EFFECT OF CORPORATE GOVERNANCE ON FINANCIAL REPORTING QUALITY IN NON-GOVERNMENTAL ORGANIZATIONS: A CASE STUDY OF NAIROBI COUNTY, KENYA

BY

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DECLARATION

I, Joash Omondi, declare that this is my original work and has not been submitted to any other college, institution or university other than the University of Nairobi for academic credit.

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D63/5129/2017

This project has been presented for examination with my approval as supervisor

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DEDICATION

I dedicate this project to my family

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LIST OF ABBREVIATIONS AND ACRONYMS

CEO	Chief Executive Office
DEA	Data Envelopment Analysis
FRQ	Financial Reporting Quality
GSE	Ghana Stock Exchange
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
NGO	Non-Governmental Organization
NPO	Non-Profit Organization
NSE	Nairobi Securities Exchange
OLS	Ordinal Least Square
SOX	Sarbanes-Oxley
SPSS	Statistical Package for the Social Sciences
WANGO	World Association of Non-Governmental Organizations

ABSTRACT

Corporate governance has shown to improve financial reporting quality. Following a series of NGOs collapsing due to financial reporting quality issues, corporate governance has recently received a lot of attention in Kenya. The purpose of this study was to evaluate the relationship between governance and financial reporting quality in NGOs in Nairobi County using a descriptive design. The population of the study was 285 registered NGOs in Nairobi County between 2016 and 2020. The sample size consisted of 74 NGOs selected using The Slovin's Formula. Systematic sampling was utilized to choose the appropriate sample size where every 4th NGO was selected limiting sampling bias. The research was based on secondary sources of data from annual reports by NGOs. The published reports were sourced from the NGO board website. Average firm data was used for analysis. Various tests were done to check on the assumptions of the regression model. They included normality, heteroskedasticity, and multicollinearity. The descriptive statistics, correlation and regression analysis were used for analysis generated through SPSS. From the model summary, corporate governance had a strong relationship with FRQ. Corporate governance variables used in this research were found to contribute 64.9% change in FRQ. This shows that corporate governance variables controlled by firm size are major factors in financial reporting quality of NGOs. From the ANOVA, the model fitted the data ass the significance value was less than 0.05. From the descriptive, financial reporting showed a mean of above 60%. This indicates that 60% of the NGOs had their reports signed by auditors on time with the quality differing so much across the NGOs. Board composition averaged at 64% and differed so much across the NGOs. From the regression analysis, board composition showed a positive and significant effect on FRQ. Correlation analysis indicated that a positive and significant relationship exited between board composition and FRQ. From the descriptive statistics, gender diversity showed a mean of 33.9%. From the regression, board diversity showed a positive but insignificant effect on FRQ of NGOs. From the correlation analysis showed a positive relationship between board diversity and FRQ. From the descriptive statistics, board independence showed a mean of 38.45%. Board independence showed a positive effect on FRQ. Correlation analysis showed a positive and significant coefficient. Firm size showed an average log of assets of 14.29. Firm size showed an insignificant positive relationship with FRQ. Findings showed that the ratio of independent to total board members was below 50%. Board independence showed a positive effect on FRQ. Correlation analysis showed a positive and significant coefficient. Firm size showed an insignificant relationship with FRQ. The study concludes that corporate governance variables have a relationship with FRQ of NGOs in Nairobi County. The study recommends that NGOs increase the number of non-executives, female and independent directors in order to enhance FRQ. A similar study in a rural county and adopting primary data is recommended.

CHAPTER ONE: INTRODUCTION

1.1 Background of The Study

Corporate governance influences various aspects within organizations (Aulgur, 2016). For instance, the nature or type of governance can potentially affect the financial reporting quality within a given corporation. It is imperative to note that a correlative relationship exists between governance and the financial reporting quality. Good governance will facilitate the production of higher quality financial reports within an organization. On the contrary, bad governance is a recipe for lower quality financial reports (Habib & Jiang, 2015).

The two theories that forms a theoretical basis for this research are stakeholder and stewardship theories. The stakeholder theory, developed by Edward Freeman in 1984, entails the management's accountability to a broad range of stakeholders. Using the stakeholder theory, those in management positions of organizations must be accountable to all stakeholders (Freeman et al., 2018). Such accountability would require organizational leaders or managers to produce quality financial reports. The stewardship theory, postulated by Donaldson and Davis in 1989, states that those in executive and managerial positions have a significant role to play in enhancing or maximizing the performance of a firm. Using the stewardship theory, executives and managers must maximize an organization’s performance, and that would entail working round the clock to produce quality financial reports.

It is critical for businesses to have a system to ensure accurate and full financial reporting to current and potential investors, as well as other stakeholders (Aulgur, 2016). A perquisite for financial reporting organizations is a corporate governance mechanism targeted toward ensuring high-quality financial reporting and eliminating information asymmetry. According to Norwani et al. (2011), a breakdown in corporate governance leads to a reporting failure in which corporations alter their financial statements and publish reports that lack transparency, accountability, and integrity. Globally, governance is seen as necessary in any organization as it facilitates the achievement of specific goals and objectives. On the other hand, FRQ is equally vital as stakeholders use such information to make informed decisions. Governance and the quality of financial reports are, therefore, variables worth exploring.

1.1.1 Corporate Governance

Cole (2019) defines corporate governance as the board of directors' and audit committee's oversight activities aimed at ensuring the financial reporting process' integrity. This definition contextualizes the significance and importance of corporate governance directed toward trustworthy financial reporting, which arose from the necessity to reduce corporate financial reporting inconsistencies. According to Bauer et al. (2004), corporate governance is guiding and managing an organization's actions with the goal of maximizing shareholder wealth while also considering the interests of other stakeholders.

Corporate governance is a power system that defines the specific manner in which an organization is controlled and how it operates and the mechanisms put in place to hold its people accountable for their actions (Bruni-Bossio, Story & Garcea, 2016). All organizations require some form of governance to run their day-to-day operations (Mbir, Agyemang & Tackie, 2020). Additionally, corporate governance is essential as it enhances the accomplishment of various organizational goals and objectives. Corporate governance safeguards all participants' legitimate rights and interests while increasing the value of corporate assets, creating jobs, and boosting the firm's financial stability and profitability as ways to improve the quality of a company's operations. (Tang et al., 2018).

Corporate governance is a broad term, and as such, it is imperative to analyze the common ways it has been operationalized or measured in past studies. Aulgur (2016) operationalizes corporate governance as the role of an organization's senior leadership, such as its board of directors. On the other hand, the study by Bruni-Bossio et al. (2016) integrates three facets in measuring corporate governance. The aspects include audit committee, internal audit function, and board size. Bruni-Bossio et al. (2016) study is concerned with the corporate governance facet that analyzes the role-performance relationships of the board, executives or managers, and external stakeholders. Bebchuk, Cohen and Ferrell (2004) recognized the fundamental normal for corporate governance as board composition, size of the board, CEO duality and board independence. In this study I will measure corporate governance in terms of board gender composition, board meetings, number of executive directors and number of independent directors.

