

**THE EFFECTS OF FINANCIAL MONITORING ON PROGRAMME
PERFORMANCE FOR INTERNATIONAL NON-GOVERNMENTAL
ORGANIZATIONS IN KENYA**

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D61/63773/2011

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF
BUSINESS ADMINISTRATION, UNIVERSITY OF NAIROBI**

NOVEMBER, 2013

DECLARATION

This research project is my original work and has not been presented for a degree in any other university

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This Research Project has been submitted for Examination with my approval as a University Supervisor

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ACKNOWLEDGEMENT

My sincere appreciation goes to my supervisor Mr. Mirie Mwangi without whom this research project would not be. I am equally greatly indebted to my classmates who committed part of their precious time to assist me in editing this work.

Special thanks also go to the management of ICAP for allowing me time to pursue my studies. I am also indebted to the employees of sampled INGOs who let off their schedules to fill my questionnaires. Without their cooperation this project would not have been possible to undertake.

The cooperation I enjoyed with MBA class cannot go without mention friends like Anthony Njoroge, Sospeter Ikonya, Annette Kerubo, Terry and everyone who encouraged me through this project.

I once again thank all including the categories not mentioned above, who contributed to the completion of this deserving piece of work.

God bless you.

DEDICATION

I dedicate this research project to God for strength, grace and favour; my dear family and friends for inspiration and encouragement.

ABSTRACT

Donors provide funds to various organizations with a sole believe that the funds will be utilized towards the achievement of organizational objective as laid out in the detailed implementation plan and annual work plan. Financial monitoring systems are required in the quest to maximize the efficient use of resources, create the highest level of transparency and accountability in an organization's finances and to ensure long-term economic success. The study therefore attempts to find the effects of financial monitoring on the programme performance for INGOs in Kenya.

This study employed multiple regressions to analyze the effect. The data collection involved the use of both quantitative and qualitative research methodology. A sample of 50 INGOs was selected out of which, I successfully obtained data from 31 INGOs. This represents 62% response rate which was significant for the study. The data was analyzed using the Statistical Package for Social Scientist (SPSS). Before running the regression, data testing was conducted. To obtain a good-fit estimation, some tests were carried out to ensure statistical assumptions, such as linearity of variables, no correlation among independent variables, and no omitted variable problem.

The result showed that financial monitoring positively contributes to INGOs' programme performance. INGOs that conducted frequent financial monitoring performed well in their respective programme, other determinants constant. Therefore, concluded financial monitoring techniques should be conducted frequently to enhance programme performance. A recommendation was made that NGOs should strengthen their monitoring through periodic review meetings, onsite and offsite financial monitoring .The leadership of the NGOs should also ensure fund accountability is enhanced.

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ABBREVIATIONS

AIDS	-	Acquired Immune Deficiency Syndrome
CDC	-	Centre for Disease Control
CEO	-	Chief Executive Officer
CFR	-	Code of Federal Regulations
CSOS	-	Civil Society Organizations
HIV	-	Human Immunodeficiency Virus
INGOs	-	International Non-Governmental Organizations
M&E	-	Monitoring and Evaluation
NGOs	-	Non-Governmental Organizations
NSE	-	Nairobi Stock Exchange
OMB	-	Office of Management and Budget
SPSS	-	Statistical Package for the Social Sciences
US	-	United States
USAID	-	United States Agency for International Development

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The World Bank (1992) defines NGOs as “many groups and institutions that are entirely or largely independent of government and that are primarily humanitarian or cooperative rather than commercial objectives”. Willetts (2001) says that no generally accepted definition of NGOs exists, but there are three other generally accepted characteristics that exclude some organizations from being considered as NGOs. First, NGOs should not be political parties or governmental agencies. They should not be any institutions directly affiliated with any organizations of a government. Second, they should not generate profit. Profit making companies are not NGOs. Third, all criminal groups should be excluded from the definition of NGOs, although they do not belong to governments or private companies. Ahmed and Potter (2006) also narrow the definition of NGOs by excluding government agencies, corporations, religious groups, political parties, private hospitals, schools, sports organizations, fraternal organizations and terrorist groups.

NGOs are considered to have a moral obligation to act in the public interest and are accountable for what they say and the positions they take on particular issues, thus, they must be accountable for the values they promote. “It is what it does, and not representation, that makes an NGO legitimate (Marschall, 2002)”. NGOs operate like a business even though they serve the public without the intent of making profit. They will have bank accounts, own productive assets of all kinds, receive income from sales and other forms of activities including donations, employ staff and enter into contracts.

NGOs rise in popularity and the increase in funding channelled through them by governments has had consequences in terms of performance and accountability (Edwards & Hulme, 1995). In addition, NGOs have become more critically aware of the need to assess their performance, for both the organizational learning and strategy development and in order to inform the increasingly discerning public supporter base.

Although the number, size of NGOs, international scope and range of involvement has increased significantly, NGOs need transparent means and reliable criteria for the assessment of their performance. Monitoring NGOs to eliminate or minimize abuse and maintain public confidence is thus essential to the effectiveness of its programmes. The duty of NGO to monitor itself has been emphasized by (Brody, 2002).

1.1.1 Financial Monitoring

Monitoring is a process where program data is collected and analyzed routinely on an ongoing basis, and may involve the use of a management information system (Patton, 1997). It is the systematic and continuous process for assessment of the progress of the activities over a period of time with the aim of obtaining gaps and enhancing accountability in an organization so as to attain its desired objectives.

The purpose of financial monitoring is to; understand and assess financial and management systems and capabilities, ensure compliance with rules, regulations, and requirements, safeguard state funds against fraud, waste, and abuse, help identify potential audit issues, identify technical assistance and training needs, identify needed improvements and follow up on issues or corrective actions (Bonnie, 2008).

Effective financial monitoring systems are required in the quest to maximize the efficient use of resources, create the highest level of transparency and accountability in an

organization's finances and to ensure long-term economic success. Recent literature has also highlighted the importance of financial monitoring via sound financial management systems to service delivery, poverty reduction and the achievement of the millennium development goals (Pretorius & Pretorius, 2008).

Some schools of thought have identified several criteria that the financial management systems of NGOs and other donor funded projects must meet in pursuance of financial monitoring. One such major classification is proposed by Shizhen (2005) which includes financial reporting, accounting records and source documentation, internal control, budget control, cost allowance and cash management and compliance frameworks.

A number of funding agencies have also developed financial governance assessment frameworks along the areas of the mode of budget planning, execution, internal control and monitoring required of funded projects (AfDB Group, 2006) and thereby inferring the level of governance as practiced by an institution based on the presence of such predefined systems. Financial monitoring is the centre-piece of the organizational success. Monitoring and evaluation contribute to sound governance through policy development, management and accountability.

1.1.2 Programme Performance

Accountability is the duty to provide an account or reckoning of those actions for which one is held responsible (Gray, Owen & Adams 1996). For NGOs, unlike corporations, this predominantly involves accounting for their actions and effects on the society, rather than only accounting for their financial performance to a specific set of stakeholders. Performance measures for an NGO could be both financial and non-financial measures. Such an integrated view would offer a comprehensive link between several units within an

NGO (right from resource generation unit to program management unit). Such a comprehensive framework is highly recommended (Epstein & McFarlan, 2011).

Financial performance measures present three dimensions of an NGO Programme namely financial sustainability, efficiency and effectiveness (Lewis, 2009). They can also be measure by good audit ratings, reasonable budget burn rates among others. On the other hand, non-financial (operational) performance measures are; optimization of all the required inputs e.g. human resources that make sure activities are carried out (Medina & Traintis, 2007). An output is the quantity of work performed and delivered services while outcomes makes it possible to see what degree the programme achieve its mission and goals e.g. measuring participant satisfaction or changing attitudes and behavior among participants.

According to Lewis (2009), program efficiency ratio is an indicator for effectiveness and efficiency of an NGO programme. It is calculated as program service expenses (or money directly spent to further the nonprofit mission of the organization) divided by the NGOs total expenses. This measure of accountability is based on the assumption that accountable organizations devote the greater part of their donations to their promised missions (Charity Navigator, 2007). The 80/20 model allocates financial resources, derived from practices in the cooperate world (80 % of resources for projects and 20% for administrations), seems to be the best model for setting a standard of organizations performance. The logic is that efficiency in using means that an organization or programme in more accountable to its donors.

