



FINANCIAL MONITORING AND PROGRAMME PERFORMANCE BY PUBLIC BENEFIT ORGANIZATIONS IN KISUMU COUNTY, KENYA

Veronica Robi Marwa¹,

Joshua Wanjare²ⁱ

¹Catholic University of Eastern Africa, Kenya

²University of Nairobi, Kenya

Abstract:

Many Public Benefit Organizations (PBOs) have emerged within Kenya with the aim of offering solutions to the many problems being faced by the citizens. Donors provide funds to these organizations with a belief that the funds will be utilized towards the achievement of organizational objectives as laid out in the detailed implementation plans and annual work plans. In order to maximize the efficient use of resources and to create the highest level of transparency and accountability in these organizations, financial monitoring systems have been put in place. This research study aimed at finding the effects of financial monitoring interventions on programme performance for the Public Benefit Organizations in Kisumu County. Primary data was collected using a semi-structured questionnaire with close-ended questions. A sample of 50 PBOs was selected out of which data was successfully obtained from 42 PBOs representing 84% response rate which was sufficient for the study. Data was analyzed using ANOVA (analysis of Variance) and descriptive statistics used included frequencies, percentages, mean and standard deviations. Data testing was conducted to obtain a good-fit estimation, tests were carried out to ensure statistical assumptions, such as linearity of variables. The study concluded that when all the three financial monitoring techniques are conducted simultaneously and other factors are held constant, PBOs' programmes attained performance threshold with a performance percentage of 76.2 %. The results showed that financial monitoring positively contributes to programme performance for Public Benefit Organizations in Kisumu County.

Keywords: financial monitoring; programme performance; public benefit organizations; Kisumu County

1. Introduction

The World Bank (1992) defines public benefit organizations (PBO) as *“many groups and institutions that are entirely or largely independent of government and that are primarily*

ⁱ Correspondence: email jwanjare@uonbi.ac.ke

humanitarian or cooperative rather than commercial objectives". Willetts (2001) says that no generally accepted definition of PBOs exists, but there are three other generally accepted characteristics that exclude some organizations from being considered as PBOs. First, PBOs should not be political parties or governmental agencies. They should not be any institutions directly affiliated with any organizations of a government. Second, they should not generate profit. Profit making companies are not PBOs. Third, all criminal groups should be excluded from the definition of PBOs, although they do not belong to governments or private companies. Ahmed and Potter (2006) also narrow the definition of PBOs by excluding government agencies, corporations, religious groups, political parties, private hospitals, schools, sports organizations, fraternal organizations and terrorist groups. The term is generally restricted to social, cultural, legal and environmental advocacy groups having goals that are primary non-commercial.

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

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

Although the number, size of PBOs, international and local scope and range of involvement have increased significantly, PBOs need transparent means and reliable criteria for the assessment of their performance. Monitoring PBOs to eliminate or minimize abuse and maintain public confidence is thus essential to the effectiveness of its programmes. The duty of a PBO to monitor itself has been emphasized by Brody (2002). Most of these organizations receive external funding from donors and are subjected to rigorous financial monitoring measures in line with the donor agency requirements. PBOs which exhibit financial monitoring deficiencies may risk losing the much-needed funding from the donors as they are accountable to them as well as the beneficiaries, the employees and other stakeholders, (Petrvits, 2009)

Financial management on project performance is one of the key challenges for most organizations. Only those institutions that have sound financial monitoring structures and stable income flows are able to fulfill their multiple missions and respond to the current challenges in an increasingly complex and global environment. The ability to accurately forecast cost performance allows organizations or project teams to confidently allocate capital, reducing financial risk, possibly reducing the cost of capital (Brignall, 2000). Transparency is also a key issue in the PBO sector due to the

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

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

Kingoro and Bujra (2009), in their study on the contribution of non-state actors to development in Kenya, analyzed governance and accountability for PBOs; members do not have a voice and the spirit of volunteerism is diminished, management are rarely held to accountable for their activities. Some organizations have no clear governance structures, thus; crucial information is withheld such as funding timelines and funds accountability from employees or beneficiaries. This is due to the fact that organizations don't incur agency costs like effective monitoring and supervision to control activities of managers and other staff who are involved in administration and direct activity implementation. This has resulted to conflict of interest among the board, management and staff resulting to misapplication of funds. Agency contracts provide for performance related rewards to encourage managers and other employees to act in the interests of shareholders. Donor agencies, PBOs and the government of Kenya should incur agency costs to ensure good governance and accountability to enhance performance of an organization.

