THE EFFECTS OF CORPORATE GOVERNANCE PRACTICES ON THE EFFICIENCY OF LOCAL AGRICULTURAL NONGOVERMENTAL ORGANISATIONS IN NAIROBI COUNTY

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DECLARATION

I, the undersigned declare that this 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 University of Nairobi supervisor.

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DEDICATION

I dedicate this work to the Almighty God to whom I owe everything and to my two children: Nimo and Kingi. May your future be forever bright.

ABSTRACT

Non governmental organisations play a vital role in every society, in many cases directly impacting on the quality of people's lives. Good corporate governance can offer a number of important benefits to non governmental organisations this includes ensuring that non governmental organisations develop better strategies and plans as well as improve operational effectiveness. In addition, organisations with good corporate governance usually have good stakeholder engagement and communication flow. Finally, good corporate governance ensures that there is an increased likelihood that the organisation will deliver on its purpose and do so efficiently.

The purpose of this study was to examine the effects of corporate governance practices on the efficiency of local agricultural NGOs in Nairobi county. To achieve this objective the study used a causal design study. The population was 228 registered local NGOs from which a sample of 90 was taken using simple random sampling. Primary data was collected through a structured questionnaire using the Likert measurement scale that was administered to the 90 local NGOs. DEA was used to measure efficiency of the local agricultural NGOs. The data collected was then analysed using a linear regression model to test the extent of relationship.

The study established that the majority of the NGOs had implemented the four corporate governance practices that is, board size and composition, board meetings, audit committee and transparency and disclosure. When regression analysis was conducted on each of the four corporate governance practices, separately, there was a positive relation with organisation efficiency. Overall, board size had the greatest effect on the efficiency of the NGOs sampled while transparency and disclosure had the least effect to efficiency. The study also revealed that the local sampled NGOs were highly efficient with an average DEA coefficient of 0.756 although some were operating below average with the lowest DEA coefficient having 0.343. Discussion of the results largely shows consistency with some empirical studies as well as theory.
The study recommends training of local NGO board members and management to understand the importance of corporate governance so that they can apply these practices in their organisations. Other implications and recommendations for policy and practice are also provided.

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ABBREVIATIONS AND ACRONYMS

ANOVA	Analysis of Variance
ASX	The Australian Securities Exchange Limited
CEO	Chief Executive Officer
DEA	Data Envelopment Analysis
GAAP	Generally Accepted Accounting Principles
INGOs	International NGOs
NFPs	Not for Profits
NGOs	Non Governmental Organisations
OECD	Organisation for Economic Cooperation and Development
SACCOs	Savings and Credit Cooperative Organisations
UK	The United Kingdom
UNCTAD	United Nations Conference on Trade and Development
US	The United States

CHAPTER ONE

INTRODUCTION

1.1Background of Study

Renz (2007) states that governance entails the functions of setting direction, making policy and strategy decisions, overseeing and monitoring organizational performance, and ensuring overall accountability. Non-profit governance refers to the process of providing leadership, direction, and accountability for a specific non governmental, not for profit organization.

Claessens (2012) explains that corporate governance has received a lot of attention lately because there is an increase of scandals and crises. In addition, privatization has raised corporate governance issues in sectors that were previously in the hands of the state. Firms have gone to the public and this has raised the need for good corporate governance arrangements. Finally, international financial integration has increased and this has led to many cross-border issues in corporate governance.

Renz (2007) states that as much as more and more people are joining boards of not for profit organisations (NFPs) the average board member of an NFP organisation has little knowledge or understanding of the work to be done by a board or what is expected of them once they join that board. The majority of people serving on NFP boards have only vague and general notions about their fundamental roles and responsibilities and the work of governance.

1.1.1 Corporate Governance Practices

The Cadbury Committee 1992 defined corporate governance as a system by which companies are directed and controlled. The Kenya Private Sector Governance Trust (1999) further defines governance as the manner in which power is exercised in the management of economic and social resources for sustainable human development.

The Trust goes on further to state the reasons why good corporate governance is important are that firstly, it attracts investors and assures them that their investments will be secure and efficiently managed in a transparent and accountable process. Secondly, good corporate governance creates competitive and efficient companies and business enterprises in addition such companies rarely go bankrupt and avoid costly litigation. Thirdly, without good corporate governance many organizations will stagnate and collapse. If business enterprises do not prosper, there will be no economic growth, no employment, no taxes paid and invariably the country will not develop. Good corporate governance, therefore, becomes a pre-requisite for national economic development.

According to the organisation for economic cooperation and development OECD (2004) corporate governance entails having a board composition that is effective and efficient. The board is responsible for determining the purpose and the values of the organisation. The board must be made up of competent and mature persons who can regularly review organisations systems and processes as well as effectively communicate with all stakeholders.

According to the ASX Corporate governance council (2003) report the board must establish a sound system of internal control and risk oversight, must promote timely and balanced disclosure of all material matters concerning the company and must promote ethical and responsible decision making. Furthermore, the Capital Markets Act (CA485) states that the constitution of audit committees is important towards promoting good corporate governance. Further, the board should establish an internal audit function. The internal audit function should report directly to the board. The audit committee should meet regularly.

1.1.2 Efficiency of NGOs

Nunnenkamp and Öhler (2010) state that NGOs are widely believed to be more efficient than official aid agencies in delivering foreign aid to the poor and needy in recipient countries. NGOs spend relatively more on charitable activities since they are less concerned with collecting private donations through fundraising efforts.

Epstein and Buhovac (2009) explain that NFPs often have difficulty staying focused on the mission and measuring performance due to multiple and, at times, conflicting objectives as members and donors of these organizations often have far more diverse interests than shareholders in for-profit organizations. This means that development of systems and measure to evaluate performance in not-for-profits can be a challenging process.

Coelli, Rao and Battese (2005) define efficiency as when an organization is producing at its maximum in relation to its input. Because of its specific characteristics, when it comes to estimating efficiency in a non-profit association, a number of complications appear and one of them is to set goals that are possible to follow up.

Frumkin and Andre-Clark (2000) state that non-profits have too many constraints attached to their market behaviour to compete with for-profit organisations in the same market. They have disadvantages in their ability to raise capital, to introduce incentive schemes, and face the additional penalty of loss of legitimacy and decline in volunteer input. Frumkin and Andre-Clark concluded that economising alone will not help non-profit organisations it may only serve as vehicle to extinction or transformation.

Malki (2008) states that the efficiency of NGOs has become a subject to an extensive research and a hot debate. On one-hand foundations, donors and the general public are concerned about the way NGOs spend their money and want to ensure that they do it in the most cost effective manner. Malki goes on to add that efficiency of NGOs is important because many NGOs are not exposed to the competitive environment that characterizes the for-profit sector. Competition imposes efficiency on commercial companies since less efficient companies will eventually, either be forced to improve, or will disappear. On the other hand NGOs that provide free, or highly subsidized services, have to compete for funding, but not for clients. Thus, inefficient NGOs will provide less (or lower quality) services, but their clients may not know it or will not have any other option. Since the market mechanism that enforces efficiency does not exist for local NGOs, foundations and donors are rightfully concerned.

1.1.3 Corporate Governance and efficiency of NGOs

According to the Australian Institute of Company Directors (2013) good governance can offer a number of important benefits to NFPs. Firstly, good corporate governance in NFPs ensure that they have good organizational strategies and plans. It also increases operational effectiveness and efficiency as there is increased likelihood to which the NFP a delivers on its purpose. Thirdly, good governance structures allow NFPs to create value, through innovation, development and exploration as well as provide accountability and control systems commensurate with the risks involved. Finally, communication flow to all stakeholders is greatly improved.