1.1.2 Financial Reporting Quality

Financial reporting refers to the disclosure of an organization's financial results and related information to both internal and external stakeholders (Breen et al., 2018). It is crucial to consider the quality of financial reports since they define an organization's financial performance (Breen et al., 2018). Consequently, investors, regulators, creditors, analysts, customers, and other stakeholders can use information from financial reports to make informed decisions. Additionally, financial reporting quality can be used as a measure of accountability and transparency within an organization (Breen et al., 2018). Organizations with higher financial reporting quality are generally more accountable and transparent than those with lower financial reporting quality (Breen et al., 2018).

The main purpose of financial reporting is to provide high-quality accounting information regarding firm activities that are useful in making decisions (IASB, 2008). Therefore, financial reporting quality can be defined as the process of financial reporting provides fair and transparent information regarding firm's performance and financial positions (Tang et al., 2018). Financial reporting quality requires firms to voluntarily expand the scope and quality of reported information to make sure that market participants are thoroughly informed in order to make well-grounded decisions on investment, credit, etc.

Previous studies have used a variety of metrics in defining and measuring the financial reporting quality. According to Breen, Cordery, Crawford and Morgan (2018) measured financial reporting quality in terms of timeliness of reporting financial results, integrity in financial reporting, and verifiability & dependability of financial information. Garven, Beck and Parsons (2018) study acknowledge the challenges in finding a single universally accepted measure of financial reporting quality. As such, Garven et al. (2018) operationalize the concept of financial reporting quality by analyzing methods to improve and manage the NPO (Non-profit Organization) program ratio. Garven et al. (2018) note that a program ratio is the proportion of total expenses dedicated to covering the cost of programs that help an organization meet its mission. According to Garven et al. (2018), NPOs with favorable program ratios are more effective and efficient, implying financial reporting quality. In this study financial reporting quality will be measured in terms of timeliness, relevance and understandability of financial reports as they are the variables cutting across the measures adopted by researchers on financial quality.

1.1.3 Corporate Governance and Financial Reporting Quality

Corporate governance is the starting point for financial reporting, and the FRQ is one of its most important functions (Cohen et al, 2014). (Norwani et al., 2011). According to Smaili and Labelle (2013), the composition and characteristics of a board of directors and its audit committee are linked to the quality of financial reporting since these two corporate governance arms assist in monitoring senior management (SOX, 2012).

The variables of corporate governance and financial reporting quality have been a focus of research in previous studies. However, since corporate governance is a broad term, most studies focus on a given component of the concept and analyze its effect on financial reporting quality. For instance, Garcia-Blandon et al. (2018) note that high compliance with audit committee requirements facilitates a higher quality of financial reports.

The research by Bonetti, Magnan and Parbonetti (2016) concludes that governance mechanisms affect financial reporting quality. Mbir et al. (2020) note that proper corporate governance strategies positively affect FRQ. Theoretically, it is expected that governance should influence the quality of financial reports since those who prepare financial documents belong to organizations' leadership and management positions.

1.1.4 Non-Governmental Organizations In Nairobi County

In the World Association of Non-Governmental Organizations (WANGO) website, there are 285 registered NGOs in Nairobi County. In each of these organizations, there is a need to report quality financial reports in a manner that is timely, reliable, relevant, and understandable to all concerned stakeholders. The laws governing NGOs in Kenya are contained in the NGO Act. The first major law mandates all NGOs within Kenya to be duly registered with the Non-Governmental Organizations Coordination Board. The NGOs Coordination Board regulates and enables the NGO sector within the country (NGOs Coordination Board, 2020). The Board ensures that NGO activities are aligned with national priorities by offering policy guidelines (NGOs Coordination Board, 2020).

In the World Association of Non-Governmental Organizations (WANGO) website, there are 285 registered NGOs in Nairobi County. In each of these organizations, there is a need to report quality financial reports in a manner that is timely, reliable, relevant, and understandable to all concerned

stakeholders. It is imperative to note that even though the governance structures of NGOs are private, bodies such as the NGOs Coordination Board ensures their accountability is a public matter. However, a substantial number of NGOs in Nairobi County still experience governance-related challenges that adversely affect issues such as their financial reporting (Alusa, 2018; De Waal & Olale, 2019). The study at hand analyzes multiple governance components and the association of each aspect to financial reporting quality within NGOs.

1.2 Research Problem

Governance is a broad aspect that affects various attributes within an organization. It is imperative to note that leaders are often influential persons, and their actions have corresponding consequences (Bonetti et al., 2016). As such, it goes without doubt that governance and the financial reporting quality in NGOs indeed have a relationship. Following a series of NGOs collapsing due to financial reporting quality issues, corporate governance has recently received a lot of attention in Kenya. While every business in today's corporate world wishes to improve the quality of its financial reports and image, the question of whether corporate governance influences financial reporting quality remains a hot research topic (Guzeh, 2012).

Non-Governmental organizations in Nairobi County have been collapsing in the recent years due to financial reporting issues. For example, in 2014, 510 listed NGOs in Nairobi County were closed for failing to provide quality financial audit reports (NGO Board, 2015). The NGOs in Nairobi County fail to have a well-defined corporate governance structure (Alusa, 2018). The main question is whether or not financial reporting quality issues are linked to NGOs' corporate governance. This demonstrates that the NGO sector has a knowledge gap in terms of governance and financial reporting quality.

Various researchers from all across the world have looked into governance and financial reporting quality. Almaqtari et al. (2021) investigated the impact of corporate governance procedures on the financial reporting quality in India and found conflicting results. Alsaadi, Tijjani, and Falgi (2021) investigated listed companies in Saudi Arabia and discovered a positive association between corporate governance and financial reporting quality. Mbir et al. (2020) conducted their study in Ghana between 2013 and 2017 and found a positive relationship while Uwuigbe et al (2018) in their study in listed Nigerian banks found a non-significant relationship. The researchers focused on listed firms and other sectors other than NGOs which creates a gap.

In Kenya, Regina (2019) investigated the impact of corporate governance on the FRQ of firms listed on NSE; Mwangi (2018) investigated audit committee characteristics and FRQ among state corporations; and Kimunguyi, Memba, and Njeru (2015) investigated corporate governance and FRQ of firms listed on the Nairobi Securities Exchange. Despite the studies focusing on corporate governance and FRQ, the studies are done on listed firms (Regina, 2019) and state corporations (Mwangi, 2018). On the other hand, the studies done on the NGO sector, focused on financial performance (Kimunguyi et al, 2015) other than FRQ. The studies are also done in other areas other than Nairobi County. How does corporate governance affect the financial reporting quality in NGOs in Nairobi County?