Lewis (2009) also presents income utilization ratio (burn rates) as an indicator for efficient programme. It is calculated by taking total income/budget with total expenses: This is basically to understand how much the organization incurred in expenditure as a

percentage of total income generated. Its importance is to show burn rates at a given period of time. By the end of every period, the finance officer, will analyze the financial data and inform operational team on their spending on every line item. According to USAID rules and regulations (2009), the accepted variance for a CDC grant is 20% of the total budget. Thus, under expenditure less than 20% implies that the programmes performance is wanting. Consequently, variance explanation should be provided.

1.1.3 Effects of Financial Monitoring on Programme Performance

Financial monitoring tracks performance on what was planned by collecting and analyzing financial data to ensure effective and efficient programme implementation. According to USAID regulations for grants and cooperative agreements 22 CFR part 226.21, recipients shall relate financial data to performance and develop unit cost information whenever practical. This provides continuous information on whether progress is being made towards the achievement of desirable results. It also identifies strengths and weaknesses of a programme and improves decision making.

According to Khawaja (2011), monitoring is the feedback mechanism within a management framework. Its main objective is the improvement in management of programme activities and ensuring the optimal use of funds and other resources while providing a platform to learn from experience so as to improve the relevance, methods and outcomes of organizational programmes. Performance indicators continuously generated through monitoring, alerts management on constraints and opportunities of the programme requiring attention and action. It increases productivity and reduces operational costs as well as providing effective services to beneficiaries.

The diversity of stakeholder groups of interest for NGOs means they have multiple monitoring systems, both downwards to their partners, beneficiaries, staff and supporters, and upwards to trustees, donors and host governments (Edwards & Hulme, 1995). Donors, unlike beneficiaries, enjoy a direct means of imposing accountability requirements on NGOs (Gray, Bebbington & Collinson, 2006). As a consequence, most NGOs (particularly large, international ones) have focused primarily on meeting the upward and external requirements imposed by donors. The donors require for efficient utilization of funds so as to enhance the primary objective of the programme. Thus, implementation of activities must be within the programmes' scope of work and any reallocation of funds from one activity to another should be geared towards activities that add value to the programme.

1.1.4 International Non-Governmental Organizations in Kenya

An International Non-Governmental Organization (INGO) has the same mission as a non-governmental organization (NGO); however, it is international in scope and has outposts around the world to deal with specific issues in many countries. The main focus for INGOs is to provide relief and developmental aid to developing countries. In relation to states, the purpose of INGOs is to provide services that the state is unable or unwilling to provide for their people. Some INGOs programmes are in health; like HIV/AIDS awareness and prevention, clean water, and malaria prevention, and in education; like schools for girls and providing books to developing countries, they also help to provide the social services that the country's government is unable or unwilling to provide at the time.

According to the National survey of NGOs report (2009), the last decade has witnessed substantial growth in the number of registered under the NGOs Co-ordination Act of 1990. The sector recorded significant growth between 2001 and 2007 which could be attributed to the impact of globalization and the opening up of democratic space in Kenya. There are

currently over 5,000 registered NGOs (this includes 400 international NGOs) (Wambugo, 2012).

1.2 Research Problem

Transparency is a key issue in the NGO sector due to the existence of a considerable degree of private information and hidden actions in the NGO-beneficiary-donor nexus. NGOs' relationships with their stakeholders are fraught with information asymmetries, which make it more difficult for donors, government and beneficiaries to observe potential problems and to hold NGOs accountable. Consequently, collection and analyzing financial data helps management track organizational performance by comparing actual and planned activities. Financial information enables management to take appropriate initiatives/decisions to enhance NGO performance.

In his study, Eckman (1996) observed that monitoring appears to take a back seat to evaluation, with many organizations budgeting instead for periodic and formal evaluations. Yet monitoring has the potential to significantly improve project impacts without high investment costs and can better inform the decision process. He argued that, reorienting and intensifying monitoring can greatly contribute to more cost-effective, socially effective and successful programmes.

Kingoro and Bujra (2009), in their study on the contribution of non-state actors to development in Kenya, analyzed governance and accountability for NGOs; members do not have a voice and the spirit of volunteerism is diminished, management are rarely held to accountable for their activities. Some organizations have no clear governance structures, thus; crucial information is withheld such as funding timelines and funds accountability from employees or beneficiaries. This is due to the fact that organizations don't incur agency costs like effective monitoring and supervision to control activities of managers

and other staff who are involved in administration and direct activity implementation. This has resulted to conflict of interest among the board, management and staff resulting to misapplication of funds. Agency contracts provide for performance related rewards to encourage managers and other employees to act in the interests of shareholders. Donor agencies, NGOs and the government of Kenya should incur agency costs to ensure good governance and accountability to enhance performance of an organization.

Plagued with conflict of interest, misapplication of funds, transparency problems and unutilized funds, INGOs in Kenya perform below the expectations of government and donors; the beneficiaries will question their mandate in the community, the regulatory bodies and government will deregister the organizations causing donors to pull out funding. While a number of studies have been done in the NGO sector in Kenya and globally (Kingoro and Bujra, 2009; Eckman, 1996) very little is known on how financial monitoring affect the programme performance for INGOs in Kenya. It is on the basis of these overarching issues that this research proposal therefore seeks to answer the question does financial monitoring affect programme performance for INGOs in Kenya?

1.3 Research Objective

To establish the effects of financial monitoring on programme performance for International Non-Governmental Organizations in Kenya.

1.4 Value of the Study

The study will assist INGOs and their respective sub recipients in their endeavour to evaluate financial monitoring in relation to achievement of objectives and cultivate better methods of financial and operational compliance through understanding the issues that are faced within the sector and the factors that determine success.

The study will also help the government and policy makers in formulating policies that relates to the regulatory environment of the country as far as donor funded projects are concerned.

Future researchers and scholars will find this study important in facilitating an increase in the general knowledge of the subject and will act as a reference material to future researchers and scholars who may wish to embark on related studies. Research in the various techniques of financial monitoring will help to unearth hitherto unknown information that will go a long way in facilitating further understanding of the NGO sector.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides a critical review of related literature on the relationship between financial monitoring and programme performance for INGOs. Over the recent past there has been a lot of concern about financial accountability in INGOs. This has partly been reflected in a number of studies and theories carried out on the subject.

2.2 Theoretical Framework

Though fairly recent and universally used concept, the literature on corporate governance draws from older theories underlying its development. These theories explain the nature of relationships in organizations and how these relationships can be managed within internally generated policies and externally imposed rules and regulations to achieve the intended performance goals and objectives (Mallin, 2010). In this regard, financial monitoring is anchored in information theory, resource dependence theory, agency theory (Jensen & Meckling, 1976), and stewardship theory (Donaldson & Davis, 1991).

2.2.1 The Information Theory

The standard economic theory of information was developed by Grossman and Stiglitz (1980). This theory is based on rational expectation. It assumes that investors can accurately assess the value of some information and pay some fixed amount accordingly to obtain the information. One of the central issues in the economics of knowledge is the asymmetric information problem. It points to a situation in which one party in a transaction has more information than another. The party that is insulated from risk generally has more

information about its actions and intentions than the party paying for the negative consequences of the risk.

Moral hazard is related to asymmetric information, and occurs when the party with more information about its actions or intentions has a tendency or incentive to behave inappropriately from the perspective of the party with less information. More precisely, moral hazard arises because an individual or institution does not bear the full consequences of its actions, and therefore has a tendency to act less carefully than it otherwise would, leaving another party to bear some responsibility for the consequences of those actions. Most often than not, shareholders worry that managers may overpay themselves, give themselves extravagant perks, carry out unprofitable but power enhancing investments, and are reluctant to lay off workers that are no longer productive. In this sense, managers may make decisions based on their own interests.

Because of information asymmetries INGOs need to initiate mechanisms to reinforce trust and accountability. Applying 'executive compensation schemes' and monitoring through information systems are examples of mechanisms used in aligning agents' and principals' interests. Another monitoring mechanism is the audit. An audit provides an independent check on the work of agents and of the information provided by an agent, which helps to maintain confidence and trust, consequently enhancing performance of a programme as it provides information on utilization of funds and resource allocation.