According to the task force of corporate governance (2004) by identification of better performing enterprises, and by more efficient allocation of capital, corporate governance can lead to greater economic growth by enabling the country to maximise the resources it has. Corporate governance can therefore lead to higher levels of efficiency, quality, and competitiveness throughout the national economy.

In for profit organizations, poor governance, causes outside investors to withhold funds. In NFPs, good governance is important not just externally but also internally, Tandon (2002). According to Machuki and Oketch (2013) it ensures that programmes follow the requirements of the NGO's mission. In addition, good corporate governance promotes good performance orientation and accountability and ensures that the values, statutes and norms of socially concerned civic institutions are articulated, practiced and promoted.

Bolton and Bhaghat (2009) state that many observers have argued that NFPs are inefficiently run. Sometimes this inefficiency may even manifest itself in fraud and other abuse by management of these organizations (and philanthropies). They go on to add that the core governance problems of NFPs arise from their management having generally poor incentives and being shielded from the most potent disciplining devices in for-profit firms, like hostile takeovers, proxy fights, or even independent directors. Glaeser (2003) notes that NFPs actually do not have owners. Founders and donors are not residual claimants like investors in for-profit firms. Also, the founding charter only loosely constrains the board and management of the NFP. According to them the only countervailing constraint in NFPs that significantly limits potential abuse by management is the non-distribution constraint, which makes it much more difficult for management to engage in self-dealing.

1.1.4 NGOs in Kenya

Brass (2010) states that since 1963, the beginning of Kenya's history as an independent country, the government of Kenya has encouraged the development of indigenous NFPs, locally called community based organizations. Kenya's first president, Jomo Kenyatta called on local groups to pull together to achieve what they could on their own, promising that the government would supplement local efforts. Today in Kenya, both local, community based self-help groups and foreign based NGOs still exist. Both are registered with the government.

According to the NGO bureau (2014) NGOs in Kenya are regulated by the NGO coordination board. This board was established by an act of Parliament in 1990 and commenced its business on June 15, 1992. The main reason for the creation of the board was to streamline the registration and co-ordination of NGOs.

The NGO board provides a one stop office for registration and co-ordination of NGOs in order to harmonize their activities with the overall government policies and programmes. Further, it conducts regular review of the registered NGOs and determines its consistency with the reports submitted by NGOs and the NGOs Council. Moreover, it provides policy guidelines for NGOs for harmonizing their activities with the national development plan so that NGOs avoid activities which contradict state development programmes. The NGO board develops and publishes a code of conduct for the regulation of NGOs and their activities in Kenya. Finally, it receives, discusses and approves regular reports of the NGOs Council while providing strategies for efficient planning and coordination of activities for NGOs in Kenya. NGO bureau (2014).

According to Kingoro and Bujra (2009) the NGO Act is unclear about who actually governs an NGO and how they are to be held legally accountable. Lack of clarity is partly due to the Act itself and partly due to the application of self-regulation through the NGO code of conduct. According to them, NGOs in Kenya are plagued with many governance problems. Firstly, CBOs often start out as small organizations with two or three friends and colleagues as members of the governing body and volunteers functioning as staff. This arrangement means that later there may be confusion over who actually governs the NGO. This arrangement also can leave the true governance function shifting among various groups, adequately performed by none. Secondly, when they performed the study they noted that thirty one percent of NGOs surveyed had members of the governance body had either kinship or friendship ties that began before the creation of the organization. In addition, a high percentage also had members of staff acting as board members leading to conflict of interest. They went on further to explain that the management and functioning of NGOs was wanting since most had informal managerial systems based upon kinship, neighborhoods and religious affiliations.

1.2 Research Problem

There are several stakeholders involved in functioning and growth of an NGO. The board and management are focused on raising funds and deploying them to meet the objectives of the NGO. The donors are interested in channelizing their contributions through NGO to meet social interventions deemed appropriate. Government and regulatory machinery are concerned about the sources of funds, utilization and management of fund so that inappropriate activities do not happen. An NGO therefore faces difficulty in the areas of accountability, transparency, internal control mechanisms and financial management (Edwards, 1994). For the organisation to be accountable, it must explain how it has used its resources and what it has achieved as a result to all stakeholders (Sharma, 2012).

Efficiency cannot be guaranteed because of the nature of the NGO’s themselves. Many of them are new, small and without guaranteed future. This is especially the case with local NGO’s that are still struggling to put effective and efficient managements systems for good governance in place and whose survival largely depends on donor funding.

Previous empirical studies have provided the nexus between corporate governance and efficiency of NGOs. However, very little is known on how corporate governance affects efficiency of local NGOs in the agriculture sector in Nairobi. This study lays focus on establishing the existing corporate governance structures in these organizations as well as determining the influence of such structures on the organization’s efficiency. This study therefore seeks to answer the following questions:

1) Are there local NGOs in Nairobi, in the agricultural sector, practicing corporate governance?

2) Has corporate governance affected the efficiency of such NGOs?

1.3 Research Objective

General objective

To establish the effects of corporate governance practices on the efficiency of local agricultural non governmental organisations in Nairobi.

Specific Objective

1. To establish the effect of audit committees on the efficiency of NGOs.
2. To establish the effect of number of board members on the efficiency of NGOs.
3. To establish the effect of number of board meetings on the efficiency of NGOs.
4. To establish the effect of transparency to organisation on the efficiency of NGOs.

1.4 Value of the Study

While a number of studies have been done in the NGO sector in Kenya (Kingoro and Bujra, 2009; Kameri-Mbote, 2000) as well as on the subject of corporate governance (Keitany, 2009; Naibo, 2006; Nyaga, 2007), very little is known on how the corporate governance structures influence the efficiency of local agricultural NGOs. Moreover, plagued with governance problems, local NGOs sometimes perform below the expectations of government and donors; beneficiaries usually question their mandate in the community. As a result, there is a risk that regulatory bodies and government deregister these organizations causing donors to pull out funding Machuki and Oketch (2013).

Currently, donors, prefer to provide funds to more efficient NGOs rather than to less efficient ones, ceteris paribus. This paper lays focus on establishing the existing corporate governance structures in these organizations as well as determining the influence of such structures on the organizations' efficiency. Results from this study could aid many NGOs ensure that their organizations are governed well and efficiently run and hence attract more funding from donors. Finally, the study will add to the body of knowledge and will aid further academic research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the information from other researchers who have carried out their research in the same field of study. Hence, the review has presented literature on the definition of corporate governance and its principles, theories, empirical evidence, the conceptual framework and measurements of efficiency that will be relevant to the study.

2.2 Theoretical Framework

According to Masdoor (2011) the fundamental theories in corporate governance began with the agency theory, expanded into stewardship theory and stakeholder theory and evolved to resource dependency theory, transaction cost theory, political theory and ethics related theories. These theories address the cause and effect of variables, such as the configuration of board members, audit committee, independent directors and the role of top management and their social relationships rather than regulatory frameworks.

2.2.1 Agency Theory

According to Hill and Jones (1992) the cornerstone of agency theory is the assumption that the interests of principals and agents diverge. The principal can limit divergence from his interests by establishing appropriate incentives for the agent and by incurring monitoring costs designed to limit opportunistic costs by the agent. Further it may pay the agent to spend resources to guarantee the he will not take certain actions that will harm the principal or to ensure that the principal will be appropriately compensated if he does take such action. Consequently owners incur agency costs such as audits to monitor managers.