1.3 Research Objective

The study sought to establish the effect of corporate governance on FRQ in non-governmental organizations in Kenya with reference to Nairobi County.

1.4 Value of the Study

The findings of this study are indeed beneficial. Firstly, the Board of Directors or managers are set to benefit since the research will provide key aspects of corporate governance that they should consider while performing their roles. Consequently, with a focus on the mentioned concepts of governance, NGO leaders and managers are expected to work towards the production of quality financial reports.

NGO Coordination Board and other policymakers will largely benefit from the study findings as they are interested in realigning policies and governance manuals towards achieving quality and best practices within this sector. Through policy and strategic direction, fundraising, image development, and analyzing and monitoring performance and risk oversight, good corporate governance plays a vital role in ensuring effective administration of NGOs. This study will enable them to strengthen good corporate governance and accountability in the NGO sector through policies and regulations. This will have a long-term impact on the measures put in place to address corporate governance and financial reporting quality issues.

Internal and external auditors and compliance managers will highly benefit from this study since they will now be able to attribute efficiency in financial reporting and management to the soundness of the board of management and will always instill this in their compliance and audit processes.

Scholars and researchers may also benefit from the study. The literature from this study will provide literature to the scholars in their assignments on reporting quality and corporate governance. The researchers may find this study as a basis for further research on corporate governance and quality of financial reporting.

Lastly, donors and fund managers will benefit from the outcomes of the study. They easily entrust their funds and donations to organizations with a strong board management style and be sure of viable results, deliverables, and societal impact.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Theoretical review of theories that contribute in explaining the relationship between governance and FRQ in NGOs are conducted in this section. The determinants of the dependent variable (FRQ in NGOs) are then analyzed in a subsequent paragraph. The chapter then proceeds by reviewing empirical studies on or around the research topic. After that, a summary of the literature review is presented, which includes key findings and research gaps. The chapter concludes with the conceptual framework presentation, which shows the relationship between the variables under study.

2.2 Theoretical Review

The relationship between corporate governance and the quality of financial reporting in NGOs can be explained using certain theories. They relate to stakeholder, stewardship and agency theories.

2.2.1 Stakeholder Theory

For starters, the stakeholder theory helps us better understand the conceptual linkages between the variables we're looking at. In 1984, Edward Freeman is credited with establishing the stakeholder theory (Freeman et al., 2018). The stakeholder theory states that an organization should create value for its broad range of stakeholders and not just the shareholders (Freeman et al., 2018). An organization's stakeholders include customers, suppliers, employees, investors, communities, and parties with a stake in the establishment.

Blattberg (2013), a political philosopher, criticizes the stakeholder theory by arguing that it assumes stakeholders' interests can be compromised or balanced against each other, at best. Blattberg's criticism comes from the point of view that the stakeholder theory proposes dialogue as a tool for resolving conflicting interests among stakeholders. The stakeholder theory is pertinent to this study since it calls for all stakeholders to be held accountable by those in positions of authority in organizations. Consequently, such accountability facilitates the production of quality financial reports in NGOs and other establishments.

2.2.2 Stewardship Theory

The stewardship theory aids in understanding the relationship between governance characteristics and FRQ in non-profits (Qiao et al., 2017). The stewardship theory of corporate governance was created by Donaldson and Davis in 1971. The stewardship theory states that organizational leaders, executives, and managers have a significant role in enhancing or maximizing a given firm or organization's performance by placing the organizational goals before their self-interests (Qiao et al., 2017).

To directors who are trustees of shareholders, financial reporting provides them with a way to communicate about the resources they have been entrusted with and their role in maximizing shareholder value. In essence, the stewardship theory notes that managers act as responsible stewards of the assets under their control (Qiao et al., 2017). Critiques of the stewardship theory often manifest through the agency theory whereby motivation by self-interest is common to both the principal and an agent (Qiao et al., 2017). The relevance of the stewardship theory to this study is that it calls upon organizational leaders to execute roles such as producing quality financial reports that would ultimately boost the performance of the concerned organization.

2.2.3 Agency Theory

The agency theory was established and utilized by Jensen and Meckling (1976). The shareholders are the principals of a corporation, and the managers are the agents who operate on behalf of and in the best interests of the principals. This scenario results in the separation of a corporation's ownership and control, according to Berle and Means (2012), who believe that there is no effective check on corporate management, resulting in managerial behaviors that differ from those of shareholders. Governance structures such as the board of management are required to monitor managerial actions on behalf of shareholders to prevent managerial opportunism (Donaldson & Davis, 2011). Agency theory examines the role of governance in resolving principal-agent conflicts, and it has served as the foundation for corporate governance studies (Jensen & Meckling, 1976).

Outside distributed shareholders are protected from managers who are selfish and exploitative, according to Habib and Jiang (2015), who emphasize formal incentives and control measures. One such control mechanism is the release of public financial statements, which allow external stakeholders to assess executive performance. Managers, on the other hand, have an incentive to deceive shareholders by giving financial data that does not reflect the genuine underlying performance of the company (Healy & Wahlen, 1999). Minority shareholders are protected from opportunistic reporting by managers by a variety of internal and external corporate governance mechanisms. This shows the relevance of this theory to the study.

The NGOs have to institute governance mechanisms in order to protect the shareholders from poor financial reporting quality by the management. The theory explains the importance of credibility in financial reporting as a method for the agent (directors) to present an account of profitability to the principal (shareholders) at the ending of a specified time. All governance techniques are considered necessary in order to prevent potential conflicts of interest and ensure that the agent is prevented from engaging in unethical or illegal activities.

2.3 Determinants of Financial Reporting Quality in NGOs

2.3.1 Corporate Governance

Corporate governance is a common variable that determines FRQ in firms that seek to make profit and those that do not have profit making as one of their objectives. Mbir et al. (2020) study, for instance, notes that proper corporate governance strategies have a positive effect on FRQ. Another determinant of FRQ concerns compliance with set auditing rules. For instance, Garcia-Blandon et al. (2018) note that adherence to the requirements of the board committees of audit facilitates a higher quality of financial reports. The program ratio is also a determinant of FRQ. According to Garven et al. (2018), organizations with favorable program ratios are likely to be more efficient and effective. Such efficiency and effectiveness consequently lead to the production of quality financial reports.

Corporate governance is measured using various metrics. Bonetti et al. (2016) measured governance in terms of board size, number of independent directors, internal audit function, CEO duality and size of audit committee. Todorovic (2013), on the other hand, examined corporate governance in terms of the board's composition, member salaries, and board director expertise. This research measures corporate governance in terms of gender composition of the board of directors, the quantity of board meetings, the number of independent board members, and the proportion of dependent/executive board members.

