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Effect of Financial Management Policy Implementation on Financial Performance of NGOs in Nairobi County

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Abstract

Financial management policies are used by organizations as tools for ensuring that their finances are managed in proper manner in all areas of their operations. Lack of implementation of proper management policy exposes NGOs to threats like loss of assets, production of financial reports which are incorrect and unreliable for decision making purposes. This may also lead to application of accounting policies by an organization which are not consistent with the applicable governing laws and regulations. However NGOs that have implemented proper financial management policies are generally known to record improved financial performance. Therefore, the overall objective of this study was to establish the effect of financial planning on financial performance of Non – Governmental Organizations in Nairobi County. The study adopted a descriptive research design. A sample of 45 NGOs was selected from a population of 1,775 NGOs in Nairobi County both local and international. Data was obtained through the use of questionnaires and analyzed using both descriptive and inferential statistics. Multiple regression analysis results showed that financial planning affects an organization financial performance. The study found out that financial planning has a great effect on financial performance of NGOs hence an important variable that the management of NGOs should not ignore in order to improve on their financial performance. A feedback system should be put in place ensuring corrective measures are taken to enable organizations respond urgently to emerging risks.

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Keywords: Financial Performance, Non-governmental Organisations (NGOs), Financial management, policy implimentation.

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Introduction

Public Benefits Organizations (PBOs) commonly known as non-governmental organizations (NGOs) or non- profit organizations, role in economic development and growth has increased steadily over the years. Non-Governmental Organizations have increasingly been accepted by governments as key partners in national building and development and also as a force in promoting development of democracy (Wafukho, 2010).The recognition of NGOs as important actors in economic development has brought about the debate of their use of financial resources focusing on financial management practices. Efficiency of an organization's financial management is the back bone of its survival and growth (Fiador, 2013).

Financial resource is well known to be an important asset to many organizations and institutions (Allis et al, 2004), this calls for proper management of this resource in order to beat the purpose for which the resources were provided. However, sometimes this much needed capital is not put into proper use by the persons in charge (Wakariba, Ngahu & Wagoki, 2014). Therefore, NGOs should maintain a system of financial management that guarantee proper utilization of resources and ensure smooth implementation of projects and running the organization.

According to the NGO report (2013), NGOs in Kenya face significant policy risks and challenges although various measures have been implemented to enhance proper management. This has been a major hindrance to the operations of NGOs. For instance in 2014, the NGO Co-ordination Board deregistered 15 NGOs for being involved in financing terrorist activities while a further 510 NGOs were deregistered for failure to file their audited reports as required by the law. In 2015, the Board issued a notice to cancel registration certificates of 959 NGOs on the grounds of misappropriation of funds, money laundering, diversion of donor money and failing to file their audited accounts as required by the law. In order for organizations to manage their financial resource in a proper manner, the management develops a financial management policy and ensures that it is implemented. A financial management policy is a policy developed by an organization establishing the organization's financial controls. The design of a financial control procedure aims to protect the assets of an organization and ensure proper recording of all financial transactions hence preventing and reducing fraud and errors (Block & Geoffrey, 2008). Financial management controls are the policies and procedures put in place to protect organizational assets, ensure reliability in financial reporting, enhance compliance with the laid down rules and regulations as well as achieve efficiency and effectiveness in organizational operations (Mugo, 2013).

The adoption of good financial management policies tends to be critical for the success of organizations in today's environment which is dynamic and result oriented. NGOs have several stakeholders such as financiers, members, recipient of services, regulators among others and they demand for accountability on the use of financial resources and better performance from the management of these organizations (Serem, 2013). Organizations that have the ability to implement strong financial management policies are almost guaranteed of performance because without financial resources, projects cannot be developed (Wanjiru, 2013). Financial management is therefore a key component in every organization since it controls one of the most valuable asset of an organization which financial resource.