2.2.2 Stewardship Theory

According to Davis and Donaldson (1991) a steward protects and maximizes shareholders wealth through firm performance. Thus stewards are company executives and managers working for the shareholders and making profits for the shareholders. Stewardship theory recognizes the importance of structures that empower the steward and offers maximum autonomy built on trust Davis and Donaldson (1991). It stresses on the position of employees or executives to act more autonomously so that the shareholders' returns are maximized. According to Kawira (2012) management ideas and practices should be applied to governance. Board members should be selected on the basis of their expertise and contacts so that they are in a position to add value to the organization's decisions. In addition, a board member's previous external links with donors is important in enabling the organization source for more funding.

2.2.3. Resource Dependency Theory

Resource dependency theory concentrates on the role of board directors in providing access to resources needed by the firm. Masdoor (2011) in his journal states that resource dependency theory focuses on the role that directors play in providing or securing essential resources to an organization through their linkages to the external environment. He further adds that resource dependency theorists provide focus on the appointment of representatives of independent organizations as a means for gaining access in resources critical to firm success.

According to Kawira (2012) board members are selected for the important external links and knowledge they can bring to the organization and to try to co-opt potential external threat Cornforth (2002). Resource dependency suggests that an organization can manage uncertainty by inviting a representative of the source of constraint onto its governing board thus trading sovereignty for support Davis and Cobb (2009).

2.3 Determinants of Efficiency in NGOs

According to Coelli, Rao and Battese (2005) efficiency is defined as when an organization is producing at its maximum in relation to its input. In NFPs efficiency can be measured both in quantity and in quality. Epstein and Warren (2011) state that NGOs need to provide important information to donors, about the organisation's efficiency of spending valuable resources, costs incurred, revenue growth, and how financially successful the organization is with its various programs.

Epstein and Warren (2011) explain that firstly an NFP must be administratively efficient that is it must keep a check on its administration expenses and ensure that these are kept at an all time low. The percentage of revenues the organization spends on administrative expenses must be low. On the other hand, an NFP must be programme efficient meaning that it spends a big percentage of its revenues on programme expenses. They further state that an efficient NFP must keep the donor dependency ratio in check thus ensuring that the organisation is able to survive for long period of time without depending on donor funds.

According to Molomo and Somolekae (1999) for an NGO to be efficient it must have proper organizational structures for it to be able to carry out its core business. Lekorwe and Mpabanga (2007) explain that to be efficient NGOs must have well experienced personnel who are able to manage daily affairs and plain effectively and monitor their projects and programs. NGOs face financial constraints and depend on volunteers to carry out many of their tasks. Further, for an NGO to be efficient it must ensure that there is transparency and accountability in managing all its operations.

2.4 Empirical Literature

Dybvig and Warachka (2009) undertook a study on operating efficiency and corporate governance and concluded that stronger corporate governance improves operating efficiency. There were two measures of operating efficiency, a revenue-based measure that assesses managerial decisions regarding a firm’s level of output and a cost-based measure to assess its cost discipline.

Bruce (2011) did a study on Corporate Governance Mechanisms and Firm Efficiency. One of the conclusions he made was that board insiders are desired for improved technical efficiency. According to him, the current requirement of an independent board in countries with no legal requirement (reflected in corporate governance codes and indices) can be detrimental to technical efficiency as outsiders have less informational access for efficient decision-making. The decisions of these non-executives may conflict with that of executives thus reducing managerial motivation. Further, the study has revealed a marginal positive difference between the effects of CEO duality versus separation on technical efficiency. The study further concluded that the agency theoretical prescription can be detrimental to technical efficiency. The stewardship perspective of duality proposed by Donaldson and Davis is partially supported. CEO duality should not be discouraged by firms in countries where it is not mandatory because of normative considerations but with an in-depth analysis of all other corporate governance mechanisms.

This study done by Poudel, Prakash and Hovey (2013) on the impact of corporate governance on efficiency of Nepalese commercial banks, covered 29 commercial banks out of 31 banks from the 2005-2011 time spans. Corporate governance variables are represented by board size, independence and diligence, Audit committee size, independence and diligence and ownership structure. The non-performing loan variable is used for bank's efficiency. The regression analysis is used to examine the relationship between corporate governance and efficiency of bank. The conclusions from the study were that the bigger board and audit committee size and lower frequency of board meeting and lower proportion of institutional ownership lead to better efficiency in the commercial banks.

Tanna, Pasiouras and Nnadi (2013) did a study on the effect of board size and composition on the efficiency of UK banks. They examined a sample of 17 banking institutions operating in the UK between 2001 and 2006 to provide empirical evidence on the association between the efficiency of UK banks and board structure, namely board size and composition. Their approach was to first to use DEA to estimate several measures of the efficiency of banks, and then panel data regressions for investigating the impact of board structure on efficiency. Evidence of a positive association between board size and efficiency was found, although it was not robust across all their specifications. Board composition on the other hand has a robustly significant and positive impact on all measures of efficiency.

Oqab (2012) undertook a study on the role of the audit committee in raising the efficiency of Internal Control System to combat money laundering in Jordanian banks. This study aimed to indicate the role of the audit committee in raising the efficiency of the internal control system to combat money laundering through the tasks assigned to evaluate internal control systems. It also aimed to support the external audit in evaluating the bank procedures and policies related to internal control system for anti-money laundering. The inductive approach was used that is based on collecting, analyzing and interpreting the study key elements of data. The findings to this study was that the audit committee contributed, to a high degree, to raising the efficiency of internal control system to combat money laundering in the Jordanian banks through its activities in support of the internal audit function.

Bassima (2006) did a study on Non-profits' governance: Does it affect their efficiency and financial reports? In order to determine the impact of governance over the efficiency and transparency of non-profits as measured by their reported program ratio (PR), she conducted a study over a sample of 100 US non-profit organizations. The sample was rated as compliant/non-compliant with the Charity Review Council Accountability Standards, which include a governance review of the related organizations. Tests of difference in means for their program ratios were run. The results showed significant evidence of lower program ratio in non-compliant organizations than those which are compliant.

Magali and Lang'at (2014) did a study on impacts of corporate governance on efficiency and sustainability of the best rural SACCOs in Tanzania. The study assessed the influence of the corporate governance on the efficiency and sustainability of the rural SACCOs which have relatively good financial performance in Tanzania. The study compared the three best rural SACCOs, their efficiency and sustainability in order to obtain the best overall performer and outline reasons for the overall best performance. The study applied the descriptive and qualitative analysis styles. The findings from the analysis showed that the SACCOs in Morogoro out performed the Dodoma and Kilimanjaro best rural SACCOs because it has enough experience in conducting the SACCOs business, was committed in loans screening, processing and recovery, it adhered to good leadership and corporate governance principles amongst other issues.

Agoraki, Manthos and Panagiotis (2009) did a study on the relationship between board structure, in terms of board size and composition, and bank performance. Bank performance was proxied by both cost and profit efficiency, measures that present considerable advantages over simple accounting ratios. The empirical framework formed was applied to a panel of large European banks operating during the period 2002-2006. The study revealed that board size negatively affected banks' cost and profit efficiency. The impact of board composition on profit efficiency was found to be non-linear.