In December 2014, the government of Kenya closed over 500 PBOs in a security bid aimed at curbing terrorism in the country. However, majority of the affected PBOs were deregistered for failure to submit financial records and being suspected of money laundering. In addition, donors were cautioned for failure to hold the organizations to account on use of funds. All these could have been avoided if financial monitoring was in effect in the affected PBOs. Plagued with conflict of interest, misapplication of funds, transparency problems and unutilized funds, PBOs in Kisumu County perform below the expectations of government and donors; the beneficiaries will question their mandate in the community, the regulatory bodies and government will deregister the organizations causing donors to pull out funding. While a number of studies have been done in the PBO sector in Kenya and globally (Kingoro and Bujra, 2009; Eckman, 1996) very little is known on how financial monitoring affect the programme performance for PBOs in Kisumu County. It is on the basis of these overarching issues that this study was undertaking.

Programme performance is measured by the performance efficiency ratio and income utilization ratio. Donor's expectation is that PBOs will be accountable for the resources given to them. This can only be possible with proper financial monitoring mechanisms like frequent site visits, desk reviews and periodic review meetings to ensure resources are channeled towards maximizing the objectives of the programme (Brignall, 2000). Program Performance is measured by performance efficiency ratio and income utilization ratio. This greatly depends on the success of the Financial Monitoring mechanisms employed to ensure that performance is monitored from time to time and corrective measures taken in good time hence improving the overall program performance.

2. Literature Review

A study conducted by Gregersen and Lundren (1989) on the degree of organizational support for project monitoring reviewed institutional support provided by PBOs such as training, written guidelines and manuals, monitoring units and staff members. It found out that, most PBOs do not adequately support monitoring activities. The study concluded that effective monitoring requires adequate organizational support for the enhancement of efficiency utilization of organizational resources. Edwards and Hulme (1995) framed the debate on PBO accountability in their book "PBOs Performance and Accountability". They concluded: *"Despite the complexities and uncertainties involved, all agree that the current state of PBO... accountability is unsatisfactory"*. *"Improving performance-assessment and monitoring is not an optional extra for PBOs: it is central to their continued existence as independent organizations with a mission to pursue"* (Edwards & Hulme, 1995).

Eckman (1996) conducted a study to describe the current monitoring and evaluation practices and to identify gaps and needs so that practical measures might be developed to improve the quality of monitoring. His findings and conclusions were that monitoring is generally overlooked - takes a back seat to evaluation with many organizations budgeting for periodic and, formal evaluations. A study conducted by Brinkerhoff and Derick (2003), with a view to laying the groundwork for investigating accountability as it relates to health systems reform. They concluded that increasing accountability is a key element in a wide variety of reforms, from government-wide anti-corruption campaigns, to national-level health system reform programs, to decentralized health service delivery at the local level, and community-based health funds. Nyaga (2007) also conducted a study to determine the relationship between various components of corporate governance structure and the performance of manufacturing firms listed in the NSE. The key findings of the study revealed the existence of a linear relationship between various structures of corporate governance and performance of manufacturing firms listed in the NSE. Specifically, the findings revealed that there exist a perfect linear relationship between performance measures

and the frequency of boards meetings; CEO compensation, board composition; monitoring and percentage of insider holding.

A study was also conducted by Raggio (2009) on relational accountability and its comparison with the most widely used proxy for PBO accountability: financial accountability. He found that the use of financial accountability as the key indicator of a not-for-profit's performance does not substitute for a comprehensive assessment of accountability. Bhakar and Rao (2011) conducted a study to understand and analyze the current PBO accountability debate as a fundamental question and to compare and contrast associated concepts. The research found out that representative legitimacy and democracy have values in themselves, and are quite apart from their comprehensive potential to establish "Accountability". Owolabi (2012) set out to investigate PBO accountability in Nigeria using two case studies – a national and an international PBO from SME and Education thematic areas respectively. They observed that the PBOs studied were accountable essentially to the owners or those stakeholders with economic power over their organizations. Not much of the accountability was focused on the stakeholders upon whom the organizations had impacts.