Literature on financial management of organizations identify the components of financial management practices crucial to their performance as financial planning, control, analysis, financial and management accounting (pricing and costing), working capital management and budgeting (Osman, 2007). Studies have been carried out in relation to financial management both locally and globally: Financial practices among Small and Medium-sized enterprises in Sri Lanka were studied by (Karunananda & Jayamaha, 2011). It was found out that there is an impact of financial practices on business performance. A study was carried out by (Byarugaba et al. 2014), examining the effect of financial management practices on delivery health services in Rukungiri District in Uganda. The study results revealed that budgeting, financial accountability and financial controls had a strong significant relationship with service delivery.

Another study was carried by (Kamwana and Muturi, 2014) examining the effects of financial management on performance of World Bank funded projects in Kenya. The study found out that financial control, financial planning, financial monitoring, and financial evaluation improves project performance. An analysis of factors influencing financial control practices in community based organizations in Baringo County was carried out by (Evans, 2013). The study revealed that CBO officials technical skills, auditing, bookkeeping, internal control and budgeting were positively correlated with financial control practices.

Financial management policies are developed and implemented by organizations as a tool for ensuring proper management of financial resources in all areas of their operations. These financial management policies include ensuring that organizations have well laid down financial plans, financial monitoring systems, accounting systems as well as internal controls. The lack of implementation of proper management policy exposes NGOs to threats such as loss and misappropriation of assets, production of unreliable financial statements, incorrect and unreliable accounting data which may lead to reduced organizational confidence including application of accounting policies and procedures which are not consistent with the laid down laws and regulations. However there is a general view that implementation of a proper financial management policies may lead to better financial performance of NGOs.

A proper financial control system contributes greatly towards ensuring that stakeholder's investments are safeguarded together with the organization's assets. Strong financial controls improve on the data being issued to the management and help safeguard the assets of the organization (Kamwana & Muturi, 2014). It also emphasizes on accountability which need to be accurate to aid timely sound decision making. Therefore it is important that an organization should document, review, revise and test its financial controls on a regular basis and strengthen them where necessary. The study focused on financial planning, financial monitoring, accounting records and internal control as independent variables and how they affect organizational financial performance.

Performance measurement was foremost intended for the business sector but since the gap between business and non – profit sectors has narrowed considerably in the last decade, the interest in performance measurement in the non – profit sector has increase among researchers and practicians (Serem, 2013). According to (Ramadan & Borgonovi, 2015), the working environment of NGOs is dynamic and risky and the overall effectiveness of these organizations requires meeting the various demands of stakeholders through building realistic performance measurement and management systems. This study endeavors to establish the effects of financial management policy implementation on performance of NGOs in Nairobi County..

Problem Statement

The activities of NGOs has been on the increase over the past years due to the increase in funding that has been channeled to the NGOs by different donors. According to (Wanjiru, 2013), many NGOs have failed to secure funds from donors due to their financial management practices that are wanting thus making it difficult for them to perform. It is the role of the management to ensure that funds are used in an effective and efficient manner. According to the NGO report (2013), NGOs in Kenya face significant policy risks and challenges notwithstanding the various measures that have been placed to enhance proper management of finances. This has been a major hindrance to the operations of NGOs. For instance in 2014, the NGO Co-ordination Board deregistered 15 NGOs for being involved in financing terrorist activities while a further 510 NGOs were deregistered for failure to file their audited reports as required by the law. In 2015, the Board issued a notice to cancel registration certificates of 959 NGOs on the grounds of misappropriation of funds, money laundering, diversion of donor money and failing to file their audited accounts as required by the law. This has motivated this study aiming to establish the degree with which NGOs implement financial management policies on their operations.

Financial management policies are developed and implemented by organizations as a tool for ensuring proper management of financial resources in all areas of their operations. The lack of implementation of proper management policy exposes NGOs to threats such as loss and misappropriation of assets, production of unreliable financial statements, incorrect and unreliable accounting data which may lead to reduced organizational confidence including application of accounting policies and procedures which are not consistent with the laid down laws and regulations. However there is a general view that implementation of a proper financial management policies may lead to better financial performance of NGOs.