2.5 Summary of Literature Review

Many researchers have examined the relationship between variety of corporate governance mechanisms and firm efficiency. Based on the empirical studies gathered there have been opposing findings on the study. However, various scholars conclude that corporate governance has an influence on organisation efficiency. Whilst several scholars have attempted to find out the corporate governance practices adopted by various NGOs there has been no attempt to link corporate governance practices to efficiency of local agricultural NGOs in Nairobi county.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research design that the researcher embarked on when collecting data, the population studied, sampling method, type of data to be collected, data analysis and the reliability and validity of the data.

3.2 Research Design

A causal research design was employed in seeking to understand the relationship between the independent and the dependent variables. A causal research design is one shows the effect that one variable has on another. Similar to Kawira (2012) the study focused on the relationship between corporate governance and performance of international non-governmental organisations in Somalia. Where the independent variables were the corporate governance practices while the dependent variables were the organizational performance indicators.

3.3 Population of the Study

The study targeted 228 NGOs in the agricultural sector in Nairobi County. It should be noted here that these NGOs have their activities in other parts of Kenya, however issues dealing with corporate governance and organisation efficiency, it was felt, would be dealt with better in the Nairobi office. A sample from these 228 NGOs was used to collect data on the research topic.

3.4 Sample Size and Sampling Techniques

The sample size for the study was drawn from 228 local NGOs in the agriculture sector in Nairobi county. The researcher targeted a confidence level of 90±5%. In order to achieve this, a minimum of 90 questionnaires were administered during the survey. The research was conducted using Random Sampling Techniques i.e. Simple Random Sampling. This was mainly because there is a listing of the population of interest and an equal chance for each unit in the population to be selected.

3.5 Data Collection Technique

The study relied on primary data that was collected through administration of a structured questionnaire using the Likert measurement scale. The questionnaire was divided into 3 sections. Section A pursued information on the organization background in terms of years of operation in. Section B pursued information on the corporate governance practices that were relevant to this study such as board size and composition, audit committees, board meetings, transparency and disclosure. Lastly, section C pursued information on the organization's efficiency. A sample of the questionnaire is on Appendix I.

3.5.1. Data Reliability and Validity

Data obtained on the NGO's efficiency was over a period of three years, 2010-2012 which provided reliable data and improved the degree of accuracy. In addition, the questionnaire was simple and with senior managers or board members being the targeted respondents the data provided was more accurate. Most of the questions were closed ended therefore data collected was easy to analyse.

3.6 Data Analysis Technique

The study employed statistical measures such as frequency in determining the prevalent corporate governance practices in the NGOs. DEA was used to measure the efficiency of NGOs. Bumbokuri (2013) used DEA to evaluate the efficiency of World Vision Ghana's educational projects. The two inputs he used in the study was the number of staff and the vehicles per project. Whereas the outputs used were the completion rate of students and the pass rate.

Efficiency =Weighted sum of outputs/weighted sum of inputs

Inputs =Cost of programme staff salaries and benefits, cost of training farmers, value of machinery bought and value of farm tools, seeds, fertilizers purchased.

Output =Number of adopting farmers and increase in crop production per acre for adopting farmers.

DEA coefficients were calculated from the most efficient local NGO that had the maximum output from the given set of inputs. The coefficient of variation R-squared was used to measure the extent to which the variation of efficiency is explained by the variations in its determinants. To determine the correlation between corporate governance practices and efficiency of local agricultural NGOs in Nairobi county, the following linear regression analysis model borrowed from Kawira (2012) was used.

$$EFFi = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Where:

EFFi = Efficiency as shown above

β_0 = Constant Performance with zero Corporate Governance Practice

1 - 4 = Coefficient of Variation

X_1 = Board Size

X_2 = Board Meeting

X_3 = Audit Committee

X_4 = Transparency and Disclosure

ε = Other factors

Mean was used to measure each of the corporate governance practices. The Statistical Package for Social Sciences (SPSS) was used to analyse data. T-tests was also used to establish the significance of the study model. The results were presented in form of a research report.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents information processed from the data collected during the study on the determinants of the effects of corporate governance practices on the efficiency of local agricultural NGOs in Nairobi County. The sample consisted of 90 local agricultural NGOs in Nairobi county. The data was gathered exclusively from questionnaire as the research tool. Five point Likert scale was used.

4.1.1 Response Rate

The study targeted a sample size of 90 respondents and therefore 90 questionnaires were issued. Out of these 67 questionnaires were returned and found to be valid for analysis. The response rate was therefore 74%. This response rate was good and representative and conforms to Mugenda and Mugenda (1999) stipulation that a response rate of 50% is adequate for analysis and reporting.

4.2 Organisation Background

The study sought to establish the background information of the NGOs including the years that the organisations had been in operation in Kenya and also whether the organizations had a board of directors.

Table 4.1: Years The Organisations Had Been In Operation In Kenya

	Frequency	Percent
1 to 5 years	32	47.8
6 to 10years	14	20.9
11 to 15 years	8	11.9
16 to 20 years	10	14.9
21 years and above	3	4.5
Total	67	100.0

The findings in table 4.1 show that 47.8% of the NGOs had been operating in Kenya for a period of between 1 to 5 years, 20.9% had been operating in Kenya for a period of between 6 to 10 years, 14.9 % had been operating in Kenya for a period of between 16 to 20 years, 11.9% had been operating in Kenya for a period of between 11 to 15 years while only 4.5% of the NGOs had been operating in Kenya for 21 years and above.

All the respondents (100%) unanimously agreed that their NGOs had an active board of directors.

4.3 Corporate Governance Practices

The study sought to establish the various corporate governance practices in local NGOs in the agriculture sector in Nairobi County including their board size, board meeting, audit committee and transparency and disclosure

4.3.1 Board Size and Composition

Table 4.2: Number of Members Serving In The Board of Directors

	Frequency	**Percent**
2-5	19	28.4
6-10	37	55.2
11-15	8	11.9
16 and above	3	4.5
Total	**67**	**100.0**

Majority of the NGOs (55.2%) had 6-10 members, 28.4% had between 2-5 members, 11.9% had between 11-15 members while only 4.5% of the NGOs had 16 members and above.

Table 4.3: Criteria For Board Member Nomination And Selection

	Frequency	**Percent**
By other Board Members	23	34.3
By Executive search	39	58.2
By the chair	5	7.5
Total	**67**	**100.0**

The study sought to establish the criteria for board member nomination and selection. From the findings, it was clear that majority (58.2%) of the NGOs did their board member nomination and selection by executive search, 34.3% by other board members while only 7.5% of the local NGOs in the agriculture sector did their selection through the chair of the board

Table 4.4: Level Of Agreement With Statements On Board Size And Composition

	Mean	Standard Deviation
The role of the chairperson of the board and the executive director or the CEO are separated and held by different persons	4.0373	.65893
When selecting board member their level of professional qualifications is important	4.2552	1.17335
When selecting board member their relevant job experience is important	3.9104	1.01102
During the selection process for board members prior contacts/links to donors is important	4.3597	.71522
There is gender balance in board composition	3.1940	.67955

According to the study findings, the respondents were in agreement that during the selection process for board members prior contacts/links to donors is important as shown by a mean score of 4.3597 when selecting board members their level of professional qualifications is important as shown by a mean score of 4.2552, the role of the chairperson of the board and the executive director or the CEO are separated and held by different persons as shown by a mean score of 4.0373 and also that when selecting board member their relevant job experience is important as shown by a mean score of 3.9104. However, they were neutral on the fact that there is gender balance in board composition as shown by a mean score of 3.1940.