Monitoring is a process where program data is collected and analyzed routinely on an ongoing basis, and may involve the use of a management information system (Patton, 1997). The purpose of financial monitoring is to; understand and assess financial and management systems and capabilities, ensure compliance with rules, regulations, and requirements, safeguard state funds against fraud, waste, and abuse, help identify potential audit issues, identify technical assistance and training needs, identify needed improvements and follow up on issues or corrective actions (Bonnie, 2008). Effective financial monitoring systems are required in the quest to maximize the efficient use of resources, create the highest level of transparency and accountability in an organization's finances and to ensure long-term economic success. Recent literature has also highlighted the importance of financial monitoring via sound financial management systems to service delivery, poverty reduction and the achievement of the millennium development goals (Pretorius & Pretorius, 2008). Some schools of thought have identified several criteria that the financial management systems of PBOs and other donor funded projects must meet in pursuance of financial monitoring. One such major classification is proposed by Shizhen (2005) which includes financial reporting, accounting records and source documentation, internal control, budget control, cost allowance and cash management and compliance frameworks.

A number of funding agencies have also developed financial governance assessment frameworks along the areas of the mode of budget planning, execution, internal control and monitoring required of funded projects (AfDB Group, 2006) and thereby inferring the level of governance as practiced by an institution based on the presence of such predefined systems. Financial monitoring is the centre-piece of the organizational success. Monitoring and evaluation contribute to sound governance through policy development, management and accountability. According to (USAID, 1999) rules and regulations circular 2 CFR 200, key monitoring areas of a programme

for a sub recipient is as follows; activities allowed and disallowed; allowable costs and cost principles, cash management, equipment and property management, matching and effort level being a specified level of service provided during a defined period by program staff, vouching confirmation and observation such as vendor visits, touring facilities attending clients and many more. The areas of financial monitoring are executed through various methods or techniques; on-site visit, desk review, periodic review meetings frequency in updating or review of grants/financial manual.

Accountability is the duty to provide an account or reckoning of those actions for which one is held responsible (Gray, Owen & Adams 1996). For PBOs, unlike corporations, this predominantly involves accounting for their actions and effects on the society, rather than only accounting for their financial performance to a specific set of stakeholders. Performance measures for a PBO could be both financial and non-financial measures. Such an integrated view would offer a comprehensive link between several units within a PBO (right from resource generation unit to program management unit). Such a comprehensive framework is highly recommended (Epstein & McFarlan, 2011). Financial performance measures present three dimensions of a PBO Programme namely financial sustainability, efficiency and effectiveness (Lewis, 2009). They can also be measure by good audit ratings, reasonable budget burn rates among others. On the other hand, non-financial (operational) performance measures are; optimization of all the required inputs e.g. human resources that make sure activities are carried out (Medina & Traintis, 2007).

According to Lewis (2009), program efficiency ratio is an indicator for effectiveness and efficiency of a PBO programme. It is calculated as program service expenses (or money directly spent to further the nonprofit mission of the organization) divided by the PBOs total expenses. This measure of accountability is based on the assumption that accountable organizations devote the greater part of their donations to their promised missions (Charity Navigator, 2007). The 80/20 model allocates financial resources, derived from practices in the cooperate world (80 % of resources for projects and 20% for administrations), seems to be the best model for setting a standard of organizations performance. The logic is that efficiency in using means that an organization or programme in more accountable to its donors. Lewis (2009) also presents income utilization ratio (burn rates) as an indicator for efficient programme. It is calculated by taking total income/budget with total expenses: This is basically to understand how much the organization incurred in expenditure as a percentage of total income generated. Its importance is to show burn rates at a given period of time. By the end of every period, the finance officer, will analyze the financial data and inform operational team on their spending on every line item. According to USAID (2009) rules and regulations, the accepted variance for a CDC grant is 20% of the total budget. Thus, under expenditure less than 20% implies that the programmes performance is wanting. Consequently, variance explanation should be provided.

According to Fowler (1997), for a programme to survive, an effective PBO must gather enough financial resources required to execute their development projects with

grass route people. Without an appropriate level of financial resources, a PBO is, in an important sense, incapacitated (Kaplan, 1999). Shortage of funds is an impediment to further project success and impact (Riddell et al., 1997). Thus, a successful programme should have a strong budget base. Riddell et al. (1997) found out that skills of the people in the organization executing the project relate significantly to project success. It is self-evident that it is very difficult to implement a project without the necessary skills, and by implication the more complex the intervention being attempted the greater is the need to ensure that staffs are adequately qualified. Riddell et al. (1997) also asserts that when PBO development project failure occurs, it's often associated with PBOs switching from emergency to development work without adequate skills or sufficient training. Fowler (1997) also noted that an effective PBO Programme has a clear and consistent vision, mission and strategy. Other characteristics which facilitate effectiveness of PBO work include: clear allocation of roles and functions among its staff and management, clear lines of communications and accountability within the PBO, transparent and functional decision making procedures of management, and appropriate allocation of staff and management (Kaplan & Norton, 1998; Fowler, 1997). A traditional Western management theory distinguishes 'leadership' from 'management'. But according to Fowler (1997), effective PBO programmes suggest that good leaders have many management qualities and vice versa. He also indicates that in an ideal situation the overlap between the two is complete. Fowler asserts that in addition to the availability of other resources, quality leadership is a critical factor which enables staff and volunteers work effectively. Strong leadership 'empowers and motivates' staff to fully commitment and potential.