Financial practices among Small and Medium-sized enterprises in Sri Lanka were studied by (Karunananda & Jayamaha, 2011) and the study found out that there is an impact of financial practices on business performance. A study was carried out by

(Byarugaba et al. 2014), examining the effect of financial management practices on delivery health services in Rukungiri District in Uganda. The study results revealed that budgeting, financial accountability and financial controls had a strong significant relationship with service delivery. Most of the studies carried out have placed focus on public and private sector not on NGOs and thus, it is evident that there is a gap between the financial management policy and financial performance of NGOs. Therefore this research is determined to fill this gap by furthering the scope in the area of financial management policy implementation and its effect on financial performance of organizations with specific focus on NGOs in Nairobi County.

Theoretical Review

This study is guided by Agency Thoery, Theory of finaincial control and Harry Markowitz Modern portfolio theory

The Agency Theory

Agency theory relates firms as important structures to maintain contracts and therefore, it is possible to exercise control which curtails opportunistic behavior of agents. It assumes that firms are made up of a nexus of contacts that are made between the economic resource owners (the principals) and the managers (the agents) who are tasked with the responsibility of utilizing and managing those resources. Moreover, agency theory is based on the premise that agents are in possession of more information about the relationship, interest or work performance than the principal described as adverse selection and moral hazard. This information asymmetry adversely affects the principals' ability to establish whether the agents are performing exactly what they are engaged to do and that they have the required knowledge about how to perform their duties. It also assumes that both the principals and the agents will act in a rational manner aiming to maximize their wealth. Reduction of the agency problem in organizations has partially been owed to presence of financial controls over the years achieved through implementation of a sound organizational financial management policy. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) indicates that for controls to be effective, they need to be part of the entity's infrastructure to enable urgent response to the ever changing conditions and also to avoid unnecessary costs. This is because financial management policies are developed and implemented by organizations to help them achieve their objectives.

Theory of Financial Control

The theory of financial control was advanced by Ostman (2009). The theory takes into account the personal functions of humans, both in present day and future, as its underlying point of reference. This theory holds that an organizations existing and possible functions of financial tools for organizations are most essential. It also states that, payments, financial instruments, accounting, control models, economic calculations, and related considerations, both within and outside of the organization, ought to be discussed with regard to inner characteristics but also considering possible effects. It is noted that determining the relationships between various activities and financial processes, from a financial control point of view, is a general and basic issue (Ostman, 2009). The theory of financial controls places a natural focus on the organizations such that they are looked at from a number of latitudinal areas. The first relate to the human beings functions of what is accomplished through organizations, their activities and output. The second area involves the structure of the organization and activities, and of transactions and relations that various parties hold with each other. The third latitudinal area covers the control systems being the recurring procedures and methods that are employed to relate present and future functions to resources both externally and internally. The aforementioned financial control tools are argued to be critical from an individual organization's perspective and also for larger economic systems. The fourth and final latitudinal area shows the specific processes of individual organizations for certain issues. The theory further states that structure and financial control system works together (Ostman, 2009).The financial control theory is very relevant to the present study in that it gives a better understanding of financial controls which is an important aspect of financial management policy for implementation in an organization.

Harry Markowitz Modern portfolio theory

The Harry Markowitz Modern portfolio theory shows the correlation between the risk and return. The risk is measured by the variance of the returns from the expected returns, Markowitz (1991). If the investor wants high returns he must be content with taking higher risks and vice versa. Therefore, the construction of the portfolio must be efficient and the investor must spread the investments so as to minimize the diversifiable risk. Modern Portfolio theory helps in the financial planning in that it helps determine the expected risk and returns of assets in the portfolio.