2.2.2 The Agency Theory

Jensen and Meckling (1976) define an agency relationship as a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent. The authors notice that if both parties are utility maximizers (opportunistic

behavior); a good reason exists to believe that the agent will not always act in the best interests of the principal. Divergence exists between the agent's decisions and those decisions which would maximize the welfare of the principal. Within this principal-agent relationship, owners have an interest in maximizing the value of their shares, whereas managers are more interested in 'private consumption of firm resources' and firm growth.

The 'model underlying the Agency Theory is that of a rational actor who seeks to maximize his or her utility with the least possible expenditure. Both agents and principals seek to receive as much possible utility with the least possible expenditure. Thus, given the choice between two alternatives, the rational agent or principal will choose the option that increases his or her individual utility (Davis, Schoorman & Donaldson, 1997).

In not-for-profit organizations, shareholders should incur agency costs e.g. monitoring to control activities of managers and track implementation of various activity line items. Agency contracts provide for performance related financial rewards to encourage managers to act in the interests of shareholders. Donors and the government also incur costs to ensure good governance and performance.

2.2.3 Stewardship Theory

According to Donaldson and Davis (1991), stewardship theory holds that there is no inherent, general problem of executive motivation. The executive manager, under this theory, far from being an opportunistic shirker, essentially wants to do a good job, to be a good steward of the corporate assets. According to stewardship theory, performance variations arise, not from inner motivational problems among executives, but from whether the structural situation in which the executive is located facilitates effective action by the executive.

Donaldson and Davis (1991) present that stewardship theory focuses not on motivation of the CEO but rather facilitative, empowering structures. Contrary to the agency theory, stewardship theory holds that fusion of the roles of CEO (executive management) and chair of the board of directors will enhance effectiveness and produce superior returns to shareholders than separation of the roles of CEO and chair.

In stewardship theory, the model of man is based on a steward whose behaviour is ordered such that pro-organizational, collectivistic behaviours have higher utility than individualistic, self-serving behaviours. The stewardship theory defines situations in which managers are not motivated by individual goals. They are rather stewards, whose motives with the objectives of their principals are aligned. Stewardship theorists assume a strong relationship between the success of the organization and the principal's satisfaction. A steward protects and maximizes shareholders' wealth through firm performance, because, by so doing, the steward's utility functions are maximized (Davis et al., 1997).

The in NGO sector stewardship theory provides that managers and implementers should diligently apply resources to achieve maximum shareholders returns. It argues that managers are not only self interested but are also capable of positive actions; they have a need for achievement and internal satisfaction, and will improve their performance in their role as stewards of organizational resources to meet these needs. To enhance the level of efficiency, checks and balances needs to be put in place.

2.2.4 Resource Dependency Theory

The key for organizations survival is the ability to acquire and maintain resources (Pfeffer and Salancik, 1978). The resource dependence theory advances the view that organizations are not able to internally generate all the resources or functions required to maintain themselves, they must therefore develop relationships with elements in the outside

environment to obtain the required resources and services. Internal systems that satisfy the demands of both internal and external resource providers must therefore be put in place. Consequently, resources give organizations power, which changes relationships by prioritizing shareholders' interests, working towards increasing their value and revising compensation practices to improve performance and share price. The accessibility to resources enhances organizational functioning, performance and survival (Daily, Dalton & Canella, 2003).

The survival of INGOs depends on funding obtained from various agencies. Funding is guaranteed depending on the performance of a programme. If the performance of a programme is impressive, donors will be willing to extend or increase funding. One way of ensuring proper utilization of funds and accountability in an INGO is by enhancing frequent financial monitoring.

2.3 Determinants of Programme Performance

According to Fowler (1997), for a programme to survive, an effective NGO must gather enough financial resources required to execute their development projects with grass root people. Without an appropriate level of financial resources, an NGO is, in an important sense, incapacitated (Kaplan, 1999). Shortage of funds is an impediment to further project success and impact (Riddell et al., 1997). Thus, a successful programme should have a strong budget base.

Riddell et al (1997) found out that skills of the people in the organization executing the project relate significantly to project success. It is self-evident that it is very difficult to implement a project without the necessary skills, and by implication the more complex the intervention being attempted the greater is the need to ensure that staffs are adequately qualified. Riddell et al. (1997) also asserts that when NGO development project failure

occurs, it's often associated with NGOs switching from emergency to development work without adequate skills or sufficient training.

Developing good relationship with the government and donor agencies involved, networking with other NGOs, beneficiary participation in different stages of project cycle contribute to the success of a programme and understanding of the operating context. An effective NGO has 'contractive' relationships with the same beneficiaries or working within the same locality; the links can enhance overall and long-term project performance and impact (Ridell et al., 1997). Participation of beneficiaries in many different aspects of project cycle is also among the key to the NGO development project success.

Fowler (1997) also noted that an effective NGO Programme has a clear and consistent vision, mission and strategy. Other characteristics which facilitate effectiveness of NGO work include: clear allocation of roles and functions among its staff and management, clear lines of communications and accountability within the NGO, transparent and functional decision making procedures of management, and appropriate allocation of staff and management (Kaplan & Norton, 1998; Fowler, 1997).

A traditional Western management theory distinguishes 'leadership' from 'management'. But according to Fowler (1997), effective NGO programmes suggest that good leaders have many management qualities and vice versa. He also indicates that in an ideal situation the overlap between the two is complete. Fowler asserts that in addition to the availability of other resources, quality leadership is a critical factor which enables staff and volunteers work effectively. Strong leadership 'empowers and motivates' staff to fully commitment and potential.

According to Lewis (2001), concerns about NGO financial monitoring and performance remain; ability to confront these issues may be the key to the survival of the NGO

movement. Through financial monitoring techniques of desk review, onsite visits and review meetings, funds will be spent prudently on the activities within the scope of work. Consequently, to achieve desired results NGOs should employ a close financial monitoring of the funding, instead of relying on the annual audited accounts.

2.4 Key Areas and Methods of Financial Monitoring

OMB Circular A-133 Compliance Supplement provides key monitoring areas of a programme or a sub recipient as follows; activities allowed and disallowed; allowable costs and cost principles, cash management, equipment and property management, matching and effort level being a specified level of service provided during a defined period by program staff, vouching confirmation and observation e.g. vendor visits, touring facilities attending clients e.t.c. The areas of financial monitoring are executed through various methods or techniques; on-site visit, desk review, periodic review meetings frequency in updating or review of grants/financial manual.

On-site visits are conducted to assess the progress of grantee programs in implementing grant activities and to verify that program and financial activities are occurring as reported. When problems are identified as a result of an on-site visit, a corrective action plan will be required. Follow-up contact will assure that appropriate changes have occurred. On-site monitoring visits will include a review of financial records; and review of program policies, procedures, and activities as well as in-person meetings with the regional program officers, presiding judge, and representatives of the board of directors, and volunteer corps. When applicable, any specific concerns that led to the onsite review will be addressed, including possible strategies for addressing the problem.

Desk reviews are scheduled with selected grantee programs for the purpose of reviewing grant project activities and fiscal operations. Desk reviews are conducted by grants

management staff. A grantee can be selected for a desk review when problems or concerns arise from the review of expense reports. Desk reviews may also be scheduled prior to an on-site visit program services staff. At the time of the review, a grantee may be asked to submit accounting documentation for grant expenditures to the grants officer. If significant problems or concerns are identified during the conference calls, on-site visits may be scheduled by grants management staff for the purpose of reviewing fiscal operations.

Periodic financial review meetings: these are joint meeting with the program and financial staff to review the achievements of the previous periods. Finance and operations team share their views with regards to level of target achievements and consequently plan for subsequent periods.