4.3.2 Board Meetings

Table 4. 5: Number Of Times In A Year That The Boards Meet

	Frequency	Percentage
Once a year	2	3.0
Semi annually	13	19.4
Quarterly	49	73.1
Monthly	3	4.5
Total	**67**	**100.0**

The study inquired on the number of times in a year that the boards meet. From the findings, 73.1% of the boards meet quarterly, 19.4% meet semi annually, 4.5% meet monthly while 3% of the NGOs have their boards meeting once a year.

Table 4.6: Percentage Of Board Members Required to Constitute a Quorum During Board Meetings

	Frequency	Percent
50-60%	57	85.1
61-70%	10	14.9
Total	**67**	**100.0**

From the study findings portrayed in table above, most of the NGOs (85.1%) indicated that there should be between 50-60% of the board members to constitute a quorum during board meetings while others indicated that their organizations have stipulated between 61-70% as the quorum.

Table 4. 7: Level Of Agreement Statements On Board Meetings

Program and financial updates are shared to board members before each meeting

	Mean	Standard Deviation
Program and financial updates are shared to board members before each meeting	3.5030	.67554
Board meetings are conducted in a manner that encourages open communication, meaningful participation and timely resolution of issues	3.2373	1.03468
Board decisions are recorded accurately and on a timely basis	3.6254	.85835

From the study findings, majority of the respondents agreed that board decisions are recorded accurately and on a timely basis as depicted by a mean score of 3.6254 and that program and financial updates are shared to board members before each meeting as depicted by a mean score of 3.5030. They were however neutral on the fact that board meetings are conducted in a manner that encourages open communication, meaningful participation and timely resolution of issues as depicted by a mean score of 3.2373.

4.3.3 Audit committee

Table 4. 8: Whether The Organizations Have Audit Committees

	Frequency	Percent
Yes	49	73.1
No	28	26.9
Total	**67**	**100.0**

From the findings, majority (73.1%) of the respondents indicated that their organizations have audit committees with an average of 4 members while 26.9% said that their organisations do not have audit committee.

Table 4. 9: Level Of Agreement Statements On Audit Committee

	Mean	**Standard Deviation**
The audit committee is appointed by the board	4.4716	.56106
Majority of audit committee members are independent non-executive directors	4.1373	.63552
The audit committee monitors the integrity of financial statements, reviews and monitors the external auditor's independence and effectiveness of the audit process.	4.2925	.68253
Audit committee meets the external and/or internal auditors without management to discuss issues arising in audit and internal controls	3.5926	.68253

According to the findings, majority of the respondents indicated that the audit committee is appointed by the board as illustrated by a mean score of 4.4716, the audit committee monitors the integrity of financial statements, reviews and monitors the external auditor's independence and effectiveness of the audit process as illustrated by a mean score of 4.2925, majority of audit committee members are independent non-executive directors as illustrated by a mean score of 4.1373 and also that audit committee meets the external and/or internal auditors without management to discuss issues arising in audit and internal controls as illustrated by a mean score of 3.5926.

4.3.4 Transparency and Disclosure

The researcher also wanted to establish the level of transparency and disclosure among the agricultural related NGOs in Nairobi.

Table 4. 10: Level Of Agreement Statements On Transparency And Disclosure

	Mean	**Standard Deviation**
The board provides interested stakeholders with information on the financial and operating results of the organisation.	2.2166	.49875
The organization's accounting policy is in line with (GAAP)	3.6269	.51745
Significant transactions with related parties, contingent liabilities, are extensively disclosed in the financial reports	3.5418	.59548

The study found that the organizations accounting policies are in line with GAAP as shown by a mean score of 3.6269 and that significant transactions with related parties and contingent liabilities, are extensively disclosed in the financial reports. The mean score for this was 3.5418. However, the board does not provide interested stakeholders with information on the financial and operating results of the organisation as shown by a low mean score of 3.2166.

4.4 Organizations' Efficiency

The study sought to explore the various measures of NGO efficiency by profiling the various inputs and outputs.

4.4.1 Inputs

Table 4. 11: Trend Of The Various Inputs In The Last Three Years

	Mean	**Standard Deviation**
Purchase of programme machinery constitutes over 50% of the programme budget	3.0908	.86225
Cost of training of farmers make up for over 50% of overall programme budget	4.3718	.79898
Programme staff (direct and indirect) salaries, benefits and staff training make up for over 50% of programme budget	4.0941	.96770
Cost of providing farmers with tools required seeds, fertilizers and other equipment make up a substantial part of the programme budget	3.7363	.96827

The respondents were requested to indicate the trend of the various inputs in the last three years. From the findings, it was clear that the cost of training of farmers make up for over 50% of overall programme budget as shown by a mean score of 4.3718, programme staff (direct and indirect) salaries, benefits and staff training make up for over 50% of programme budget as shown by a mean score of 4.0941 and the cost of providing farmers with tools required seeds, fertilizers and other equipment make up a substantial part of the programme budget as shown by a mean score of 3.7363. It was also deduced that purchase of programme machinery does not constitutes over 50% of the programme budget as shown by a mean score of 3.0908.

4.4.2 Output

Table 4. 12: Trend Of The Various Outputs In The Last Three Years

	Mean	Standard Deviation
The number of farmer adopters has increased over the past three years	4.1522	.65790
The production per acre for adopter farmers has increased over the past three years	4.0194	.89650

The study also sought to find out trend of the various outputs in the last three years. From the findings, it is clear that the number of farmer adopters has increased over the past three years as depicted by a mean score of 4.1522 and also the production per acre for adopter farmers has increased over the past three years as depicted by a mean score of 4.0194.

Table 4.13: Average of the DEA Coefficients for the Agricultural NGOs

	N	Minimum	Maximum	Mean	Std. Deviation
2010-2012	67	.343	1.00	.756	.249

From the study findings computation, the NGOs were highly efficient with a composite DEA Coefficient of 0.756 although some were operating below average with the lowest having a DEA Coefficient of 0.343.

4.4 Correlation Analysis

Table 4.14: Correlation Matrix

		Efficiency of local NGOs	Board Size	Board Meeting	Audit Committee	Transparency and Disclosure
Efficiency of local NGOs	Pearson Correlation	1				
	Sig. (2-tailed)					
Board Size	Pearson Correlation	.738	1			
	Sig. (2-tailed)	.029	.			
Board Meeting	Pearson Correlation	.564	.223	1		
	Sig. (2-tailed)	.017	.016	.		
Audit Committee	Pearson Correlation	.614	.307	.197	1	
	Sig. (2-tailed)	.031	.012	.028	.	
Transparency and Disclosure	Pearson Correlation	.529	.433	.320	.331	1
	Sig. (2-tailed)	.047	.009	.002	.014	.

The data presented on Board size, Board meeting, Audit committee and transparency and disclosure were computed into single variables per factor by obtaining the averages of each factor. Pearson's correlations analysis was then conducted at 95% confidence interval and 5% confidence level 2-tailed. The table above indicates the correlation matrix between the factors (board size, board meeting, audit committee and transparency and disclosure) and efficiency of local NGOs. According to the table, there is a positive relationship between efficiency of local NGOs and board size, board meeting, audit committee and transparency and disclosure of magnitude 0.738, 0.564, 0.614 and 0.529 respectively. The positive relationship indicates that there is a correlation between the corporate governance variables and the efficiency of local NGOs. This infers that board size has the highest effect on efficiency of local NGOs in the agriculture sector, followed by audit committee, then board meetings while transparency and disclosure had the lowest effect on the efficiency of local NGOs in the agriculture sector.