Empirical Review

The adoption of good financial management policies tends to be critical for the success of organizations in today's environment which is dynamic and result oriented. Organizations also have several stakeholders such as financiers, members, recipient of services, regulators among others are also demanding for accountability on the use of financial resources and better performance from the management (Serem, 2013). Literature on financial management of organizations identify the components of financial management practices crucial to their performance as financial planning, control, analysis, financial and management accounting (pricing and costing), working capital management and budgeting (Osman, 2007).

Financial practices among Small and Medium-sized enterprises were studied by (Karunananda & Jayamaha, 2011). The study sought to ascertain the comprehensiveness of financial practices adopted by SMEs and evaluate whether they have an impact on performance of organizations. The study concluded that there is an impact of financial practices on business performance of SMEs.

A study was carried out by (Byarugaba et al. 2014), examining the effect of financial management practices on delivery health services in Rukungiri District in Uganda. The study explored the effect of budgeting, financial accountability and financial controls (independent variables) on health service delivery (dependent variable). The study adopted a case study survey design using both quantitative and qualitative approaches. The survey data was analyzed using descriptive statistics, correlation and regression analysis. The study concluded that the management should put in place strong budgeting systems, strengthen financial accountability and reinforce financial controls to enhance financial management practices hence improved health service delivery.

A study was carried by (Kamwana and Muturi, 2014) examining the effects of financial management on performance of World Bank funded projects in Kenya with particular reference to KPLC projects. The study concluded that financial control, planning, monitoring, and financial evaluation improves project performance.

A study was conducted by (Evans, 2013) on CBOs in Baringo County in order to analyze factors that influence their financial control practices. The study targeted 142 management staff of 220 CBOs using survey research design. The study finally concluded that CBO officials technical skills, auditing, bookkeeping, internal control and budgeting were positively correlated with financial control practices.

The framework of financial management comprises of systems, processes, procedures and internal controls regarding the means within which an organization manages its income, expenses, assets and liabilities (Golda, 2013). In order for organizations to manage their financial resource in a proper manner, the management develops and implements a financial management policy. A financial management policy is a policy developed by an organization establishing the organization's financial controls.

According to (SAS, 2002), financial control undertakings include development of policies and procedures that guarantee execution of management directives. These procedures and policies are instituted by management and directors to ensure the objectives of the organization are met including ensuring the organization conducts its business in an orderly manner, implementation of internal policies, assets are safe guarded, awareness of fraud and errors in the system and guaranteeing that accounting data produced is accurate and complete for production of financial statements (Walters and Dunn, 2001).

The issue of financial control systems is the most important in financial management (Evans, 2013). According to Block and Geoffrey (2008), controls are the procedures developed and implemented in order to protect the assets of an organization and ensure that errors and fraud in financial transactions are detected and dealt with. These control activities are the laid down procedures and policies that are adopted by an organization aimed at assisting them achieve the objectives of the organization. They are instituted to ensure that organizational finances are well handled.

From the above literature review, most of the studies that have been done have focused on public and private sectors not on NGOs and thus, it is evident that there is a gap between the financial management policy and financial performance of NGOs. Furthermore most of the literature about the study variables is for public sector organizations. Therefore this research undertook to further the scope of research in the

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area of financial management policy implementation and its effect on financial performance of organizations with specific focus on NGOs in Nairobi County.