According to Lewis (2001), concerns about PBO financial monitoring performance remain; ability to confront these issues may be the key to the survival of the PBO movement. Through financial monitoring techniques of desk review, onsite visits and review meetings, funds are spent prudently on the activities within the scope of work. According to Khawaja (2011), monitoring is the feedback mechanism within a management framework. Its main objective is the improvement in management of programme activities and ensuring the optimal use of funds and other resources while providing a platform to learn from experience so as to improve the relevance, methods and outcomes of organizational programmes. Donors, unlike beneficiaries, enjoy a direct means of imposing accountability requirements on PBOs (Gray, Bebbington & Collinson, 2006). As a consequence, most PBOs (particularly large, international ones) have focused primarily on meeting the upward and external requirements imposed by donors. The donors require for efficient utilization of funds so as to enhance the primary objective of the programme. Thus, implementation of activities must be within the programmes' scope of work and any reallocation of funds from one activity to another should be geared towards activities that add value to the programme.

3. Research Methodology

The study used a descriptive survey design. This is a set of methods and procedures that describe variables. It involved gathering data that describe events and then organizes, tabulates, depicts, and describes the data. The population of interest consisted of registered PBOs that are carrying out operations in Kisumu County. Local and International PBOs were considered appropriate for this study given that they are the prime recipients of donor funds. There were approximately 500 registered PBOs operating in Kisumu County. The researcher used simplified Krejcie and Morgan table to obtain 50 respondents from a population of 500 PBOs in Kisumu County. Respondents were selected from the 50 PBOs to represent the different levels of PBOs management and the stakeholders. Purposive sampling was used owing to the information that they have by the virtue of their positions at their respective PBOs with respect to this study. The respondents consisted of Grants officers/ Managers and Program officers/ Managers. The study used both primary data and secondary data. Primary data was collected using a semi-structured questionnaire eliciting a wide range of baseline information about financial monitoring and programme performance in PBOs. It captured activities undertaken during on-site visits, desk review and periodic financial review meetings during the review period. The questionnaire was divided into two parts. Part A aimed at gathering background information about the PBO. Part B aimed at getting the response of financial monitoring and effects of programme performance practices adopted by the PBOs. Secondary data was collected from PBOs' executed budgets, certified expenditure reports and technical or programmatic reports. This helped to determine the performance of the PBOs.

Descriptive statistics such as mean and standard deviation were also used. Multiple regression analysis was applied to establish effects relating independent variables Financial Monitoring to the dependent variable Program Performance. Similar model was used by (Yan, 2009).

$$y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + e$$

Where:

y = Programme Performance

as measured by performance efficiency ratio and income utilization ratio

β_0 = Constant term

PBO's performance not influenced by the selected financial monitoring variables.

β_1 = Beta coefficients

of onsite financial Monitoring

β_2 = Beta coefficients

of Financial Desk reviews

β_3 = Beta coefficients of periodic review meetings

x_1 = On site financial monitoring measured by frequency of on site visits

x_2 = Financial desk reviews measured by frequency of desk reviews

x_3 = Periodic review meetings measured by frequency of review meetings

e = Error term

y = programme performance indicators are program efficiency ratio= direct costs / indirect costs. The recommend ratio is 8:2 (Charity Navigator, 2007).

Income utilization ratio was calculated by taking total budget divided by total expenses.

$$y = x_1 + x_2$$

Where:

y = Programme performance

x_1 = Program efficiency

x_2 = Income Utilization

The recommended income utilization ratio is 80% for all budget line items (USAID, 2009), otherwise variance explanation is required. Consequently, PBO programme has to attain at least one of the thresholds.

4. Findings and Discussions

The study was to establish the effect of various financial monitoring techniques mainly onsite financial monitoring, financial desk reviews and periodic financial review meetings on Program Performance. For each best practice identified the respondents were required to indicate how each of the named financial monitoring technique influenced performance in public benefits organizations. The scores for each question for all respondents were analyzed for the mean and standard deviation. Table 1 below shows the criterion used to interpret the mean scores.