2.5 Empirical Evidence

A study was also conducted by Gregersen and Lundren (1989), on understanding the current degree of organizational support for project monitoring by reviewing institutional support provided by NGOs such as training, written guidelines and manuals, monitoring units and staff members. A list of development organizations was compiled from databases provided by the World Bank, World Wildlife Fund, and others. To ensure that the organization's staff member completing the questionnaire is familiar with the M & E system of the organization, we attempted to identify and target field-level staff or those otherwise closely associated with the organization's field practices. He found out that, most of NGOs do not adequately support monitoring activities. Consequently a conclusion was drawn that effective monitoring requires adequate organizational support for the enhancement of efficiency utilization of organizational resources.

In 1995, Edwards and Hulme framed the debate on NGO accountability in their book "NGOs Performance and Accountability". They concluded: "Despite the complexities and

uncertainties involved, all agree that the current state of NGO ... accountability is unsatisfactory". "Improving performance-assessment and monitoring is not an optional extra for NGOs: it is central to their continued existence as independent organisations with a mission to pursue" (Edwards & Hulme, 1995).

Eckman (1996) conducted a study to describe the current monitoring and evaluation practices and to identify gaps and needs so that practical measures might be developed to improve the quality of monitoring. A sample included 75 NGOs (both international and national). After examining organization support for monitoring, his findings and conclusions were that monitoring is generally overlooked - takes a back seat to evaluation with many organizations budgeting for periodic and, formal evaluations. Yet monitoring has the potential to significantly improve projects impacts without high investment costs, and can also better inform the decision making process. Continuing a business as usual monitoring pattern will simply perpetuate existing informal gaps and problems for many agencies. Reorienting and intensifying monitoring practices contribute to more costs effective, socially effective and successful projects.

A study conducted by Brinkerhoff and Derick (2003), with a view to lay the groundwork for investigating accountability as it relates to health systems reform. Their analysis reviews and synthesizes the literature on the accountability theme, noting areas of convergence and of ongoing debate. They concluded that increasing accountability is a key element in a wide variety of reforms, from government-wide anti-corruption campaigns, to national-level health system reform programs, to decentralized health service delivery at the local level, and community-based health funds. One of the main reasons why this range is so broad relates to the interconnections among the various types and purposes of accountability. Financial accountability quickly leads to performance issues.

Accountability to curb abuse underlies accountability for purposes of adhering to standards and of improving performance.

In 2007, Nyaga conducted a study to determine the relationship between various components of corporate governance structure and the performance of manufacturing firms listed in the NSE. The study targeted 18 manufacturing companies that are listed in the NSE as at 30th June 2007. Data was obtained from the information centre at the Nairobi Stock Exchange and comprised observations for the period between 1996 and 2006. The key findings of the study revealed the existence of a linear relationship between various structures of corporate governance and performance of manufacturing firms listed in the NSE. Specifically, the findings revealed that there exist a perfect linear relationship between performance measures and the frequency of boards meetings; CEO compensation, board composition; monitoring and percentage of insider holding. It was recommended that adoption of sound corporate governance structures is critical for the success of manufacturing firms.

A study was conducted by Kyereboah and Coleman (2007) to investigate the relationship between corporate governance and the financial performance of insurance companies in Ghana. The secondary data was collected from the national insurance commission and the primary data through the administration of interview questionnaires. Panel Data Methodology was used for the data analysis. The findings shows that large board size, board skill, management skill, longer serving CEOs, size of audit committee, audit committee independence, foreign ownership, institutional ownership, dividend policy and annual general meeting are positively associated with the financial performance of insurance companies in Ghana. The insurance companies are encouraged to adopt good corporate governance practices to improve their financial performance and also to protect the interest of the shareholders. Most importantly the regulatory authorities must ensure

compliance with good governance and apply the appropriate sanctions for non compliance to help the growth and development of the insurance industry.

Machuki (2009) conducted a study on the relationship between corporate governance structures and performance of HIV/AIDS Non-Governmental Organizations. He used a structured questionnaire, data on the corporate governance structures and organizational performance he obtained from a sample of 40 nongovernmental organizations implementing HIV/AIDS interventions in Nairobi. The study revealed that the HIV/AIDS NGOs under study adopted demonstrate the practice of corporate governance through the various corporate governance structures. These structures were found to significantly influence the performance of the organizations under study. Based on the results, he concluded that entrenching good corporate governance in organizations ensures achieving desired results and achieving them in the right way. It is indicative of this assertion that the findings indicated that the organizations had aligned projects to their missions and achieved targets within set deadlines and allocated adequate resources to support activities.

In a study conducted by Raggio (2009) on relational accountability and its comparison with the most widely used proxy for NGO accountability: financial accountability. Using an index measure of accountability based on six key dimensions identified by peer-review organizations: governance, transparency, participation, evaluation, responsiveness and financial management, he compared and contrasted the accountability assessments of 60 U.S.-based NGOs. He explored variations in accountability levels according to the type of assessment used financial or an index measure of all identified dimensions. He found that the use of financial accountability as the key indicator of a not-for-profit's performance does not substitute for a comprehensive assessment of accountability.

Bhakar and Rao (2011) conducted a study to understand and analyze the current NGO accountability debate as a fundamental question and to compare and contrast associated concepts; the rationale was to analyze the issue, consider whether any public problems exist, and to make recommendations on what should be done at the state, national and International level. This research finds that, representative legitimacy and democracy however have values in themselves, and are quite apart from their comprehensive potential to establish “Accountability”. Prior to getting to the question of whether Non Government Organizations meet the standards of fiduciary duties, his research asks on what basis they (NGO’s) claim to be legitimate fiduciaries. And if it is on the basis of representing people, then the common man should not frame the question of Accountability as a merely technical question of execution and hence presume the seemingly radical conclusion that they have an inherent right to legitimately claim to represent, and account for the interests, desires and values of all the people in the first place.

In 2012, Owolabi set out to investigate NGO accountability in Nigeria using two case studies – a national and an international NGO from SME and Education thematic areas respectively. The paper set out to find out the mechanisms of accountability being practiced by the NGOs: reports and disclosure statements, performance assessments and evaluations, participation, self-regulation, and social audits. It also set out to reveal for whom the accountability is designed: donors (upward) or beneficiaries (downward), NGO staff (internal) or outside stakeholders(external), and short term financial (functional) or long term impact (strategic) It was observed, the NGOs studied are accountable essentially to the owners or those stakeholders with economic power over their organizations. Not much of the accountability is focused on the stakeholders upon whom the organizations have impacts. Moreover, accountability is essentially financial but not on the extent of the attainment of the purposes and objectives for which they were set up.

2.6 Summary of Literature Review

The arguments outlined above provide an analytical foundation for concerns about opportunities for obtaining financial data/information in the NGO sector. Monitoring of funded projects is way of enhancing quality and accountability. Whilst donors focus on meeting beneficiaries' needs at the lowest possible cost, donors have an obligation to ensure they achieve the highest possible results with the funding they have available .This means not only selecting the best projects but also ensuring that proposals address areas and populations with the greatest needs.Good intentions do not provide insurance against human fallibility. Individuals and organizations should be transparent and accountable because such checks and balances can help identify and rectify blunders, missteps and ineffectiveness.

Accountability seeks to protect the interest of all stakeholders of a firm. Senior management teams for INGOs are held responsible everyday for the success and failures of the organizations they govern. The evolving nature of governance, accountability and its core purpose of restoring donor confidence should be taken into consideration. Some INGOs have achieved the required objectives due to good governance structures. On the other hand, some haven't performed well in their operations due to poor governance. It is not clear whether program performance for INGOs in Kenya is as a result of frequent financial monitoring being a subset of good governance. Therefore, this research seeks to establish the effects of financial monitoring on program performance for INGOs in Kenya.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter outlines the research design and methodology that was followed in conducting this study. It describes the research design, population of the study, sample size, sample frame, data collection methods and data analysis and presentation.

3.2 Research Design

Research design refers to the arrangement of conditions for the collection and analysis of data in the manner that aims to combine relevance to the research purpose with economy in the procedure (Babbie, 2002). Kothari (2004) also observed that the research design is a blue print which facilitates the smooth sailing of the various research operations, thereby making research as efficient as possible hence yielding maximum information with minimal expenditure of effort, time and money.

The study used a descriptive survey design. This is a set of methods and procedures that describe variables. It involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data. Descriptive studies portray the variables by answering who, what, and how questions.