Formulation of Research Conceptual Framework

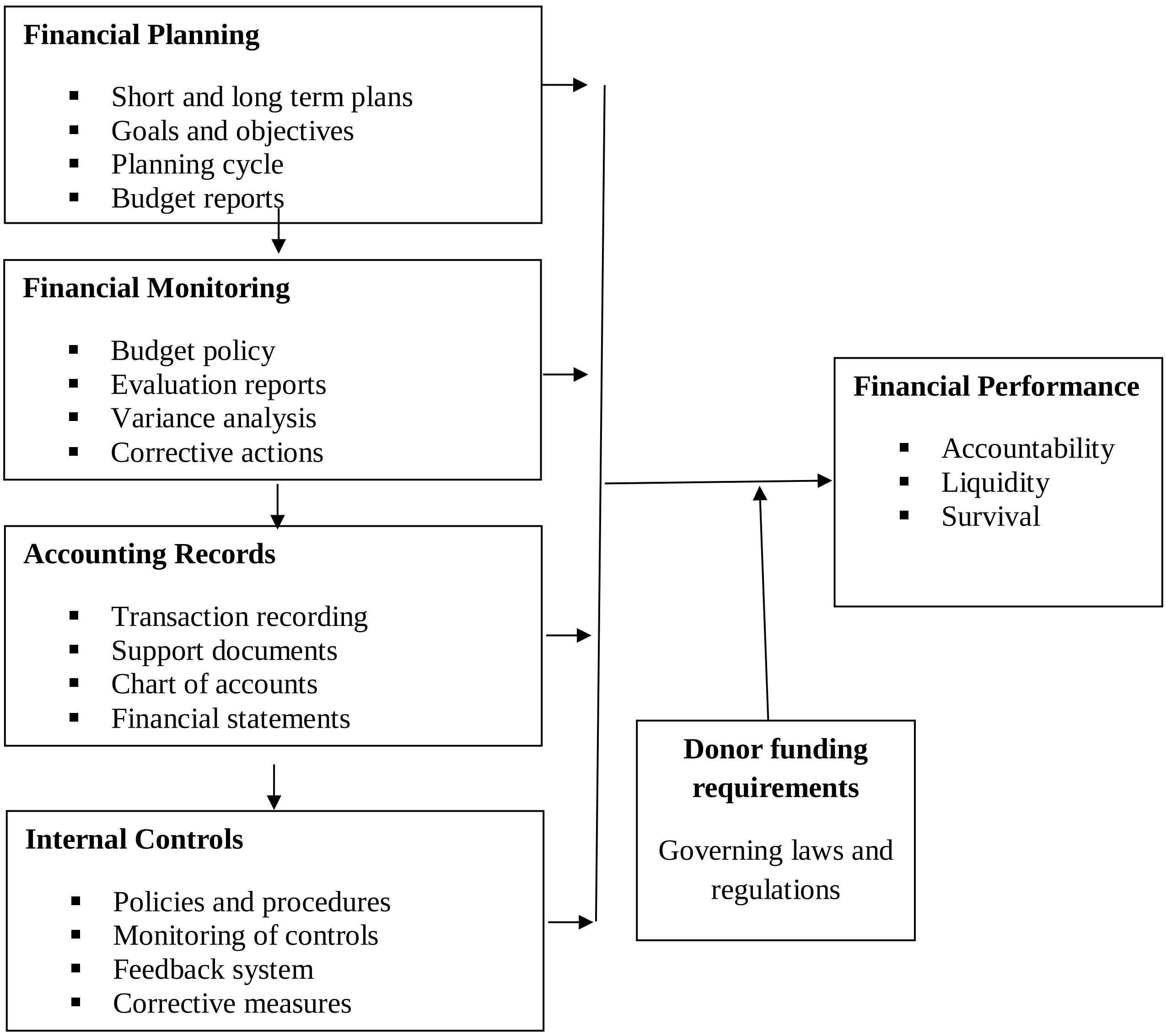

Figure 1. Conceptual Framework

Methodology

Research design

A descriptive research design was used in this study aiming to examine the status of financial planning in NGOs in Nairobi County. This design investigates the current status

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and nature of the phenomena since it usually involves a large sample. A descriptive study can be applied when the aim is to show the characteristics of some items, estimate proportions of people who have in one way or another made specific predictions exploratory in nature (Churchill, 1991). It is quite often related with describing a population with respect to necessary variables emphasizing on establishing a relationship between the variables. The descriptive research design was adopted in this study based on conceptual relationship between the independent and the dependent variable.

Research population and sampling

The target population consisted of 1,775 NGOs both international and local that are active and registered by the NGO Coordination Board and located in Nairobi County. The respondents were finance managers of these NGOs. The selection of Nairobi County is because according to Mwangi (2014) the county has a comparative high number of NGOs operating in close proximity at both local and international level with diverse activities.