Table 1: Interpretation of the Mean Scores

Mean Score	Interpretation 1	Interpretation 2
Below 1.40	Yes	Agree
Between 1.40 and 1.60	Average	Somehow agree
Above 1.60	No	Disagree

Source: Field Data (2017)

The table 1 above shows that if the score of the mean for a particular factor was below 1.40 in the first instance, the interpretation is that the respondents agreed with the statement.

On-site financial visits and performance of PBOs, the study sought to establish the effects of on-site visits as a financial monitoring technique on performance of PBO's. This has been broken down to subsections that will help in analysis. Their responses are shown in table 2.

Table 2: On-site visits and performance of PBO's

	Min	Max	Mean	Std. Deviation
On-site financial visits and performance				
a) For Verification of activity implementation	1	2	1.03	0.170
b) To Review time effort sheets	1	2	1.01	0.121
c) To interview beneficiaries of services provided	1	2	1.32	0.471
d) To conduct vendor visits	1	2	1.15	0.357
e) To verify and check the usage of assets	1	2	1.03	0.170
f) To Review personnel records	1	2	1.07	0.265
g) To Conduct a staff head counts	1	2	1.07	0.265
h) To Follow up on implementation of audit recommendation	1	2	1.09	0.288

Source: Field Data (2017)

From Table 2 above, respondents strongly agreed to all questions pertaining to on-site financial visits as financial monitoring technique. This is indicated by their mean response score for each and every question pertaining on-site financial visits as financial monitoring technique.

The study also sought to establish the effects of desk reviews as a financial monitoring technique on performance of PBO's. This has been broken down to subsections that will help in analysis. Their responses are shown in table 3.

Table 3: Desk Reviews and performance of PBO's

	Min	Max	Mean	Std. Deviation
Desk Review objectivity				
a) To Review payment vouchers	1	1	1.00	.000
b) To Review financial reports	1	2	1.06	.237
c) To perform Burn rate analysis's	1	2	1.03	.170
d) To Review operational report	1	2	1.03	.170
e) Make Phone call inquiries	1	3	1.76	.427
f) To Generating review points	1	2	1.25	.481

Source: Field Data (2017)

From Table 3, respondents unanimously agreed that all desktop reviews are done to review payment vouchers having a perfect mean score of 1.00. Respondents disagreed on one objective that desktop reviews are done to make phone call enquiries with mean

average of 1.76. However, they agreed to the other questions pertaining desk reviews as a financial monitoring technique on performance of PBO's.

On the matter of periodic financial review meetings and performance of PBOs, the study sought to establish the effects of periodic financial review meetings as a financial monitoring technique on performance of PBO's. This has been broken down to subsections that will help in analysis. Their responses are shown in table 4.

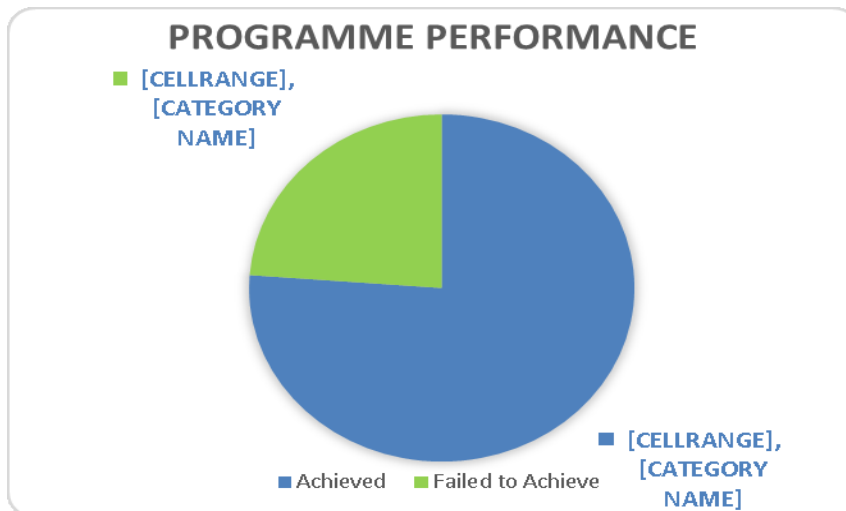
Table 4: Periodic financial review meetings and performance of PBO's

	Min	Max	Mean	Std. Deviation
Periodic Review meetings				
a) To Review budget burn rates	1	1	1.00	.000
b) Perform Expense analysis and review of work plan and budgets	1	1	1.00	.000
c) To perform Program implementation, review	1	3	1.24	.432
d) To Discuss implementation challenges and way forward	1	3	1.21	.407
e) To Discuss emerging issues on grant management	1	2	1.09	.286

Source: Field Data (2017)

From Table 4, Respondents agreed to all the factors pertaining periodic financial review meetings as a financial monitoring technique on performance of an organization. All the respondents indicated that periodic financial review meetings were carried out to review budget burn rates and to perform expense analysis and review of work plan and budgets having a unanimous mean score of 1.00.