3.3 Population

A population is a group of individual persons, objects or items from which samples are taken for measurements, it is the group the investigator wishes to make references from (Babbie, 2002). The population of interest consisted of registered INGOs that are carrying out operations in Kenya. International NGOs were considered appropriate for this study given their relative sizes and most of them are Prime recipients executing subcontracts.

There are approximately 400 registered INGOs operating in Kenya to date (Wambogu, 2012).

3.4 Sampling Design

A sample is a sub set or part of the target population; sampling is a process of selecting subjects or cases to be included in the study of the representative of the target population (Mugenda & Mugenda, 1999). According to Roscoe (1975), sample sizes of less than 10 are not recommended. In simple experimental research with tight controls, successful research can be conducted with samples as small as between 10 to 20. However, for most studies samples size between 30 and 500 are most appropriate. Therefore, in this study a sample size of 50 INGOs was taken to represent the population of 300 INGOs. Respondents were selected from 50 INGOs to represent the different levels of NGOs management and the stakeholders. A simple random sampling method was used based on availability and willingness to respond to questions of the researcher. The respondents consisted of Grants officer/manager and Program officers/manager. Purposive sampling was used owing to the information that they have by the virtue of their positions at their respective NGOs with respect to this study.

3.5 Data Collection

The study was facilitated by the use of Primary data and secondary data. Primary data was collected using structured questionnaire (Appendix 2) eliciting a wide range of baseline information about financial monitoring and programme performance in INGOs. It captured activities undertaken during on-site visits, desk review and periodic financial review meetings during the review period. The questionnaire was divided into two parts. Part A aimed at gathering background information about the INGO. Part B aimed at getting the

response of financial monitoring and effects of programme performance practices adopted by the NGOs. Secondary data was collected from INGOs' executed budgets, certified expenditure reports and technical or programmatic reports. This helped to determine the performance of the INGO.

3.6 Reliability and Validity

Mugenda and Mugenda (2003) noted that, the accuracy of data to be collected largely depended on the data collection instruments validity and reliability. Validity is the degree to which result obtained from the analysis of the data actually represents the phenomenon under study. Validity was achieved by place having objective questions in the questionnaire.

3.7 Data Analysis

The study sought to investigate effects of financial monitoring on programme performance for INGOs in Kenya. Qualitative and Quantitative techniques were used in analysing data. The process of data analysis involved several stages. Completed questionnaires edited for completeness and consistency. The data was then be coded and checked for any errors and omissions. The collected data was analysed and results presented in the form of tables, percentages and graphs to analyze the data. Descriptive statistics such as means, standard deviation was also used. The data was analyzed using Excel and SPSS-Statistical Package for Social Sciences). Content analysis was also be used in the analysis of some of the open-ended questions. A multiple regression model was adopted at 95% confidence level ($p=0.05$).

$$Y = B_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3$$

Y=Programme performance

X1=No. of on-site financial monitoring visits

X2=No. of financial desk reviews

X3=No. of periodic financial review meetings

e=Error Term

Y= programme performance indicators are program efficiency ratio= direct costs / indirect costs. The recommend ratio is 8:2 (Charity Navitor, 2007). Income utilization ratio is calculated by taking total budget divided by total expenses. The recommended income utilization ratio is 80% for all budget line items (USAID rules and regulations, 2009), otherwise variance explanation is required. Consequently, INGO programme has to attain at least one of the thresholds. The statistical test of significance is 95%.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.0 Introduction

This chapter presents the research findings in reference to the research question and research objective found in chapter one. The focus was to establish the various financial monitoring techniques mainly onsite financial monitoring, financial desk reviews and periodic financial review meetings. The findings were as a result of the assessment INGOs' programme performance after conducting the aforementioned financial monitoring techniques. Data generated from this research was both qualitative and quantitative. Quantitative data was presented in form of frequencies, means, modes and percentages. Qualitative data was presented by way of narration. Presentation was done using tables, charts and graphs for easy yet effective communication.

4.1 Response Rate

The researcher distributed questionnaires to respondents to 50 (all the sampled) INGOs. Only 31 questionnaires were returned. This represents a 62% response rate that the researcher found sufficient to proceed with data analysis. The response was as a result of the researcher directly distributing questionnaires to the respective INGO respondents and follow up made to that effect.

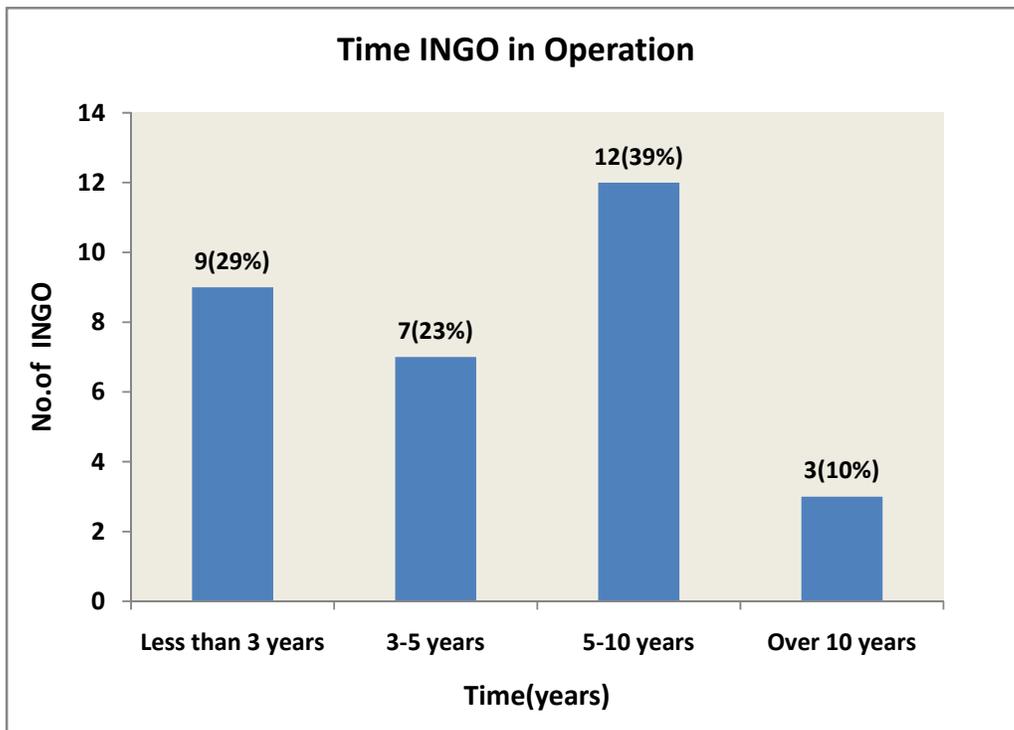
4.2 Organizational Bio-data

Organizational bio-data considered important for the study was the duration an INGO has been in operation. The duration of operation was used to determine the years an INGO has been involved in programme implementation. There was a perception that the duration

INGOs had been in operation, contributed favorably to programme performance. Therefore, respondents were asked to state the time respective INGOs had been in operation.