2.3.2 Age of Firm

The years since the company was founded have been used to determine its age. The firm's age may have an effect on FRQ (Huang et al., 2012). Firms which have been around over the years can have the ability to achieve financial reporting quality. They will be hesitant to engage in actions that could jeopardize their financial report's quality. A company's internal control system is thought to improve through time, and a well-structured internal control system should result in high-financial reporting quality (Huang et al., 2012; Olowokure et al., 2015). In contrast to the findings above, Akhtaruddin (2015) and McFie (2016) discovered no significant association between company age and corporate mandated disclosure.

2.3.3 Size of the Firm

Firm size is a scale that shows the size of a firm (Putranto & Darmawan, 2018; Rochimawati, 2012). Small firms are considered to give low quality financial reports, seeing that smaller firms tend to desire to show the condition of firm that is always performing well so that investors will get attracted to invest in their firms. In contrast, large firms tend to be more attentive in financial reporting since they are more concerned by the public (Medyawati & Dayanti, 2016).

Size of the firm has been measured in the previous research in terms of total assets (Saheed, 2013). Other measures of firm size are total sales, market capitalization (Bukenya, 2014) and number of employees (Wang'ombe, 2013). A large firm is likely to have strong internal control and well-built accounting information systems which together are supposed to guarantee (Chalaki, Didar, & Riahinezhad, 2012). Large firms have the capacity to put in place a well-built accounting information system for tactical, strategic and operational purposes (Saheed, 2013). A well-built accounting information strong internal control prevent ability to manipulate earnings and minimizes errors and mistakes (Dechow & Ge, 2016). This means that firm size positively influence financial reporting quality among firms.

2.4 Empirical Studies

2.4.1 Global Studies

As a case study, Almaqtari et al. (2021) examined the influence of corporate governance frameworks on FRQ. It was decided to select 97 companies from the Bombay Stock Exchange as a sample. The independent variables were corporate governance procedures, while the dependent variable was FRQ. Assessing effectiveness of the board (CEO tenure and autonomy), the effectiveness of the committee of auditing as well as foreign investment are all part of the corporate governance assessment process. To estimate the outcomes, descriptive statistics, correlation, and OLS regression were used. The findings show that, with the exception of audit committee diligence, board independence and audit quality have a positive impact on financial reporting quality. The influence of board diligence and audit committee qualities, on the other hand, is unfavorable. Foreign ownership has no influence on FRQ, but audit quality does.

They looked at corporate governance and FRQ of publicly traded companies in Saudi Arabia (Alshaadi, Tijjani, & Falgi, 2021). Research was based on annual reports and accounts of 18 financial enterprises listed on the Saudi Stock Exchange from 2012 to 2017. The modified Jones model's discretionary accruals were used to assess FRQ. The studies demonstrated that board independence, audit committee independence, and board composition have a statistically significant positive impact on QFR. The size of the board and audit committee, on the other hand, had a non- significant effect on FRQ.

Mbir et al. (2020) examined the effect of compliance to the IFRS on the structures related to corporate governance and FRQ of non-financial firms listed on the Ghana Stock Exchange between 2013 and 2017. The research classifies key variables and uses a random effect estimation technique to investigate the relationship between the variables of interest. According to Mbir et al. (2020), proper corporate governance strategies like board composition, board independence and board diversity positively affect FRQ. However, board diversity in terms of gender showed an insignificant positive effect. Mbir et al. (2020) study generalizability is questionable, considering the fact that only non-financial organizations listed in the GSE were considered.

Garven et al. (2018) study, conducted in the United States, investigates the effects of several audit-related factors on FRQ in nonprofit organizations. The researchers employed four different FRQ measures and use descriptive statistics and multivariate analysis to analyze how audit-related factors can affect the FRQ in nonprofit organizations. Garven et al. (2018) discover that factors relating to the audit function such as specialist auditors and audit fees that have not been explained positively affect FRQ in nonprofit organizations. They concluded that audit-related factors are essential indicators for the quality of financial reports in nonprofit organizations. The research by

They acknowledged that its findings cannot be generalized to all nonprofit organizations since it only examines NPOs that expend a minimum federal funds threshold.

Uwuigbe et al. (2018) conducted research on corporate governance and financial statement quality: a study of listed Nigerian banks. The purpose of this study was to look into the impact of corporate governance on the timeliness of financial reports issued by Nigerian listed banks. Data were generated from the annual reports of the listed banks on the Nigerian Stock Exchange for the period 2008–2015. Size of the board, non-executive directors, independent directors, and females in the board were used as proxy measures for governance practices in the study. Descriptive statistical analysis, a correlation coefficient, and panel data analysis were used in analysis. Board size and non-executive directors showed an inverse and insignificant relationship with report's timeliness. Furthermore, the study discovered that board independence had a non-significant inverse relationship with report's timeliness. Finally, it was discovered that having females in board had a significant positive impact on report' timeliness.

Bonetti et al. (2016) investigate the impact of country and firm-level governance on the quality of financial reporting. The International IFRS are used in the study to examine firms' reporting discretion. From 2002 to 2008, the study focused on all European public enterprises. From 2002 to 2008, they employed a sample of 4,425 firm-year observations from 14 European nations. The study used an event study methodology. They discovered that in nations with robust board-level corporate governance frameworks, financial reporting quality improved. The study found that corporate governance procedures at the country and firm levels had an impact on financial reporting quality. For instance, the research was restricted to EU countries, thereby putting into question the generalizability of its outcomes.

2.4.2 Local Studies

Regina (2019) investigated the impact of corporate governance on FRQ by Nairobi Securities Exchange-listed companies. The analysis focused on all 66 firms that were listed on the NSE at the end of 2016. The study used a descriptive correlation research approach with a purposive sample of heads of internal audit functions from publicly traded corporations. Structured questionnaires were used to obtain primary data on research variables. The field data was analyzed using descriptive and inferential statistics and presented in tables for ease of comprehension. The link between the variables was investigated using correlation coefficient and regression analysis.

All corporate governance procedures and FRQ of listed firms on the NSE were shown to have a positive and significant association. The FRQ of publicly traded firms is explained by board composition, audit committee, internal audit, external audit, and enterprise risk management.

Mwangi (2018) investigated the impact of audit committee characteristics on FRQ in Kenya's non-commercial government entities. The study used a descriptive research approach, and the target population was 72 non-commercial state businesses that existed after treasury’s recommendations on the formation and operationalization of audit committees in the public sector were introduced in 2005. All 72 state corporations were counted in the study. Purposive sampling was used to choose participants from the target audience for the research. Primary and secondary sources of data were employed in the investigation. The primary data came from the administration of the questionnaires, while the secondary data came from the Kenya National Audit Office annual reports, audited financial accounts of state enterprises, and finance bills for the relevant fiscal years. Frequencies, mean, and standard deviation were employed as descriptive statistics, whereas correlation and regression analysis were utilized as inferential statistics. To determine the associations between the dependent and independent variables, regression analysis was used. Both correlation and regression analyses found a statistically significant association between audit committee independence, board committees’ diversity, audit committee technical competency, and audit meetings and FRQ.