Data Collection and Processing

The required data was collected through the use of questionnaires. Closed ended questions based on the Likert scale was used as they are easy to code and analyze while open ended questions was used to elicit more information from the respondents with an aim to achieve the objectives of the study. The benefits of using questionnaire is that it removes interviewer bias, gives respondents adequate time to go through the questions before answering them and also makes it possible to coordinate a large sample (Kothari, 2004). The questionnaires were managed through drop and later pick method at a time as agreed with the researcher.This method of administration is preferred because it has a higher response rate (Kerine, 2014).The questionnaires sought for information on the areas of focus taking into account availability of time and cost.

Preliminary Tests

Test of Normality

Statistical procedures require that the assumption of normality is tested. This is necessary to enable the graphical tests to be done about the normality of the data in order to check for skewness and kurtosis coefficients. It helps to determine if the data follows a normal distribution or it does not. If normality is not achieved, the results of the regression analysis for goodness of fit may not show the true picture of the relationship amongst the variables. In this study, normality was tested using Kolmogorov-Smirnov test and Shapiro – Wilk tests. According to (Razali & Wah, 2011), Shapiro-Wilk test is considered to be more appropriate or powerful normality test. It is a reliable test for determining skewness and kurtosis values of normality. If it is found to be below 0.05, the deviation of data from a normal distribution is significant.

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Table 1. Shapiro-Wilk Test of Normality

Variables	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	Df	Sig	Statistic	df	Sig
Financial Planning	0.51	1.282	0.000	.986	1.352	0.000
Financial Monitoring	0.41	1.252	0.000	.865	1.283	0.000
Accounting Records	0.40	1.351	0.000	.985	1.361	0.000
Internal Controls	0.40	1.212	0.000	.835	1.241	0.000

The results of the Shapiro-Wilk test presented in the Table 1. reveal that financial planning, financial monitoring, accounting records and internal controls were normally distributed. Since Shapiro –Wilk test results for the four variables are (0.000) which is greater than 0.05 confirms that the data is normal. In order to determine normality graphically, output of a normal Q-Q plot was used. The results of the Q-Q plot of performance is presented in Figure 2.