The respondents were asked whether the various programmes undertaken by the PBOs achieved the desired objectives. The results are shown in the figure below.



Source: Field Data (2017)

The figure above show that 32 (76.2 %) of PBO programmes performed- attained performance threshold. This was as a result of frequent financial monitoring techniques that included onsite financial monitoring visits, desk financial reviews and periodic financial review meetings. On the other hand, 10 (23.8%) of PBO programmes didn't attain the desired performance threshold.

Table 5: Average of Financial Monitoring Conducted by PBOs

Frequency	On-site financial visits	Desk financial reviews	Periodic financial review meetings
Daily basis	0	0	4
Weekly Basis	3	0	23
Monthly Basis	15	42	7
Quarterly	20	0	5
Annually	4	0	3

Source: Field Data (2017)

Table 5 above show that all (42) PBOs conducted desk financial reviews on monthly basis and that majority (23) PBOs carried out financial review meetings on weekly basis. Onsite financial monitoring visits were mostly done on quarterly and monthly basis. None of the PBOs conducted desk financial reviews and onsite financial monitoring on daily basis. The results show that was the three financial monitoring techniques were used by the PBOs with the study region.

Table 6: Programme Performance Measure Analysis

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

Source: Field Data (2017)

The results in table 6 above shows that by conducting frequent financial monitoring, PBOs programmes' performed with a mean performance efficiency ratio of 8.2 (4.4) and income utilization ration of 82.84. Consequently, there was an overall positive effect of financial monitoring on PBOs programme performance.

The statistic used to determine if and how performance efficiency ratio/income utilization ratio and set of financial monitoring techniques were related was the Pearson correlation coefficient, *r*. A correlation matrix was generated as part of the output for a correlation test. To conduct a correlation test using Pearson's *r*, a bivariate correlation was used.

Table 7: Correlation Analysis

Correlations		Onsite financial visit	Financial desk reviews	Periodic financial review meetings
Performance efficiency ratio	Pearson Correlation	0.762**	0.769**	0.674**
	Sig.(2-tailed)	0.000	0.000	0.000
	N	42	42	42
Income utilization ratio	Pearson Correlation	0.555**	0.486**	0.465**
	Sig.(2-tailed)	0.001	0.009	0.017
	N	42	42	42

Source: Field Data (2017)

From table 7 above, the correlation matrix displays the Person correlations coefficient for each pair of variable for financial monitoring techniques. Performance efficiency ratio and onsite financial monitoring visits ($r = 0.762$), performance efficiency ratio and desk financial reviews ($r=0.769$), performance efficiency ratio and periodic financial review meetings ($r=674$), income utilization ratio and financial monitoring visits ($r = 0.555$), income utilization ratio and desk financial reviews ($r=0.486$) and income utilization ratio and periodic financial review meetings ($r=465$). The Pearson correlation coefficient shows that there is strong positive relationship between performance efficiency ratio and the 3 financial monitoring techniques. For it implies that the model for performance efficiency and monitoring fits the data model precisely well for income utilization and financial monitoring and also performance efficiency and financial monitoring.

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

Table 8: Regression Coefficients table

Model	Unstandardized coefficients		Standardized coefficients	t	Sig.	95.0% Confidence interval for B	
	B	Std. error	Beta			Lower bound	Upper bound
(Constant)	-0.252	0.095		2.664	0.015	-0.449	-0.055
On-site financial visit	0.021	0.007	0.49	3.021	0.007	0.007	0.036
Financial desk review	0.013	0.007	0.23	1.891	0.007	0.001	0.027
Periodic review meeting	0.021	0.007	0.319	3.123	0.005	0.007	0.034

Source: Field Data (2017)

Table 8 above shows that reported parameter estimates of all the three financial monitoring techniques are significant at 95% confident interval. On site, financial monitoring visits influences performance of a PBO Programme {P=0.007, CI (0.007, 0.036)}. Desk review financial monitoring visits influences performance of a PBO Programme {P=0.007, CI (0.001, 0.027)}. Periodic financial review meetings influence performance of a PBO Programme {P=0.005, CI (0.0071, 0.034)}.

$$y = -0.252 + 0.49x_1 + 0.23x_2 + 0.319x_3$$

The results show that financial monitoring visits have positive effect on PBO programme performance. This means that the above financial monitoring techniques influences positively in a linear relationship the performance of Public benefit organizations as measured by performance efficiency and income utilization. The constant y intercept is at -0.252. This indicates that if no monitoring is done, performance is negative hence, wastage and losses will be incurred and hence financial monitoring is very important in PBOs.