Kimunguyi, Memba, and Njeru (2015) investigated the impact of corporate governance on the financial performance of Kenyan non-governmental organizations in the health sector. On a sample size of 270 NGOs, the study used a time series research methodology and a stratified sampling technique. The descriptive and logistic regression statistical tests were used to analyze the data. Corporate governance had a considerable influence on the financial performance of Nonprofits in Kenya's healthcare industry. Tests for significance found that the impact was statistically significant. As a result, adopting governance practices norms has a favorable impact on the financial performance of NGOs in the health sector.

Mwangi (2014) conducted research in Nairobi County on the impact of financial accountability on the efficiency of non-governmental organizations in the governance sector. The population comprised of all NGOs in the governance sector that were registered with the NGO Coordination Board and were based in Nairobi County, with a random sample of 72 NGOs in the governance sector. The data was gathered from primary sources using a standardized questionnaire using a Likert scale. To quantify the efficiency of Nonprofits, the data was filtered, categorized, coded, and processed using Data Envelopment Analysis (DEA) and SPSS software version 21. The factors were mostly measured using a Likert scale. Financial accountability showed a significantly positive influence on efficiency.

2.5 Summary of the Literature Review

Governance-related factors clearly influence the FRQ in both for-profit and nonprofit businesses, according to the research examined. Bonetti et al. (2016) study analyze governance through the concepts of enforcement and oversight over financial reports. On the other hand, studies such as Garcia-Blandon et al. (2018) and Garven et al. (2018) analyze the effect of audit-related factors, which are closely associated with governance, on FRQ. The existing gap in research concerns studies that comprehensively analyze various governance-related factors and how each affect FRQ in NGOs. The studies reviewed focus on only one or two aspects of governance, thereby adversely affecting a holistic analysis of the effect of governance on FRQ in NGOs. This study aimed to bridge such a research gap by looking into the multiple facets of governance and the subsequent effect of each aspect on FRQ in NGOs.

2.6 Conceptual Framework

Currently there is a hypothesized relationship between corporate governance and FRQ. Corporate governance was measured by board composition, gender diversity and board independence. The FRQ was operationalized by timeliness indicated by the date the report was signed by auditor. Firm size was used as the control variable. Onen (2016) indicated that, in the conceptual model, the independent variable is connected to the dependent in a continues arrow pointing to the dependent variable. He further notes that the control variable is treated as an independent variable with a broken arrow to the dependent. The researcher conceptualized the variables based on figure 2.1.

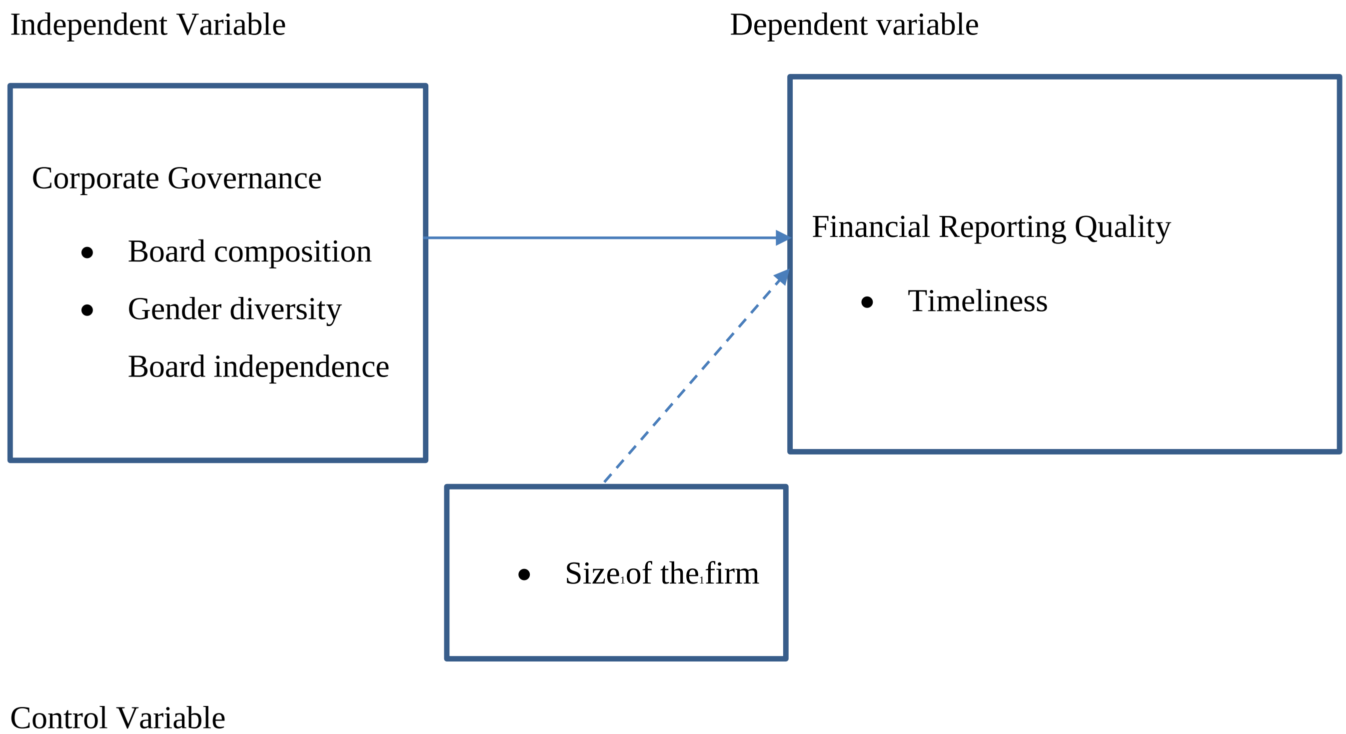

Figure 2.1: Conceptual Model

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presented the research design that the study intends to adopt. The study's population was then described in specific terms. The chapter then proceeded by revealing the sample size used, including the sampling technique employed. Both the sample size and the sampling technique used was justified. The data collecting section that followed details the sort of data acquired, the respondents who were targeted, and the data collection method employed. The chapter then concluded by describing the method for analyzing data.

3.2 Research Design

The purpose of this study was to evaluate the relationship between governance and FRQ in NGOs in Nairobi County using a descriptive design. The descriptive research design helped researchers describe a given population's characteristics or attributes while establishing the relationship between variables (Siedlecki, 2020). The descriptive research design allowed the researchers to describe the relationships between the three variables and financial reporting quality in NGOs. Since the variables under study naturally vary, the descriptive research design enabled researchers to study such variables without manipulating them to achieve variation.