4.5 Regression Analysis

Multiple regression was used to come up with the model explaining the relationship between organizational efficiency of local NGOs in the agriculture sector in Nairobi county (dependent variable) and board size, board meeting, audit committee and transparency and disclosure (independent variables) by fitting ANOVA and multiple linear regression to test the results. The research used statistical package for social sciences to code, enter and compute the measurements of the multiple regressions.

Table 4.15: Results Of Multiple Regression Between Efficiency Of Local NGOs In The Agriculture Sector And The Combined Effect Of The Selected Predictors

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.8662	0.7503	0.6902	0.1325

R-Squared is a commonly used statistic to evaluate model fit. R-square is 1 minus the ratio of residual variability. The adjusted $R^{2,}$ also called the coefficient of multiple determinations, is the percent of the variance in the dependent explained uniquely or jointly by the independent variables. 69.02% of the changes in the efficiency of local NGOs in the agriculture sector could be attributed to the combined effect of the predictor variables. This shows that further study should be done on other factors not included in this study contributing 30.98% of efficiency of local NGOs in the agriculture sector.

Table 4.16: **ANOVA Results Of The Regression Analysis Between Efficiency Of Local Ngos In The Agriculture Sector And Predictor Variables**

Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	9.223	4	2.306	3.388	0.0142
	Residual	42.876	63	0.681		
	Total	52.099	67			

The probability value of 0.0142 indicates that the regression relationship was highly significant in predicting how board size, board meeting, audit committee and transparency and disclosure affect the efficiency of local NGOs in the agriculture sector. The F calculated at 5% level of significance was 3.388 since F calculated is greater than the F critical (value = 2.52), this shows that the overall model was significant.

Table 4. 17: Regression Coefficients Of The Relationship Between Efficiency Of Local NGOs In The Agriculture Sector And The Four Predictive Variables

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.053	0.217		2.889	.031
	Board Size	0.699	0.196	0.234	4.255	.019
	Board Meeting	0.502	0.149	0.613	5.309	.015
	Audit Committee	0.563	0.091	0.138	3.989	.014
	Transparency and Disclosure	0.501	0.181	0.149	3.210	.021

From the SPSS generated table above, the equation EFFi = $\beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$ becomes:

EFFi = $1.053 + 0.699X_1 + 0.502X_2 + 0.563X_3 + 0.501X_4$

The regression equation above has established that taking all factors into account (board size, board meeting, audit committee and transparency and disclosure) constant at zero the efficiency of local NGOs in the agriculture sector will be 1.053. The findings presented also show that taking all other independent variables at zero, a unit increase in the board size would lead to a 0.699 increase in the scores of the efficiency of local NGOs in the agriculture sector and a unit increase in the scores of board meeting would lead to a 0.502 increase in the scores of the efficiency of local NGOs in the agriculture sector. Further, the findings shows that a unit increases in the scores of audit committee would lead to a 0.563 increase in the scores of the efficiency of local NGOs in the agriculture sector. The study also found that a unit increase in the scores of transparency and disclosure would lead to a 0.501 increase in the scores of the efficiency of local NGOs in the agriculture sector.

Overall, board size had the greatest effect on the efficiency of local NGOs in the agriculture sector, followed by audit committee, then board meeting while transparency and disclosure had the least effect to the efficiency of local NGOs in the agriculture sector. All the variables were significant ($p<0.05$).

4.6 Discussion of Research Findings

The study showed that 47.8% of the NGOs sampled had been operating in Kenya for 5 years and below and only 4.5% of the NGOs had been operating in Kenya for 21 years and above.

From the above regression model the study showed that the efficiency of local NGOs in Nairobi county were influenced by certain corporate governance practices, namely, board size and composition, board meetings, audit committee and transparency and disclosure. These factors influenced efficiency positively. These independent variables that were studied explain 69.02% of efficiency in local NGOs as represented by R^2 (0.6902) while other factors not studied in this research contribute only 31%.
ANOVA test is used to determine the impact independent variables have on the dependent variable in a regression analysis. The ANOVA results indicate a p value of 0.0142 which is less than 5 % and hence implying that the relationship between corporate governance practices and efficiency was significant at 95% confidence level. This confirms a study done by Poudel and Hovey (2013) corporate governance practices of board size and presence of audit committee lead to better efficiency in Nepalese banks.

4.6.1 Corporate governance practices

The study showed that all the NGOs sampled had an active board of directors and over 50% of them had between 6-10 board members. The results of this study confirms study done by Tanna, Fotios and Mattais (2008) that showed that there was evidence of a positive relationship between board size of UK banks and efficiency although the relationship was not very robust. The study also revealed that 58.2% of the NGOs sampled did their board member nomination by executive search. This confirms research done by Kawira (2010) who established that in most of the INGOs the board members are nominated and selected through an executive search. In addition, the study revealed that selected board members had to have good academic qualifications and prior contacts/links to donors. This also supports resource dependency theory by Masdoor (2011) that explains directors play an important role in providing or securing essential resources to an organization through their linkages to the external environment. Moreover the study revealed that the role of the chairperson of the board and the executive director or the CEO are separated and held by different persons as shown by a mean score of 4.0373. A study done by Kawira (2011) gave similar results. Cleary, the organizations here are trying to minimize the agency problem. In addition, the study showed that 73.1% of the board members met quarterly. A study done by Abbott, Parker and Raghunandan (2003) showed that when board members hold regular meetings, they are more likely to remain informed and knowledgeable about relevant performance of the company leading them to take or influence and direct the appropriate action.

Seventy three percent of the organisations sampled had audit committees who were appointed by the board. In addition, the study revealed that majority of audit committee members were independent non executive. Studies conducted by Klein (2002) and Coleman (2007) revealed positive relationship between audit committee size and a firm's performance. The independence of the audit committee, the study showed, is positively related to effective corporate governance oversight. According to (Beasley, 1996) independent audit committee should be able to prevent management from manipulating the financial results.

This study also revealed that the organizations accounting policies were in line with GAAP and significant and related party transactions are extensively disclosed in the financial reports. This was shown by a mean score of 3.5418. The findings on transparency and disclosure support UNCTAD (2006) view that high quality disclosures should be on the financial and operating results of the entity.

Overall, the findings illustrate that the majority of local NGOs have incorporated the 4 key corporate governance practices, that is, board size and composition, board meetings and transparency and disclosure. Though, on average the transparency and disclosure governance practice was least incorporated.

4.6.2 Relationship between Corporate Governance and Efficiency

The study showed that there is a positive relationship between efficiency of local NGOs in the agricultural sector a and the four predictor variables. The F calculated at 5% level of significance was 3.388 since F calculated is greater than F critical (value is 2.52). This shows that the overall model was significant. In addition the probability value of 0.0142 indicates that the regression relationship was very significant in predicting how board size, board meeting, audit committee and transparency and disclosure affect the efficiency of local NGOs doing agriculture in Nairobi County.

Finally, the results showed a positive correlation between local NGO efficiency and all four corporate governance practices, that is, board size and composition, board meetings, audit committee and transparency and disclosure. R-square of 69.02% implies that the governance practices do account for most of the variability in the efficiency of local agricultural NGOs in Nairobi county.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides summary, conclusion and recommendation of the main findings on the study done to find out whether corporate governance practices has any effect on the efficiency of local NGOs in the agricultural sector in Nairobi county.