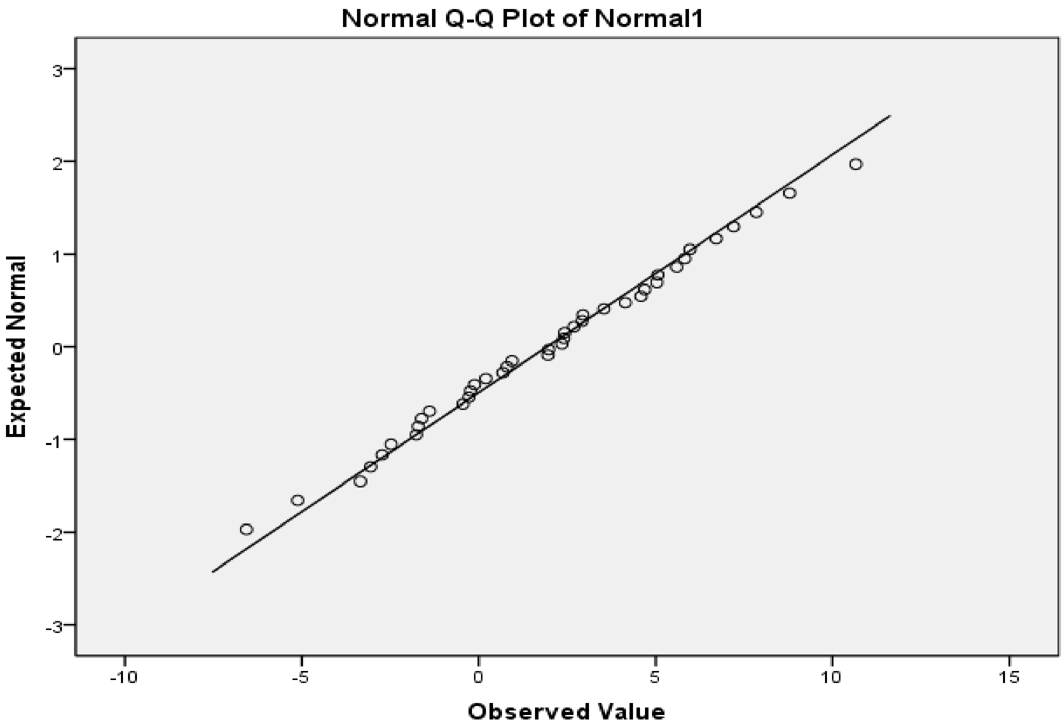

Figure 2. Q-Q plot

According to (Cooper and Schindler 2013), for a variable to be normally distributed most of the points should lie close to the diagonal line. From the results in Figure 2., the normal Q-Q plot indicates that the observed data versus the expected normal data is randomly distributed along the line of best fit indicating that the dependent variable is normally distributed

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Multicollineality Test

Multicollineality is the adverse situation where the correlation among the independent variables is high thus increasing the standard errors of the coefficients using collinearity statistics to obtain tolerance and Variance Inflation Factor (VIF). Tolerance is the variance in an independent variable that is not explained by other independent variables. It measures how much variance the regression is inflated by multicollinearity. The minimum cut off value for tolerance is (0.10) while the maximum acceptable cutoff value for VIF is (10). If two variables are not correlated, all VIFs will then be 1. If VIF for one of the variables is ≥5, then the variable is collinearly associated. The results for the four variables; financial planning, financial monitoring, accounting records and internal controls are presented in Table 2. and results show that all the VIFs for collinearity are below.

Table 2. Multicollinearity Test

Model	Unstandardized Coefficient		Standardized Coefficient			Collinearity Statistics	
	Beta	Std Error	Beta	t-value	Sig.	Tolerance	VIF
Financial Planning	1.762	1.009		1.835	0.095		1.253
Financial Monitoring	-0.690	0.514	-0.372	-1.327	0.214	0.957	1.003
Accounting Records	0.172	0.186	0.259	0.921	0.378	0.997	1.013
Internal Controls	0.171	0.126	0.229	0.931	0.368	0.987	1.014
Internal Controls	0.171	0.126	0.229	0.931	0.368	0.987	1.014

The results in table 2. shows that all the variables had a variance inflation factor (VIF) of less that 10; financial planning (1.253), financial monitoring (1.003), accounting records (1.013) while internal controls had (1.014) implying that there was no collinearity with the variables.

Regression Analysis

In this study, a regression analysis was conducted so as to establish the relationship between financial planning, financial monitoring, accounting records and internal controls (independent variables) and financial performance (dependent variable). The research used statistical Package for Social Sciences (SPSS) to code, enter and compute the measurements of the multiple regressions.

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Table 3. Model's Goodness of Fit Statistics

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
0.734[a]	0.539	0.503	0.1752	1.421

a. Predictors: (Constant), financial planning, financial monitoring, accounting records and internal controls

R^2 is a statistic which is commonly used to evaluate the model fit and it is 1 minus the ratio of residual variability. The adjusted R^2 value is also called the coefficient of determination and explains the percentage variance in financial planning, financial monitoring, accounting records and internal controls (independent variables) and financial performance (dependent variable). According to Table 3. the results of these four independent variables that were studied explain 54% of the financial performance of NGOs as represented by R^2. This presents a moderately strong relationship between dependent and independent variables. Therefore, this means other factors not included in this study contribute 46% of financial performance, thus there is a room for further studies to establish those other factors (46%) that affect financial performance.