4.2.1 Distribution of Time INGO had been in Operation

Figure 4.1: Distribution of Time INGO had been in Operation

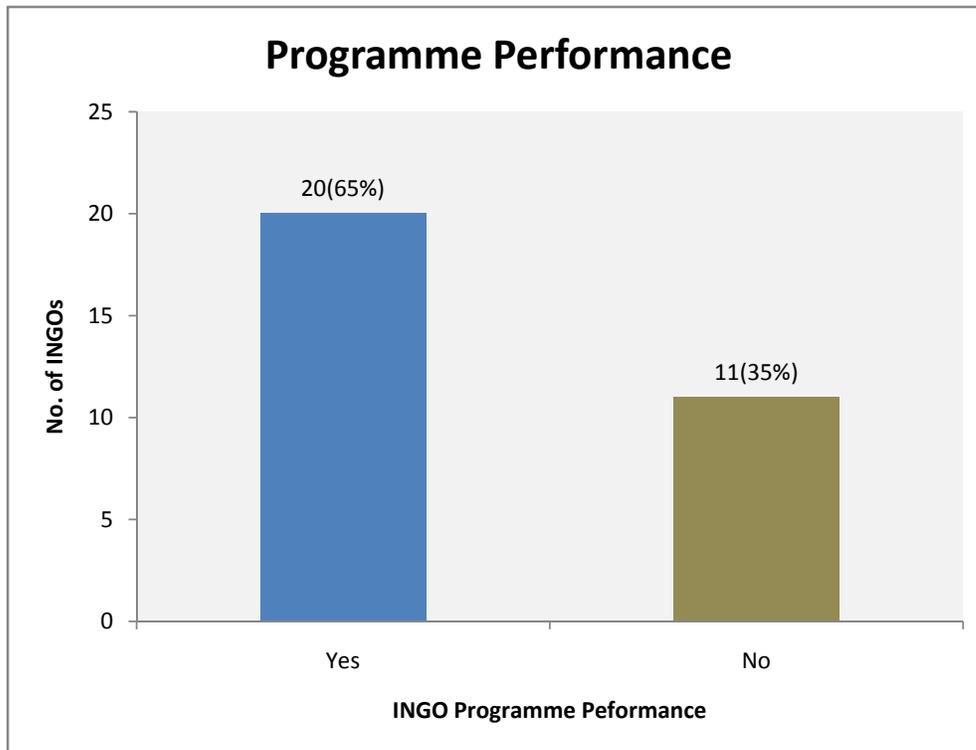


Source: Primary Data

The results shown in Figure 4.1 above show that majority of INGOs (39%) had been in operation for a period of 5 to 10 years, 29% for a period less than 3 years, 23% for a period of 3 to 5 years and 10 % of INGOs had been in operation for over 10 years. The implication of these results is that most of INGOs have been in operation for at least 3 years. However, as per table 4.5 analysis, INGO operating time does not influence programme performance.

4.3 Programme Performance by INGOs

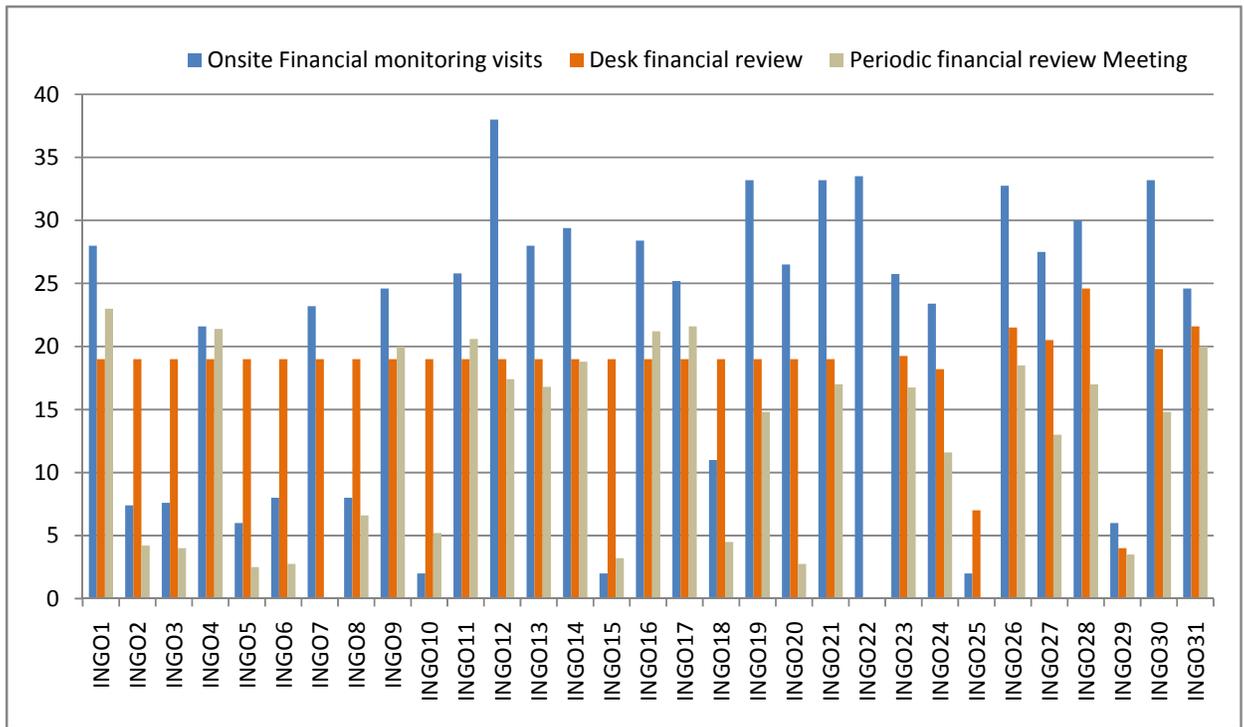
Figure 4.2: Distribution of Programme Performance by INGOs



Source: Researcher (2013)

The results in Figure 4.2 above show that 20 (65 %) of INGO programmes performed-attained performance threshold. This was as a result of frequent financial monitoring techniques that included onsite financial monitoring visits, desk financial reviews and periodic financial review meetings. On the other hand, 11 (35%) of INGO programmes didn't attain the performance threshold.

Figure 4.3. Average of Financial Monitoring Conducted by INGOs



Source: Researcher (2013)

The results figure 4.3 above show that all (31) INGOs conducted onsite financial monitoring visits, as opposed to desk financial reviews and periodic financial review meetings. 3 INGOs didn't conduct desk financial reviews, while 5 didn't conduct periodic financial review meetings. The results show that onsite financial monitoring was the most preferred financial monitoring technique while periodic financial review meetings were the least preferred.

Table 4.1 Average Financial Monitoring and INGO Programme Performance

INGOs	Average Financial Monitoring Reviews			Programme	Performance
	Financial monitoring visits	Desk financial reviews	Periodic financial review Meetings	Program Efficiency ratio	Income utilization ratio
INGO1	28	19	23	9:1	99%
INGO2	7	19	4	8:2	90%
INGO3	8	19	4	8:2	77%
INGO4	22	19	21	8:2	80%
INGO5	6	19	3	7:3	67%
INGO6	8	19	3	7:3	55%
INGO7	23	19	-	6:4	97%
INGO8	8	19	-	6:4	89%
INGO9	25	19	20	5:5	70%
INGO10	2	19	-	5:5	60%
INGO11	26	19	21	7:3	77%
INGO12	38	19	17	9:1	100%
INGO13	28	19	17	7:3	93%
INGO14	29	19	19	8:2	99%
INGO15	2	19	3	8:2	76%
INGO16	28	19	21	8:2	90%
INGO17	25	19	22	8:2	80%
INGO18	11	19	5	7:3	77%
INGO19	33	19	15	8:2	85%
INGO20	27	19	3	8:2	80%
INGO21	33	19	17	8:2	85%
INGO22	34	-	-	7:3	78%
INGO23	26	19	17	8:2	80%
INGO24	23	18	12	7:3	90%
INGO25	2	7	-	4:6	79%
INGO26	33	22	19	8:2	85%
INGO27	28	21	13	7:3	85%
INGO28	30	25	17	8:2	85%
INGO29	6	-	4	4:5	67%
INGO30	33	20	15	8:2	67%
INGO31	25		20	7:3	60%

Source: Researcher (2013)

According to table 4.1 INGOs Programmes performed well when the three financial monitoring techniques were conducted frequently other factors/determinants held constant. This is clearly indicated by INGO 12 that attained a 9:1 performance efficiency ratio and 100% income utilization ratio by conducting 38 on-site financial monitoring visits, 19 financial desk reviews and 17 periodic financial review meetings. Therefore, when three techniques of monitoring are conducted simultaneously, INGOs programmes perform well.

According to the above table, INGOs that conducted few financial monitoring visits other factors/determinants held constant will perform poorly. This is clearly shown by INGO 29 that had a program efficiency ratio of 4:5 and income utilization ratio of 67%. Further, periodic financial review meetings weren't preferred by INGOs as compared to the other financial monitoring techniques; however, if overlooked or ignored, can result to dismal performance of programme(s). This is manifested by the performance of INGO 25 that didn't conduct periodic financial review meetings.