5. Conclusions

The results show that all (42) PBOs conducted desk financial reviews on monthly basis and that majority (23) PBOs carried out financial review meetings on weekly basis. Onsite financial monitoring visits were mostly done on quarterly and monthly basis. None of the PBOs conducted desk financial reviews and onsite financial monitoring on daily basis. The results show that the three financial monitoring techniques were used by the PBOs within the study region. When all the three financial monitoring techniques are conducted simultaneously, other factors/determinants held constant, PBOs' programmes perform well (76.2 %) of PBO programmes attained performance threshold.

The findings further indicate that, respondents strongly agreed that verification of activity implementation, reviewing time effort sheets, interviewing beneficiaries of services provided, conducting vendor visits, verifying and checking the usage of assets, reviewing personnel records, conducting a staff head counts, and following up on implementation of audit recommendation were main objectives for performing on-site financial visits. Further, respondents unanimously agreed that reviewing payment vouchers, reviewing financial reports, performing burn rate analysis and reviewing operational report were main objectives for performing desktop reviews. They, however, disagreed that making Phone call inquiries and generating review points were main objectives for performing desktop reviews. Lastly, respondents agreed that reviewing budget burn rates, performing expense analysis and reviewing of work plan and budgets, performing program implementation reviews, discussing implementation challenges and way forward and to discuss emerging issues on grant management were

main objectives for performing financial review meetings. as a financial monitoring technique on performance of an organization.

The study revealed existence of a positive correlation between financial monitoring and programme performance for PBOs. The regression analysis established that financial monitoring is a predictor of programme performance. The findings imply that the programme performance for PBOs can be greatly improved if on site financial site visits, financial desk reviews and periodic financial review meetings are conducted. The study concluded that effective monitoring, reorienting and intensifying monitoring can greatly contribute to more cost-effective, socially effective and successful programmes. The most significant variable of Financial Monitoring is Periodic Review Meetings since it has the smallest P-Value of 0.005. During Periodic Review meetings, participants are able to discuss how funds are utilized for programme implementation and are able to gauge programme performance. However, when the three financial monitoring techniques are conducted simultaneously and other factors are held constant, PBOs' programmes attained high performance threshold.

References

1. AfDB Group (2006). *Guidelines for Financial Management and Financial Analysis of Projects*. African Development Bank Group. Tunis.
2. Ahmed, S. & Potter D. (2006). NGOs in International Politics. *Auditing Journal*, 22.
3. Bhakar, G., & Rao. N. (2011). Nongovernmental Organizations (NGOs) and Accountability Issues – A Management Paradox. *J M International Journal of Management Research*, 1(2), 14-17.
4. Brignall, S. M. (2000). "An institutional perspective on performance measurement and management in the 'new public sector. *Management Accounting Research*, Vol. 11 pp.281-306.
5. Bonnie M. J. (2008). *Financial Monitoring Techniques*. Corporation for National Community Service. <http://nationalservicerresources.org/>.
6. Brinkerhoff & Derick. (2003). Research paper. *Accountability and Health Systems: Overview, Framework, and Strategies*. Abt Associates Inc.
7. Brody, E., (2002). *Accountability and Public Trust. The state of America's Non-Profit Sector*. Washington: L. Salamon, Aspen institute and Brookings Institute Press.
8. Charity Navigator. (2007). Methodology. at <http://www.charitynavigator.org/index.cfm?Bay=content.view&cpid=33>.
9. Eckman, K. (1996). *How NGOs monitor projects for impacts*: University of Minnesota College of Natural resources.
10. Edwards, M., & Hulme, D. (1995). *NGO performance and accountability: an introduction and overview*. London: Earthscan Publications.
11. Epstein, M. J., & McFarlan, F. W. (2011). *Nonprofit vs. For-Profit Boards. Critical Differences*. Strategic Finance. London.