5.2 Summary of Findings

The objective of the study was to find out the effects of corporate governance practices on the efficiency of local agricultural NGOs in Nairobi County. The study used a causal design. Causal research design was employed in seeking to understand the relationship between the independent and the dependent variables. The population of the study comprised of 228 local registered agricultural NGOs in Nairobi county from which a sample of 90 local NGOs were selected using simple random sampling. Data was analysed using regression equation model to test the extent of relationship. From the regression model, it was clear that board size and composition, board meeting, audit committee, transparency and disclosure positively influenced the efficiency of the NGOs.

The ANOVA results indicate a p value of 0.0142 which is less than 5% implying that the model is significant at 95% confidence level. From the coefficient results, the model developed by the study was:

$$EFFi = 1.053 + 0.699X_1 + 0.502X_2 + 0.563X_3 + 0.501X_4$$

Where Effi is the efficiency, X_1 is the board size, X_2 is the board meeting, X_3 is the audit committee and X_4 is transparency and disclosure.

The majority of local agricultural NGOs had board size of between 6-10 members. Of these 58.2% performed executive search when selecting board members. The study found that it was very important that board members have prior contacts/links to donors as shown by a mean of 4.3597 and a standard deviation of 0.71522. However, surprisingly, the mean for gender balance in board composition was low at 3.1940. Seventy three percent of local NGOs interviewed held board meetings four times in a year and board decisions were recorded accurately and on a timely basis for most of the organisations. 73.1% of NGOs had audit committee who were independent and who were appointed by the board. The study found that the organisations accounting policies were in line with GAAP as shown by a mean score of 3.6269 and a standard deviation of 0.51745. However the board did not provide interested stakeholders with information on the financial and operating results of the organisation as shown by low mean score of 3.2166.

The study showed that the NGOs were highly efficient with an aveage composite DEA coefficient of 0.756. Some organisations however were operating below average with the lowest having DEA coefficient of 0.343. According to the study there was a positive relationship between efficiency of local agricultural NGOs and board size, board meeting, audit committee and transparency and disclosure of magnitude 0.738, 0.564,0.614 and 0.529 respectively. The positive relationship indicates that there is correlation between corporate governance and efficiency of local agricultural NGOs in Nairobi county. Board size had the highest effect on efficiency while transparency and disclosure had the least. From the regression analysis it was clear that a unit increase in board size would lead to 0.699 increase of efficiency, where as a unit increase in transparency and disclosure would lead to a 0.501 increase in scores of efficiency. The adjusted R-squared value was 0.6902 meaning that 69.02 of the changes in efficiency could be attributed to the combined effect of the predictor variables.

5.3 Conclusions

Corporate governance is essential in the activities of NGOs. This study showed that all the local NGOs interviewed had a board of directors. Majority of these had board members of between 6-10 persons. The role of the board chair and CEO were separate and held by different persons. However, it was important that these board members had prior links to donors. In addition, the board meetings are held frequently, most reporting four times a year. During the board meetings, decisions are recorded accurately and on a timely basis. The study also found out that most of the NGOs had an independent audit committee who were appointed by the board. Transparency and disclosure scored highly in terms of organizations reporting in line with GAAP but scored low when it came to the board sharing financial and operating information with interested stakeholders. The overall implication of the study was that 4 corporate governance attributes, board size and composition, board meetings, audit committee and transparency and disclosure, are perceived to be important in running the local agricultural NGOs in Nairobi County.

The study further examined the relationship between corporate governance practices and efficiency of local NGOs in Nairobi County. The regression analysis carried out between corporate governance practices and efficiency revealed that they both moved in the same direction. The relationship was significant. When the analysis was conducted on each of the corporate governance attributes separately, the results showed that all the 4 practices i.e. board meetings, board size and composition, audit committee, transparency and disclosure, significantly affected the efficiency of the organization, with the strongest being the board size.

The findings from this study led to a conclusion that corporate governance practices are significantly and positively related to the efficiency of local agricultural NGOs in Nairobi County.

5.4 Recommendations for Policy and Practice

The effect of corporate governance practices on the efficiency of local agricultural NGOs was the main focus of this study; the findings have led to a conclusion that corporate governance is important and responsible for high level efficiency to be achieved by local agricultural NGOS in Nairobi County. However, individual corporate governance structures acting on their own do not lead to improvement in organisation efficiency. Organizations should work towards achieving and maintaining good governance structures if efficiency levels are to remain consistent.

To improve corporate governance practices in local NGOs in Nairobi county, there is need to address the gaps that currently exist in training board members and management. Many local NGOs face funding challenges and as such training is one of the areas that is usually ignored. However, for these NGOs to achieve financial sustainability, structural interventions must be put in place by the ministry of devolution and planning to address weaknesses that confines NGOs to rely entirely in donor aid thus risking their going concern status. The NGO board with the support of the ministry of devolution and planning can enact laws such that it is mandatory that all registered NGOs file their fundraising strategy as well as a strategic plans with the NGO coordination bureau.

5.5 Limitations of the Study

There was unwillingness of informants from some NGOs interviewed to give information and fill the questionnaire provided. Further, some respondents decided to withhold information which they considered sensitive and classified. In addition, some respondents feared that the information obtained would be used against them. However, the researcher had to assure them that the research carried out was for academic purposes only.

Many of the respondents were busy and had to continuously be reminded and persuaded to provide the required information. Therefore, the researcher could not verify whether it was only senior management who completed the questionnaires.

Time limitations because of the researchers official and personal duties was a major challenge.

Communication with the respondents proved difficult since many contact details provided by the NGO coordination bureau website were out-dated.

Finally, many organisations did not respond to email questionnaire sent out at first. This forced the researcher to change to another method of collecting data which was more expensive and this also led to delay in collecting data.

5.6 Suggestions for Further Research

Based on the limitations of the study discussed above, some directions for future research are suggested. Firstly, this study focused on local agricultural NGOs in Nairobi County, generalizations may not extend to other NGO's outside Nairobi who implement agricultural interventions. It is therefore, recommended that a broad based study covering all counties in Kenya be done to find out the role of corporate governance practices on the efficiency of local agricultural NGOs.

Secondly, the study focused on the effect of corporate governance on the efficiency of local agricultural NGOs in Nairobi County. Future studies could try to examine other factors that might affect the efficiency of local agricultural NGOs in Nairobi County.

It is important to carry out a similar study in other NGOs not practicing agriculture in order to find out the role of corporate governance practices in promoting efficiency in all registered NGOs in Kenya, both local and international.

Fourthly, This study only focused on four corporate governance practices, namely board size and composition, board meetings, transparency and disclosure and audit committees. Future studies could examine other corporate governance practices, for example internal audit, appraisal of board performance, just to mention a few, in local agricultural NGOs, to establish if they have similar effect on efficiency of these organisations.

Finally, in measuring efficiency future studies can target beneficiaries and obtain their perception of the local agricultural NGOs efficiency. The findings on efficiency obtained from beneficiaries might differ from the ones in this study.