Despite INGO 22 not attaining programme performance threshold, the score for both programme efficiency ratio and income utilization ratio was relatively high. INGO didn't conduct periodic financial review meetings and financial desk reviews. Programme performance rating could have improved significantly, if all financial monitoring techniques were conducted.

As shown in the above figure, despite of INGO 2 and INGO 10 conducting relatively few on-site financial monitoring visits and periodic financial review meetings, their programmes performed well. However, it should be noted that financial desk reviews were conducted frequently. The figure also shows a dismal performance of INGO 30 despite of conducting the three financial monitoring simultaneously, this is a clear indication that

there are other factors/determinants that come into play for an INGO programme to perform well.

Table 4.2 Programme Performance Measure Analysis

	Mean	Std. deviation	Std. Error
Performance efficiency ratio	4.4	2.2	0.42
Income utilization ration	82.84	10.5	0.42

Source: Researcher (2013)

The results in figure 4.2 above shows that by conducting frequent financial monitoring INGO programmes performed with a mean performance efficiency ratio of 8.2 (4.4) and income utilization ration of 82.84. Consequently, there is overall positive effect of financial monitoring on INGO programme performance.

4.4 Correlation Analysis

Statistic used to determine if and how performance efficiency ratio/income utilization ratio and set of financial monitoring techniques were related was the Pearson correlation coefficient r . A correlation matrix was generated as part of the output for a correlation test. To conduct a correlation test using Pearson's r in SPSS, a bivariate correlation was used. It is a bivariate test because two variables are being correlated.

Table 4.3 Descriptive Statistics

Descriptive Statistics			
	Mean	Std. Deviation	N
Performance efficiency ratio	4.355	2.2141	31
Income utilization ratio	82.84	10.469	31
Financial monitoring visits	20.25	11.347	31
Financial desk reviews	17.22	8.803	28
Periodic financial review meetings	12.64	7.492	26

Source: Researcher (2013)

Table 4.3 shows descriptive output of the data used for the correlation tests-variables being tested in the correlation. It shows the mean, standard deviation and number of values in each valuable.

Table 4.4: Correlation Matrix

Correlations				
		On site financial monitoring visit	Financial desk reviews	Periodic financial review meetings
Performance efficiency ratio	Pearson Correlation	0.762**	0.769**	0.674**
	Sig. (2-tailed)	0.000	0.000	0.000
	N	31	28	26
Income utilization ratio	Pearson Correlation	0.555**	0.486**	0.465**
	Sig. (2-tailed)	0.001	0.009	0.017
	N	31	28	26

Source: Researcher (2013)

From table 4.4 above, the correlation matrix display the Person correlations coefficient for each pair of variable for financial monitoring techniques. Performance efficiency ratio and onsite financial monitoring visits($r = 0.762$), performance efficiency ratio and desk financial reviews ($r=0.769$), performance efficiency ratio and periodic financial review meetings ($r=0.674$), income utilization ratio and financial monitoring visits($r = 0.555$), income utilization ratio and desk financial reviews ($r=0.486$) and income utilization ratio and periodic financial review meetings ($r=0.465$). The Pearson correlation coefficient shows that there is strong positive relationship between performance efficiency ratio and the 3 financial monitoring techniques. Here relationship is statistically significant ($P < 0.05$).

4.5 Multiple Regression

The researcher sought to establish the relationship between the three (3) financial monitoring techniques that were conducted by the various INGOs and their average programme performance during the study period. The Regression Coefficients table below indicates the effect that the three key financial monitoring methods that were conducted had on programme performance.

Table 4.5: Multiple regression of program performance and various financial monitoring visits

	Parameter Estimate	Std. Error	Coefficients	t-value	P value	95% Confidence Interval for B	
						Lower Bound	Upper Bound
(Constant)	-0.252	0.095		-2.664	0.015	-0.449	-0.055
On site financial monitoring visit	0.021	0.007	0.49	3.021	0.007	0.007	0.036
Financial desk reviews	0.013	0.007	0.23	1.891	0.007	0.001	0.027
Periodic financial review meetings	0.021	0.007	0.319	3.123	0.005	0.007	0.034
INGO operation time	-0.006	0.029	-0.011	-0.191	0.85	-0.066	0.055

Source: Researcher (2013)

Table 4.5 shows that reported parameter estimates of all the three financial monitoring techniques are significant at 95% confident interval. On site financial monitoring visits are likely to influence performance of a Programme {P=0.007, CI (0.007, 0.036)}. Desk review financial monitoring visits is likely to influence performance of a Programme {P=0.007, CI (0.001, 0.027)}. Periodic financial review meetings are likely to influence performance of a Programme {P=0.005, CI (0.0071, 0.034)}.

The results show that financial monitoring visits have positive effect on INGO programme performance. There is no significant difference between programme performance and INGO operation time {P=0.85, CI (-0.066, 0.055)}. Thus, INGO operation time does not influence programme performance.

4.6 Summary of Findings and Interpretations

Major findings from the study are as follows:

The researcher sought to obtain information on how long INGOs had been in operation. A scale of less than 3 years, 3 to 5 years, 5 to 10 years and over 10 years was provided. The findings indicated that most organizations had been in operation for 5 to 10 years and few had been in operation for more than 10 years within the study period. From the findings, it's clear that INGOs operating time does not influence programme performance.

When the all the three financial monitoring techniques are conducted simultaneously, other factors/determinants held constant, INGOs' programmes perform well. This is clearly indicated by INGO 12 that had 9:1 performance efficiency ratio and 100% income utilization ratio after conducting 38 on site financial monitoring visits, 19 desk financial reviews and 17 periodic financial review meetings. Thus, there is positive linear relationship between programme performance indicators and frequency of financial

monitoring. Programme for INGO 12 performed well in both programme efficiency ratio and income utilization ratios. This is attributed to frequency at which the three financial monitoring techniques were conducted.

INGOs that conducted few financial monitoring visits performed poorly, other factors/determinants held constant. Program efficiency ratio and income utilization was low. It's clear that onsite financial monitoring and desk financial reviews are preferred by majority of INGOs as compared to periodic financial review meetings. However, periodic financial review meetings shouldn't be ignored as they play a critical role towards the achievement of INGO programme performance.

The findings indicated that desk financial review was the second preferred financial monitoring technique among INGOs after onsite financial site visits. There was positive linear relationship between programme performance indicators and number of financial desk reviews. Both programme efficiency ratio and income utilization ratios are favourable for INGOs that conducted them frequently. Review of payment voucher, review of financial reports and burn rate analysis were some of the key objectives during financial desk reviews.

All INGOs, conducted onsite financial monitoring- those that didn't perform and those that performed. It was the most preferred technique employed by grant making INGOs and those that don't sub grant. This is because it offers an opportunity for a grant or finance officer to verify activities, internal control system, governance, ascertain beneficiary satisfaction and review paper work. Key objectives were to verify the activities, conduct vendor visits, voucher review and expense analysis and budget reallocation that improved INGO programme performance.

Some organizations performed dismally despite of employing both techniques of financial monitoring. This is a clear indication that, other factors/determinants were not taken into consideration. This includes; financial planning, operational monitoring and evaluation, capacity of staff training, clear organizational vision, programme management, staff motivation and working harmoniously with other implementing partners and the community.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the findings which were presented in chapter four in relation to the objectives of the study and the review of the related literature. The chapter is divided into sections the first sections presents the conclusion and the second make recommendations.

5.2 Conclusion

The study revealed existence of a positive correlation between financial monitoring and programme performance for INGOs. The regression analysis in chapter 4 established that financial monitoring is a predictor of programme performance. The findings imply that the programme performance for INGOs can be greatly improved if on site financial site visits, financial desk reviews and periodic financial review meetings are conducted. However, in order to yield positive results financial monitoring should be conducted frequently.

Thorough monitoring, reorienting and intensifying monitoring can greatly contribute to more cost-effective, socially effective and successful programmes. Information on the quality of services provided to the clients is obtained thus reduces chances of funds being misallocated as they are utilized for the core business of the programs existence. Frequent review of financial documents and conducting vendor visits through desk reviews and on site monitoring respectively eliminates conflict of interest and instills transparency in all transactions consequently improving accountability of resources that leads to quality service provision to beneficiaries. Budget reallocation, de-obligation, revision of work plans and budgets are recommended and executed leading to more utilization of funds that result to high burn rates.

