summary of rotated component matrix	138
Table 4.5:	Summary of questionnaires distribution	140
Table 4.6:	Summary of interview conducted	141
Table 5.1:	Profile of the sample respondents	150
Table 5.2:	Descriptive Statistic for perceived ANAO good public sector governance of department	152
Table 5.3:	Descriptive Statistic for perceived leadership dimension	152
Table 5.4:	Descriptive Statistic for perceived Stakeholder relationship dimension.	153
Table 5.5:	Descriptive Statistic for perceived Risk Management dimension	154
Table 5.6:	Descriptive Statistic for perceived Accountability dimension	155
Table 5.7:	Descriptive Statistic for perceived Monitoring dimension	155

Table 5.8:	Descriptive Statistic for perceived Information& decision support dimension.	156
Table 5.9:	Descriptive Statistic for perceived review and evaluation dimension	157
Table 5.10:	Descriptive Statistic for perceived department performance	158
Table 5.11:	Summary of result- Relationship between Good Public Sector Governance and the department performance	161
Table 5.12:	Summary of result- Relationship between leadership dimension and the department performance	162
Table 5.13:	Summary of result- Relationship between Stakeholder relationship dimension and the department performance	163
Table 5.14:	Summary of result- Relationship between Risk Management dimension and the department performance	164
Table 5.15:	Summary of result- Relationship between Internal/ External Accountability dimension and the department performance	165
Table 5.16:	Summary of result- Relationship between Planning and Performance monitoring dimension and the department performance	166
Table 5.17:	Summary of result- Relationship between information and decision support dimension and the department performance	167
Table 5.18:	Summary of result- Relationship between review and evaluation Of governance arrangements dimension and the department performance	168
Table 5.19:	Summary of the hypotheses testing	169
Table 5.20:	The statistics of Skewness and Kurtosis Ratios	172
Table 5.21:	Summary of regression result for good public sector governance to public sector performance	175
Table 5.22:	Summary of regression result for good public sector governance to Efficiency and Effectiveness	177

Table 5.23:	Summary of regression result for good public sector governance to productivity and cost	179
Table 5.24:	Summary of regression result for good public sector governance to customer satisfaction.	180
Table 5.25:	Summary of the significant regression result.	181
Table 5.26:	Summary of problem defined and responsibility	183

LIST OF FIGURES

	Page
Figure 3.1: The Australian National Audit Office elements of good public sector governance	104
Figure 3.2: Theoretical Framework of the study	111
Figure 3.3: A relationship between Good Public Sector Governance and department performance	114
Figure 3.4: A Significant relationship between leadership and department performance	115
Figure 3.5: A Significant relationship between stakeholder relationship and department performance	116
Figure 3.6: A Significant relationship between Risk management and department performance	117
Figure 3.7: A Significant relationship between accountability and Accountability and department performance	118
Figure 3.8: A Significant relationship between Planning and performance monitoring and department performance	119
Figure 3.9: A Significant relationship between Information and decision support and department performance	120
Figure 3.10: A Significant relationship between Review and evaluation of governance arrangement and department performance	121
Figure 4.1: Diagram of research method	145

LIST OF CHART

	Page
Chart 2.1: Organizational chart and structure of Credit Control Department of MARA	95
Chart 5.1: Gender group of the respondents	147
Chart 5.2: Area of age groups of the respondents	148
Chart 5.3: Years of service of the respondents	148
Chart 5.4: The position held by the respondents	149

LIST OF GRAPH

	Page
Graph 5.1: The means score of level of good public sector governance and the department performance.	159
Graphs 5.2: Test of linearity, Normality and Homogeneity of IV and DV	173/174

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).

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