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APPENDICES

Appendix I: Research Questionnaire

THE EFFECTS OF CORPORATE GOVERNANCE PRACTICES ON THE EFFECIENCY OF LOCAL AGRICULTURAL NON-GOVERMENTAL ORGAINISATIONS IN NAIROBI COUNTY

SECTION A: ORGANISATION BACKGROUND

Q1. Name of organisation

Q2. How many years has your organisation been in operation in Kenya? _____years

Q3. Do you have Board of Directors in your organisation? Yes [ ] No [ ]

SECTION B: CORPORATE GOVERNANCE PRACTICES

Board Size and Composition

Q4. How many members are serving in the Board of Directors?
2-5 [ ] 6-10 [ ] 11-15 [ ] 16 and above [ ]

Q5. What is the criteria for board member nomination and selection?
By other Board Members [ ] By the chair [ ]
By Executive search [ ] By other process [ ] Specify________

Please indicate your level of agreement with the following statements using
1-Strongly Agree 2. –Agree 3. Neither Agree nor Disagree 4-Disagree
5. Strongly disagree

Q6	The role of the chairperson of the board and the executive director or the chief executive officer are separated and held by different persons	**1**	**2**	**3**	**4**	**5**

Q7	When selecting board member their level of professional qualifications is important	**1**	**2**	**3**	**4**	**5**
Q8	When selecting board member their relevant job experience is important	**1**	**2**	**3**	**4**	**5**
Q9	During the selection process for board members Prior contacts/links to donors is important	**1**	**2**	**3**	**4**	**5**
Q10	There is gender balance in board composition	**1**	**2**	**3**	**4**	**5**

Board Meetings

Q11. How many times in a year does the board meet?

Once a year [ ]   Semi annually[ ]   Quarterly[ ]

Monthly[ ]   Other[ ]   Specify____________________

Q12. What percentage of board members is required to constitute a quorum during board meetings? _____________

Please indicate your level of agreement with the following statements using

1-Strongly Agree   2. –Agree   3. Neither Agree nor Disagree   4-Disagree 5. Strongly disagree

Q13	Program and financial updates are shared to board members before each meeting	**1**	**2**	**3**	**4**	**5**
Q14	Board meetings are conducted in a manner that encourages open communication, meaningful participation and timely resolution of issues	**1**	**2**	**3**	**4**	**5**
Q15	Board decisions are recorded accurately and on a timely basis	**1**	**2**	**3**	**4**	**5**

Audit committee

Q16.Do you have an audit committee? (**Tick where appropriate)**

Yes [ ]   No [ ] Why not?

Q17. **How many members are in the audit committee?**

Q18	The audit committee is appointed by the board	**1**	**2**	**3**	**4**	**5**
Q19	Majority of audit committee members are independent non-executive directors	**1**	**2**	**3**	**4**	**5**
Q20	The audit committee monitors the integrity of financial statements, reviews and monitors the external auditor's independence and effectiveness of the audit process.	**1**	**2**	**3**	**4**	**5**
Q21	Audit committee meets the external and/or internal auditors without management to discuss issues arising in audit and internal controls	**1**	**2**	**3**	**4**	**5**

Transparency and Disclosure

Please indicate your level of agreement with the following statements using

1-Strongly Agree   2. –Agree   3. Neither Agree nor Disagree   4-Disagree 5. Strongly disagree

Q22	The board provides interested stakeholders with information on the financial and operating results of the organisation.	**1**	**2**	**3**	**4**	**5**
Q23	The organization's accounting policy is in line with Generally Accepted Accounting Principles (GAAP)	**1**	**2**	**3**	**4**	**5**
Q24	Significant transactions with related parties, contingent liabilities, are extensively disclosed in the financial reports	**1**	**2**	**3**	**4**	**5**

SECTION C: ORGANAISATION'S EFFICIENCY

Inputs

Please indicate the trend in the last three years of the following using the following rating

1-Strongly Agree 2. –Agree 3. Neither Agree nor Disagree 4-Disagree 5. Strongly disagree

Q25	Purchase of programme machinery constitutes over 50% of the programme budget	**1**	**2**	**3**	**4**	**5**
Q26	Cost of training of farmers make up for over 50% of overall programme budget	**1**	**2**	**3**	**4**	**5**
Q27	Programme staff (direct and indirect) salaries, benefits and staff training make up for over 50% of programme budget	**1**	**2**	**3**	**4**	**5**
Q28	Cost of providing farmers with tools required seeds, fertilizers and other equipment make up a substantial part of the programme budget	**1**	**2**	**3**	**4**	**5**

Output

Please indicate the trend in the last three years of the following using the following rating

1-Strongly Agree 2. –Agree 3. Neither Agree nor Disagree 4-Disagree 5. Strongly disagree

Q29	The number of farmer adopters has increased over the past three years	**1**	**2**	**3**	**4**	**5**
Q30	The production per acre for adopter farmers has increased over the past three years	**1**	**2**	**3**	**4**	**5**

Appendix II: DEA Coefficients and Ranking

	DEA coefficients	Ranking
1. Agency for technical cooperation and development Kenya	0.666	55
2. Arid lands information network eastern Africa	0.644	59
3. Better poverty eradication organisation	1.000	1
4. Capital developmentorganistion	0.934	5
5. Centre for excellence, innovative and practical solutions	0.786	26
6. Community empowerment in gender, health and environment programme	0.793	25
7. Community transformation and rural development	0.809	23
8. Concern worldwide	0.859	14
9. Development operations towards health and needs	0.936	4
10. Dorcas aid international	0.898	8
11. Enhanced sustainable agricultural, productivity programme	0.757	34
12. Environmental management and community development centre	0.741	38
13. European committee for agricultural training	0.343	67
14. Farming systems Kenya	0.757	35
15. Forest action network	0.561	63
16. Forum for organic resource management and agricultural technologies	0.743	36
17. Foundation for human rights and resources monitoring	0.734	44
18. Future for African women	0.681	50
19. Horn relief	0.771	29

20. Kenya good neighbours	0.419	66
21. Life focus network	0.726	45
22. Lubo foundation	0.801	24
23. Managers for orphans and widows	0.599	62
24. Mazingira institute	0.764	32
25. Mission of hope international	0.697	49
26. Multy-sectoral development programme	0.659	57
27. Mumbo self help development	0.817	20
28. Muungano community development organization	0.906	6
29. Organization for transforming initiated technologies	0.884	9
30. Partners in development	0.547	64
31. Passionate funds international	0.674	52
32. Ford foundation	0.817	21
33. Resource institute for community and human development agency	0.741	40
34. Relief, reconstruction and development organization	0.779	27
35. Revive Africa international	0.779	28
36. Rural women enterpreneurs promotional programmes	0.712	48
37. Social economic mobilization agency	0.741	41
38. Social needs network	0.764	33
39. Sisdo micro finance	0.629	60
40. Spigot institute	0.771	30
41. Springs of life international	0.666	53
42. Sunaid Africa	0.652	58
43. Sustainable agriculture community development program	0.741	39
44. Solidarity and development organization	0.734	44
45. Tender hands initiative	0.726	46
46. Sustainable resource management for rural development	0.540	65

47. Sustainable project administration services	0.958	3
48. Uzima foundation	0.817	22
49. Vetworks eastern Africa	0.832	19
50. Development operations towards health and needs	0.660	55
51. Urban centre international	0.850	16
52. United forty patriots	0.734	42
53. Two wings social development initiative	0.841	18
54. United Kenya environmental development program	0.874	13
55. Resource evaluation and community intensive participation to eradicate poverty	0.874	12
56. Western women network	0.990	2
57. Winrork international institute for agriculture development	0.610	61
58. Young muslim association	0.676	51
59. Youth alliance for leadership and development in Africa	0.898	8
60. Brook for cherish organization	0.874	13
61. Kenya muslim charitable organization	0.874	11
62. Mercy corps	0.850	17
63. Resources oriented development initiative	0.734	43
64. Somali family care network-africa	0.767	31
65. Vision integrated community dev programme	0.660	56
66. Vsf-dzg Belgium	0.718	47
67. Youth alliance for leadership and development in Africa	0.858	15
Average	0.756	