3.3 Population

The population of the study was made up of registered NGOs in Nairobi County. According to World Association of Non-Governmental Organizations (WANGO) (2020) there are 285 NGOs in Nairobi County. The study was done for a period between 2016 and 2020.

3.4 Sample

The sample size consisted of 74 registered NGOs in Nairobi County selected using The Slovin's Formula shown below;

$$n = N/(1+Ne^2)$$

$$n = 285/(1+285*0.1^2)$$

$$=74$$

where n is the sample size,

N is the population size

e is the margin of error to be decided by the researcher (10%)

From an ordered list (organized alphabetically) of all registered NGOs within Nairobi County, systematic sampling was utilized to choose the appropriate sample size. Every 4^{th} NGO was selected. Systematic sampling was used because the researchers know the exact size of the population. Additionally, the alphabetically ordered list of NGOs does not show any patterns, and as such, selecting every 4^{th} NGO in the list limits sampling bias.

3.5 Data Collection

The research was based on secondary sources of data. The information was gathered from annual reports by NGOs. The published reports were sourced from the NGO board website. This is because the NGOs have to publish their annual financial reports with the board. Average firm data was used for analysis.

3.6 Diagnostics

Various tests were done to check on the relevance of the model. They included normality, heteroskedasticity, and multicollinearity. Normality was done using Shapiro-wilk. Heteroskedasticity was done using Breusch Pagan statistics. Multicollinearity was measured using Variance Inflation Factor.

3.7 Data Analysis

The descriptive statistics such as mean, minimum, maximum and standard deviation was used in analysis. Inferential statistics like correlation and regression analysis were also be used in the study. This study will use SPSS software to generate the statistics. The collected data was entered into SPSS after cleaning and coding. Tables and figures were used to display the information in order to provide a clear and concise image of the research findings. The regression equation looked like:

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_4 X_4 + \boldsymbol{\varepsilon}$

Where:

Y = Financial reporting quality as measured by timeliness of reports

β_0 = Regression Constant

β_1 to β_3 = the regression coefficients

X_1 = Board composition as measured by ratio of executive directors to total number of directors

X_2 = Gender diversity as measured by ratio of number female directors to total number of directors

X_3 = Board independence as measured by ratio of number of independent directors to total number of directors

X_4 = Firm size as measured by log of assets of firm

ε = Error term

The researcher utilized F-statistics to determine the model's significance. This aided in determining whether or not the model is useful in explaining the relationship between the variables. To determine the significance of the factors in explaining changes in the dependent variables, a significance test at 5% and a confidence level of 95% must be performed.

3.8 Operationalization Framework

Table 3.1: Operationalization of Study Variables

Nature of Variable	Variable	indicators	Measurement
Dependent	Financial reporting quality	Timeliness of financial reporting	Reports signed on time All reports reviewed
Independent	Board composition	Number of executive directors	Number of executive directors Total number of directors
	Gender diversity	Number of female directors	Female directors Total number of directors
	Board independence	Number of independent directors	Independent directors total number of directors

Control	Firm Size	Total assets	Log of total assets

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND INTERPRETATIONS

4.1 Introduction

This chapter analyses the data and interprets the results. This chapter also presents the findings based on the variables of the study.

4.2 Descriptive Statistics

The researcher describes the data and presents the findings based on the variables. This is done using mean and standard deviation. This was done on 340 data points where only 68 of the NGOs had complete data for the five years.

Table 4.2: Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Financial reporting quality	340	20.00	100.00	51.5294	22.28832
Board composition	340	33.30	100.00	62.7752	14.50341
Gender diversity	340	12.50	75.00	32.6674	14.81418
Board independence	340	14.29	75.00	37.1844	14.75862
Firm Size	340	12.01	15.24	14.2901	.73251
Valid N (listwise)	340				

From table 4.2, that describes the data in terms of maximum, minimum, mean and standard deviation, financial reporting quality averaged at 51.52% with a standard deviation of 22.29%. This shows that majority of the NGOs in Nairobi County adopt high quality reporting standards by having auditors sign financial reports on time. On the other hand, board composition shows an average of 62.78% with a standard deviation of 14.50%. This shows that the boards of NGOs in Nairobi County had majority of the directors being non-executive directors. Gender diversity showed a mean of 32.67% with a standard deviation of 14.81%. This shows that females were the minority in the boards of NGOs in Nairobi County. Board independence among NGOs showed a mean of 37.18% and a standard deviation of 14.76%. This shows that majority of the board members in NGOs within Nairobi County are not independent. Firm size showed an average log of assets of 14.29 with a standard deviation of 0.732. The variables except firm size showed a high level of variation as shown by high standard deviation. This means that FRQ and corporate governance differ greatly across NGOs in Nairobi County.

4.3 Diagnostic Tests

The researcher did diagnostic tests on the data to check on the assumptions of regression model. They included heteroskedasticity, normality and multicollinearity.

Table 4.3: Heteroskedasticity

```
------- Breusch-Pagan test statistics and sig-values --------
                 LM        Sig
BP            1.890       .501
```

The researcher sought to check on heteroskedasticity. The researcher used Breusch-Pagan test to check on heteroskedasticity. Breusch-Pagan test was preferred because it is a large sample test and assumes the residuals to be normally distributed. The null hypothesis is the heteroskedasticity not present in the data. The test assumes that if sig-value less than 0.05, we reject the null hypothesis and assume that heteroskedasticity is present in the data. From the output, the Breusch-Pagan value shows a combined significance of 0.501. Hence, the researcher does not reject the null hypothesis and assumed that heteroskedasticity not present in the data. This is supported by the individual significance values from the OLS output showing that no variable had heteroskedasticity in their data.

Table 4.4: Normality Test

Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Financial reporting quality	.195	340	.000	.875	340	.000
Board composition	.125	340	.000	.964	340	.000
Gender diversity	.113	340	.000	.932	340	.000
Board independence	.134	340	.000	.950	340	.000
Firm Size	.132	340	.000	.917	340	.000

a. Lilliefors Significance Correction

The study sought to test for normality of the data. Shapiro-Wilk test was done to establish the normality. The null hypothesis of this test was that the population is normally distributed. If the p-value is less than the chosen alpha level, then the null hypothesis is rejected and there is evidence that the data tested are not from a normally distributed population. From the results, board composition all the other variables displayed a p-value which was less than the critical 0.05 value. Hence, we reject the null hypothesis that data is normally distributed and assume the alternative hypothesis. This shows that the data for the variables is not normally distributed.

Table 4.5: Multicollinearity

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Board composition	.986	1.014
	Gender diversity	.984	1.016
	Board independence	.980	1.020
	Firm Size	.996	1.005

Multicollinearity was tested to establish the linearity of the predictor variables. This was done using the variance inflation factor which quantifies how much the variance is inflated. Findings showed that VIF values were less than 2 and close to 1 indicating that the variance of the variables was inflated at a very low level. Hence, there are no multicollinearity issues in the data.