12. Fowler, A. (1997). Striking a balance: A guide to enhancing the effectiveness of non-governmental development. Governance and credit ratings". *International Journal of Disclosure and Governance*, 6, 10-13.
13. Gray, R., Bebbington, J. & Collison, D. (2006). *NGOs, civil society and accountability: making the people accountable to capital*, Accounting, Auditing & Accountability Journal, 19(3).
14. Gray, R., Owen, D., & Adams, C.A., (1996). *Accounting and Accountability: Changes and Challenges in corporate Social and Environmental reporting*. Islamabad.
15. Gregersen, H. & Lundgren, A. (1989). *Liking monitoring and assessment to sustainable development*. University of Minnesota College of Natural Resources.
16. Kaplan, A. (1999). *The development of capacity*. Cape Town: CDRA. Retrieved 28 October, 2000, from <http://www.cdra.org.za>
17. Kaplan, R. S., & Norton D. P. (1998a). *The Balanced Scorecard – Measures that Drive Performance*. Harvard: Business Review Publishers.
18. Khawaja, S. (2011), *Good Governance and Results-Based Monitoring*. Poorab Academy.
19. Kingoro, S., & Bujra, A. (2009). *The contribution of non-state actors to development in Kenya*. Nairobi, Kenya. Development Policy Management Forum.
20. Lewis, D. (2001). *The Management of Non-Governmental Organizations: An Introduction*, Routledge. London.
21. Lewis, T. (2009). *Practical Financial Management for NGOs*. Mango (Management Accounting for Nongovernmental Organizations). London.
22. Marshchall, M., (2002). *Legitimacy and Effectiveness; Civil Society Organizations' Role in Good Governance*. Baden Press Inc.
23. Medina, B., & Traintis, K. (2007). *A conceptual Framework to Evaluate Performance of Non-profit Social Service Organizations*. New York: Intl. J. Technology Management.
24. Nyaga, A. (2007). Corporate governance and performance of manufacturing firms listed in the Nairobi Stock Exchange". (Unpublished MBA Research Project). University of Nairobi, Kenya.
25. Owolabi, A. (2012) *NGO accountability and development in Nigeria research paper*. Lagos.
26. Patton, Q. M. (1997). *Utilization Focused Evaluation: The New Century Text (3rd Ed.)*, London: Sage Publications. Press Inc.
27. Petrivits. (2009). *The Causes and Consequences of Internal Control Problems in Nonprofit Organizations*. New York: New York University Stern School of Business.
28. Pretorius, C. & Pretorius, N. (2008), *Review of Public Financial Management Reform Literature*, Resource Issues Journal, 1(44).
29. Raggio, P. (2009). *Whose Accountability Is It Anyway?* London: Maxwell School of Citizenship and Public Affair.
30. Riddell, et al. (1997). *Searching for impact and methods: NGO evaluation synthesis study for OECD/DAC*. Helsinki: Ministry of Foreign Affairs

31. Shizhen, L. (2005). *Modern financial management system*. The Journal of Humanitarian Assistance, 4, 43-46.
32. USAID. (1999). *USAID rules and regulations for grants and cooperative agreement*. New York.
33. Willetts, P. (2001). *What is Non-Governmental Organizations?* UNESCO
34. World Bank. (1992). *Terms of Reference for Study on the NGO Sector in Uganda*. Eastern Africa Department, Population and Human Resources Operations Division.
35. Yan, X. (2009). *Linear Regression Analysis: Theory and computing*. London: World Scientific Publishing Co. Pte. Ltd.

Creative Commons licensing terms

Author(s) will retain the copyright of their published articles agreeing that a Creative Commons Attribution 4.0 International License (CC BY 4.0) terms will be applied to their work. Under the terms of this license, no permission is required from the author(s) or publisher for members of the community to copy, distribute, transmit or adapt the article content, providing a proper, prominent and unambiguous attribution to the authors in a manner that makes clear that the materials are being reused under permission of a Creative Commons License. Views, opinions and conclusions expressed in this research article are views, opinions and conclusions of the author(s). Open Access Publishing Group and European Journal of Social Sciences Studies shall not be responsible or answerable for any loss, damage or liability caused in relation to/arising out of conflicts of interest, copyright violations and inappropriate or inaccurate use of any kind content related or integrated into the research work. All the published works are meeting the Open Access Publishing requirements and can be freely accessed, shared, modified, distributed and used in educational, commercial and non-commercial purposes under a [Creative Commons Attribution 4.0 International License \(CC BY 4.0\)](https://creativecommons.org/licenses/by/4.0/).