Well structured governance systems enable organizations to perform better. This is because checks and balances are enhanced. During financial monitoring, financial site visit report, minutes and review notes are generated highlighting gaps on governance structures that call for capacity building to necessitate transparency and accountability. For instance, the grants making INGOs review the work of sub grantees and recommend on areas of improvement relating good management of funds, segregation and delegation of duties that lead to improved programme performance.

INGOs should incorporate other factors/determinants that enhance or contribute to a favorable programme performance. These determinants include to not limited to; frequent flow of funds (enough funds), equipping staff with necessary skills e.g. accountant program officer, clear and consistent vision, good leadership and management. Thus, as an INGO invests on financial monitoring, other determinants cannot be ignored. They complement each other.

5.3 Recommendations

The researcher recommends increased frequency of financial monitoring for both grant making and non-grant making INGOs. Grant making INGOs should invest more on on-site financial site visit as the geographical location of sub recipients is different. Consequently, a grants or finance officer should conduct onsite financial monitoring visits frequently to ascertain the progress of activity implementation, verification of assets and ascertain level of beneficiaries' satisfaction. Periodic financial review meeting should also be held frequently so as to address some critical issues like low burn rates and budget reallocation. Technical/programme staff may be invited to attend those meetings so as to provide

critical information on activities that are behind schedule with regards to expenditure or whose burn rates are low and appropriate action to be undertaken.

During onsite financial monitoring visits, a finance officer should ensure that audit findings and recommendations are shared with concerned parties and follow up done on implementation of the same. This will reduce chances of recurrence of previous audit issues. A follow up on implementation of audit findings and recommendation can also be done through phone calls during financial desk reviews and deliberations during periodic financial review meetings.

5.4 Study Limitations

Conducting this study encountered a number of challenges related to the research and most particularly during the process of data collection. Some respondents didn't return duly completed questionnaires while some were biased going by the information they provided for reasons such as confidentiality and busy schedules at their work place.

Activity implementation of various organizations takes at the field sometimes in remote places. Therefore, the researchers could not verify whether the targeted group completed the questionnaires.

Despite these limitations sufficient and reliable data was collected to render the study meaningful in order to arrive at a useful conclusion

5.5 Suggestions for Further Studies

The research conducted was purely for INGOs. This is because most of them implement big programs given the substantial funding they receive from donors. However, local implementing partners are also experiencing challenges on accountability despite of the little funding they receive from donors. Low burnrates resulting to un-utilized funds,

transparency, allocation and utilization of funds on administration activities as opposed to main activity items and gaps corporate governance are some of the challenges. Although financial monitoring are conducted by local implementing partners, its not clear how they have contributed to programme performance. Consequently, the researcher proposes for a study to investigate the relationship between financial monitoring and performance of local implementing partners in Kenya.

Most of INGOs are grant-making organizations that establish and execute subawards with local implementing partners. This is in line with a policy aimed at empowering/ building the capacity of local implementing partners on how to manage and implement programme activities using donor funds. Despite of the effort to conduct onsite financial monitoring, accountability issues are on the rise. Thus, the researcher proposes for a study on effects of on-site financial monitoring on the performance of grant making INGOs in Kenya.

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APPENDIX 1: LETTER OF INTRODUCTION



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

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P.O. Box 29019
Nairobi, Kenya

DATE 20/08/2013

TO WHOM IT MAY CONCERN

The bearer of this letter: JOEL NYABUTO NYABUTO

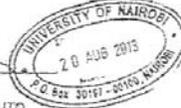
Registration No. D6162772/2011

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.



PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

APPENDIX 2
LIST OF SAMPLED INTERNATIONAL NGOS

INGOs not analysed

1. Action AID
2. African Medical and Research Foundation
3. CHF International
4. Christian AID
5. Farm Africa
6. Food for the Hungry international
7. Global Communities
8. JPIEGO
9. Liverpool
10. Lutheran World Federation
11. Mediciens Sans Frontieres –France
12. MSF-Belgium
13. MSF-Swiss
14. Plan International
15. Sanergy
16. Techno serve
17. United nations Children’s Fund
18. United Nations International Children Education fund
19. Walter Reed

INGOs not analyzed

20. ADRA International
21. Africa Family Health
22. Africa Population and Health Research Centre
23. Aviation Sans Frontiers-Belgium
24. Care International
25. Catholic Relief Services
26. Centre for Health Solutions
27. Centre for International Programs
28. Chemonics International
29. Child Fund
30. Child Life International
31. Childcare Worldwide Kenya
32. Children International Kenya
33. Compassion international
34. Concern World Wide
35. Family Health International
36. Freedom House
37. German Agro Action
38. International Committee of the Red cross
39. International Medical Corps
40. IntraHealth International
41. Lutheran World Federation
42. Mercy Corps

43. Oxfarm International
44. PACT Kenya
45. Path International
46. Pathfinder International
47. Peace Corps
48. Save the Children
49. Solidarities International
50. World Vision International

APPENDIX 3

DATA COLLECTION

Section 1 Introduction of International NGO information

1. Name of your Organization (INGO)

2. Name of Programme

3. How long has the INGO been in Operation? (Tick as appropriate)
 - (i) Less than 3 years.....
 - (ii) 3-5 years.....
 - (iii) 5-10 years.....
 - (iv) Over 10 years.....

4. Kindly tick the appropriate programme performance measure that is used by your organization.

Programme performance measure	Tick as appropriate
Performance efficiency ratio	
Income utilization ratio	

5. Kindly tick a number for the statement displayed below on the appropriate financial monitoring techniques that are used by your organization.

Financial monitoring method/technique	Tick tool used by your org.
On site Visits	
Desk reviews/off-site reviews	
Periodic review meetings	

Section II Onsite financial visits

6. Averagely, how many on-site financial monitoring are conducted by Grants team for the last 5 years in your organization?

Year	2008	2009	2010	2011	2012
No. of on-site financial visits					

7. How many of the on-site financial monitoring visits undertaken by your organization resulted to the achievement of the desired objectives?

Year	2008	2009	2010	2011	2012
No. of on-site financial visits					

8. Kindly tick a number for the statement displayed below to indicate your level reason for onsite financial monitoring in your organization.

Grid 3) Agree 2) Neither Agree or Disagree 1) Disagree

Objectives of on-site financial visits	3	2	1
(a) Verification of activity implementation			
(b) Review time effort sheets			
(c) To interview beneficiaries of services provided			
(d) To conduct vendor visits			
(e) To verify and check the usage of assets			
(f) Review personnel records			
(g) Conduct a staff head counts			
(h) Follow up on implementation of audit recommendation			

Section III Desk reviews

9. Averagely, how many offsite financial site visits were undertaken by the Programme in your organization for the last 5 years?

Year	2008	2009	2010	2011	2012
No. of desk reviews					

10. How many desk reviews undertaken attained the desired objectives?

Year	2008	2009	2010	2011	2012
No. of desk reviews					

11. Kindly indicate your level of agreement with the following statements as reasons for desk reviews/ offsite financial monitoring in your organization.

Grid 3) Agree 2) Neither Agree or Disagree 1) Disagree

Objectives of off-site /desk reviews	3	2	1
(a) Review payment vouchers			
(b) Review financial reports			
(c) Burn rate analysis's			
(d) Review operational report			
(e) Phone call inquiries			
(f) Generating review points			

Section III Periodic financial review meetings

12. Averagely, how many review meetings were undertaken your organization in the last 5 years?

Year	2008	2009	2010	2011	2012
No. of periodic financial review					

13. How many of the financial review meetings attained the desired objectives?

Year	2008	2009	2010	2011	2012
No. of periodic financial review					

14. Kindly indicate your level of agreement with the following statements as reasons for periodic review meetings in your organization.

Grid **3**) Agree **2**) Neither Agree or Disagree **1**) Disagree

Objectives of periodic financial review meetings	3	2	1
(a) Review budget burn rates			
(b) Expense analysis and review of work plan and budgets			
(c) Program implementation review			
(d) Discuss implementation challenges and way forward			
(e) Discuss emerging issues on grant management			