4.4 Correlation Analysis

Table 4.6: Correlation Coefficients

Correlations

		Financial reporting quality	Board composition	Gender diversity	Board independence	Firm Size
Financial reporting quality	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	340				
Board composition	Pearson Correlation	.723**	1			
	Sig. (2-tailed)	.000				
	N	340	340			
Gender diversity	Pearson Correlation	.243*	.186	1		
	Sig. (2-tailed)	.046	.128			
	N	340	340	340		
Board independence	Pearson Correlation	.592**	.180	.114	1	
	Sig. (2-tailed)	.000	.145	.356		
	N	340	340	340	340	
Firm Size	Pearson Correlation	.017	-.034	.058	.054	1
	Sig. (2-tailed)	.892	.784	.637	.663	
	N	340	340	340	340	340

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

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

The researcher adopted person product moment correlation coefficients to establish the correlation between the variables. Based on the results, board composition showed a strong direct and significant relationship with financial reporting quality (r=0.723; p=0.000). As a result, an improvement in any of the board composition through non-executive directors would result in improved financial reporting quality among NGOs in Nairobi County. On the other hand, gender diversity showed a weak direct and significant relationship with financial reporting quality (r=0.243; p=0.000). This shows that improved gender diversity among NGOs would lead to improved financial reporting quality. Further, board independence as measured by number of independent directors showed a strong significant and direct relationship with financial reporting quality (r=0.592; p=0.000). This shows that increased board independence leads to increased financial reporting quality among NGOs in Nairobi County. The control variable, firm size, showed a positive but insignificant connection with financial reporting quality. However, the control variable showed an insignificant effect on financial reporting quality (r=0.017; p=0.892). This indicates that firm size does not have a controlling effect on the relationship between corporate governance and financial reporting quality among NGOs in Nairobi County, Kenya. The analysis show that corporate governance has a significant relationship with the financial reporting quality among NGOs in Nairobi County, Kenya.

4.5 Regression Analysis

Table 4.7: Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.924[a]	.853	.852	8.58417

a. Predictors: (Constant), Firm Size, Gender diversity, Board composition, Board independence

From the model summary, the research will get an understanding on the combined relationship of corporate governance and financial reporting quality. The findings showed that predictor variables used in this modelling (board composition, gender diversity, board independence and firm size) had a strong relationship with financial reporting quality as shown by R value of 0.924. On their combined contribution to change in financial reporting quality among NGOs, the findings showed that the predictor variables cause 85.3% change in financial reporting quality. This is indicated by an R square value of 0.853. This shows that corporate governance variables controlled by firm size are major factors in financial reporting quality of NGOs.

Table 4.8: Analysis of Variance

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	143719.208	4	35929.802	487.593	.000[a]
	Residual	24685.497	335	73.688		
	Total	168404.706	339			

a. Predictors: (Constant), Firm Size, Gender diversity, Board composition, Board independence

b. Dependent Variable: Financial reporting quality

The researcher sought to establish the significance of the model adopted in the research. This was done using F-statistics in the ANOVA. From the results, the researcher found a calculated F-statistics (487.593) higher than the critical f-statistic (2.399). This indicated that the model fits the data utilized in the study. The calculated F-statistics had a significance value of 0.000 which was less than 0.05. This shows that the regression model adopted in the study is significant.

Table 4.9: Regression Coefficients

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-9.597	2.571		-3.733	.000
	Board composition	.665	.248	.570	2.686	.008
	Gender diversity	.197	.172	.148	1.146	.253
	Board independence	.348	.123	.310	2.826	.005
	Firm Size	.497	.400	.276	1.244	.261

a. Dependent Variable: Financial reporting quality

The researcher sought to establish the effect of corporate governance and firm size on the financial reporting quality among NGOs in Kenya.

From the data,

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_4 X_4 + \boldsymbol{\varepsilon}$

was fitted to;

$Y = -9.597 + 0.665X_1 + .197X_2 + .348X_3 + 0.497X_4 + \boldsymbol{\varepsilon}$

From the equation, if the variables held constant, NGOs would show a financial reporting quality of -9.597. Results show that one percent increase in board composition would increase the financial reporting quality of NGOs by 66.5% when all the other predictor variables are held constant. The effect is significant at the 5% significance level ($0.008<p<0.050$). On the other hand, holding the other predictor variables constant, one percent increase in gender diversity would cause a 19.7% increase in financial reporting quality of NGOs in Kenya. However, the effect is not significant at the 5% confidence level ($0.253>p>0.05$). Further, holding the other predictor variables constant, board independence unit percent increase would lead to 34.8% increase in financial reporting quality. The effect is significant at the 5% significance level ($0.005<p<0.050$). Finally, firm size showed a coefficient of 0.39 which indicates that holding the other predictor variables constant, a percentage increase in firm size would lead to increased financial reporting quality of NGOs by 49.7%. Despite this, the effect was found to be insignificant ($0.261>p>0.05$).

4.6 Discussion of Research Findings

The analysis show that corporate governance has a significant relationship with the financial reporting quality. This shows that corporate governance plays a key role in financial reporting quality. The findings concur with the findings of Bonetti et al. (2016) who found that robust corporate governance frameworks led to improved financial reporting quality.

Board composition showed a strong direct and significant relationship with financial reporting quality. This shows that when the board composition in terms of number of non-executive directors increases firms experience increased FRQ. The findings concur with the findings of Mbir et al. (2020) who established a positive relationship between board composition and FRQ. Regina (2019) and Alshaadi, Tijjani, & Falgi (2021) also supported the positive relationship in their research. However, the findings differed with those of Uwuigbe et al. (2018) who found that non-executive directorship had a negative and insignificant relationship with financial reporting timelines.

On the other hand, gender diversity showed a weak direct and significant relationship with financial reporting quality. This is an indication that FRQ improves with increased number of females in the board of management. This concurs with those of Uwuigbe et al. (2018) and Mwangi (2018) who discovered that having females in board had a significant positive impact on report' timeliness. Mbir et al. (2020), however, found that board diversity in terms of gender had an insignificant positive relationship with FRQ.

Further, board independence as measured by number of independent directors showed a strong significant and direct relationship with financial reporting quality. This shows that increased board independence leads to increased financial reporting quality among NGOs in Nairobi County. The findings concur with those of Almaqtari et al. (2021) and Mbir et al. (2020). The findings differ with those of Uwuigbe et al. (2018) who found that board independence had a non-significant inverse relationship with report's timeliness.

On firm size, findings showed a positive but insignificant relationship with financial reporting quality. This indicates that firm size does not have an effect on the relationship between corporate governance and financial reporting quality. The findings differ with those of Dechow and Ge (2016) who found that firm size positively influences financial reporting quality.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter gave the summary of the findings. This chapter will also give the conclusions and recommendations based on the variables of the study. This chapter also gives the limitations to the study. Finally, recommendations for further research were given.

5.2 Summary of the Findings

The study sought to establish the effect of corporate governance on FRQ in non-governmental organizations in Kenya with reference to Nairobi County. From the regression model summary, corporate governance had a strong relationship with FRQ. Corporate governance variables used in this research were found to contribute 64.9% change in FRQ. This shows that corporate governance variables controlled by firm size are major factors in financial reporting quality of NGOs. From the ANOVA, the model fitted the data ass the significance value was less than 0.05. From the descriptive, financial reporting showed a mean of above 60%. This indicates that 60% of the NGOs had their reports signed by auditors on time with the quality differing so much across the NGOs.

Board composition averaged at 64% and differed so much across the NGOs. This indicated a large number of non-executive directors across the NGOs. From the regression analysis, board composition showed a positive and significant effect on FRQ. Correlation analysis indicated that a positive and significant relationship exited between board composition and FRQ. From the descriptive statistics, gender diversity showed a mean of 33.9%. This indicates that there is a low number of female directors in the board. From the regression, board diversity showed a positive but insignificant effect on FRQ of NGOs. From the correlation analysis showed a positive relationship between board diversity and FRQ.

From the descriptive statistics, board independence showed a mean of 38.45%. This is an indication that there is a low number of independent directors among NGOs. Board independence showed a positive effect on FRQ. Correlation analysis showed a positive and significant coefficient. This shows that board independence has a positive significant relationship with FRQ.

Firm size showed an average log of assets of 14.29. Firm size showed an insignificant positive relationship with FRQ.

Findings showed that the ratio of independent to total board members was below 50%. Board independence showed a positive effect on FRQ. Correlation analysis showed a positive and significant coefficient. Firm size showed an insignificant relationship with FRQ.

5.3 Conclusions

From the findings, financial reporting showed a mean of above 50%. This indicates that majority of the NGOs selected for the study adopted high quality reporting standards by having auditors sign financial reports on time. This leads to the conclusion that financial reporting quality among NGOs in Nairobi County is high. The NGOs have their financial statements signed on time based on the International financial Standards.

From the descriptive statistics, board composition showed a mean of above 50% indicating that majority of the directors were non-executive. This leads to the conclusion that NGOs in Nairobi County have a large proportion of their directors being non-executive. From the regression analysis, board composition showed a significant effect on FRQ. This leads to the conclusion that board composition has a positive effect on the FRQ of NGOs in Nairobi County. Correlation shows a positive and significant relationship between board composition and FRQ. This leads to the conclusion that board composition of NGOs in Nairobi County has a positive effect on their FRQ.

Board diversity shows that the females were the minority in the boards. This leads to the conclusion that NGOs in Nairobi County have limited number of female directors in their boards. From the regression, board diversity showed a positive effect on FRQ of NGOs. The correlation analysis showed a positive relationship between board diversity and FRQ. This leads to the conclusion that there is a positive relationship between board diversity and FRQ of NGOs in Nairobi County.

Findings showed that the ratio of independent to total board members was below 50%. Hence, this study concludes that majority of the NGOs within Nairobi County have a low number of independent directors. Board independence showed a positive effect on FRQ. This leads to the conclusion that board independence has a positive effect on FRQ of NGOs in Nairobi County. Correlation analysis showed a positive and significant coefficient. Hence, this study concludes that board independence has a positive and significant effect on FRQ of NGOs in Nairobi County. Firm size showed an insignificant relationship with FRQ. This study concludes that firm size has no controlling effect on the relationship between corporate governance and FRQ of NGOs in Nairobi County.

5.4 Recommendations

The study recommends that NGOs adopt IFRS to ensure that they have high quality reporting with the auditors made to sign financial reports on time. NGOs in Nairobi County should increase the number of non-executive directors. This is because there was a positive and significant relationship between board composition and FRQ.

There is need for the NGOs in Nairobi County to increase their board diversity by increasing the number of female directors. This would improve the quality of the financial reports in the NGOs. Board independence showed a positive and significant relationship. This study recommends that NGOs should increase the number of independent directors. This would increase the financial reporting quality. NGOs should improve their corporate governance in order to enhance the quality of their financial reports.

5.5 Limitations of the Study

This study was limited by the context of the study. This study was done in NGOs based in Nairobi County. This limits the generalizability of the study to other firms and localities. Other firms based in different areas may give different results.

The main limitation with this study is variables of the study. The study was limited to the variables of the study of corporate governance and financial reporting quality. Other variables may give differing results. This was overcome by recommending further research.

The study was also limited to secondary data. Historical nature of secondary data limits the research. Further, the study was limited by the inability of the researcher to assess the credibility of the data. This is despite the data having been sought from individual NGOs financial reports. This was overcome by utilizing the most recent data. The study was also limited to the research methods adopted in the study. The study utilized secondary data to establish relationship between corporate governance and financial reporting quality. The study got the data from financial statements. The study also used annual data where quarterly or monthly data may give different results. This was overcome by giving a recommendation for further research.

The study was also limited to the period of study. This research was based on data collected for the period between 2016 and 2020. The period may give a few data points which may reduce the generalizability of the study findings. Research done over a different period may give differing results. This was overcome by giving a recommendation for further research.

Data collection was based on desktop research. This led the researcher to spend a lot of time in data collection as he mined the data. The time for data collection was also limited for the researcher. This limitation was overcome by having research assistants to assist in the data collection. The researcher hence was able to reduce the time spent in data collection.

5.6 Suggestions for Further Research

The main limitation with this study is variables of the study. The study was limited to the variables of the study of corporate governance and financial reporting quality. Other variables may give differing results. This study recommends a similar research based on other variables other than corporate governance variables.

This study recommends a similar study on corporate governance and FRQ in other firms other than NGOs. In addition, the research recommends a similar study in a different county like Murang'a. The study recommends a similar study utilizing primary data for comparison of results.

The study was limited to secondary data with the inability of the researcher to assess the credibility of the data. This is despite the data having been sought from individual NGOs financial reports. This study recommends similar research utilizing data sought from other sources other than the financial statements.

The study was also limited to the period of study. This research was based on data collected for the period between 2016 and 2020. This research recommends that other researchers undertake a similar study on a different period like 10 years. This would enable readers to compare results.

Data collection was based on desktop research. This led the researcher to spend a lot of time in data collection as he mined the data. The time for data collection was also limited for the researcher. The study recommends that other researchers do a similar study utilizing more time in data collection.

The study was also limited to the research methods adopted in the study. The study utilized secondary data to establish relationship between corporate governance and financial reporting quality. The study got the data from financial statements. This study recommends a study utilizing primary data collected from employees of NGOs.

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APPENDICES

Appendix I: Data Collection Form

Year	Number of directors	Executive directors	Independent directors	Female directors	Total assets
					Kshs '000
2016					
2017					
2018					
2019					
2020					