Table 4. Regression Coefficients of the relationship between financial performance and the four predictive variables

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.544	0.425		8.545	0.045
Financial planning	0.541	0.154	0.656	5.574	0.035
Financial monitoring	0.644	0.874	0.241	2.486	0.049
Accounting records	0.148	0.441	0.282	1.031	0.038
Internal controls	0.504	0.685	0.257	2.412	0.043

The following regression result was obtained from the equation:

$$y = a + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + e$$

$$\mathbf{y} = 3.544 + 0.541\,\mathbf{x_1} + 0.644\,\mathbf{x_2} + 0.148\,\mathbf{x_3} + 0.504\,\mathbf{x_4} \qquad P = 0.039^{a}$$

From the regression model above, it has been established that taking all factors into account (financial planning, financial monitoring, accounting records and internal controls) constant at zero, the financial performance of NGOs in Nairobi County will be 3.544. The findings from the data above also show that taking all other independent variables at zero, a unit increase in financial planning will lead to 0.541 (P=.035) increase in financial performance while a unit increase in financial monitoring will lead to a 0.644 (P=0.049) increase in financial performance. The Table 4. also shows that holding other factors constant, a unit increase in accounting records will lead to a 0.148 (P=0.038) increase in financial performance. The findings further, shows that a unit increase in

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internal controls will lead to a 0.504 (P=0.043) increase in financial performance of NGOs in Nairobi County.

Overall, financial monitoring had the greatest effect on financial performance of NGOs in Nairobi County followed by financial planning and internal controls while accounting records had the least effect on financial performance on NGOs in Nairobi County. At 95% level of confidence and 5% level of significance, financial planning had a 0.035 level of significance, financial monitoring showed a 0.049 level of significance, accounting records had a 0.038 level of significance while internal controls had a 0.043 level of significance and therefore, the most significant factor is financial monitoring. However, all the variables were significant ($P < 0.05$).

Conclusions

The study sought to establish the effect of financial management policy implementation on financial performance of Non – Governmental Organizations in Nairobi County. Based on the findings of the study, it can be concluded that financial planning affects financial performance mainly through ensuring that that they have short term and long term plans, maintenance of budgets that have clear goals and objectives and cover all aspects of organizational mission. NGOs also ensure that their outcome of goals and objectives are aligned to programs where all departments prepare individual budgets prior to the year of budgets with the responsibility of setting priorities for the coming year being vested with the management committee.

The study also concluded that financial monitoring through holding of regular meetings to review performance by managers, departmental heads being responsible for the control of budget activities together with adopting corrective measures when adverse budget variances are reported affects financial performance. However, some NGOs did not prepare regular evaluation reports on performance of budgets with significant budget deviations not being reported to the management committee although management committees conduct regular follow ups on budget plans.

Further, the study found out majority of NGOs maintain proper accounting records as their account departments are headed by qualified and experienced staff who are trained to implement their accounting and financial management systems. NGOs also have computerized accounting systems with well-developed chart of accounts and the management prepares regular financial statements. This has led to reduced number of queries arising from audits of financial statements. The variable was also found to affect financial performance of NGOs in Nairobi County.

Finally, it was revealed that internal control affects financial performance of NGOs in Nairobi County. This is primarily through development of a financial management policy, management being committed to the operation coupled with close monitoring of implementation of internal controls, ensuring that there is a feedback system in place on the operation of the internal control system. NGOs also have systems with the ability to identify and safeguard assets while the management has instituted mechanisms to mitigate risks and ensuring that internal controls are reviewed and updated on a regular basis.

It was also established that majority NGOs reported that there was financial performance based on the findings from the financial performance indicators that NGOs were able to generate enough administration income to cover their running costs and they had adequate cash and cash equivalents to meet their financial obligations when they fall due. It was also revealed that their accounting systems generated reliable financial statements for management decision making and that they have internal control systems that endure proper utilization of organizational funds and assets.

Finally, results of the regression analysis deduced that financial monitoring had the greatest effect on financial performance followed by financial planning and internal controls while accounting records had the least effect on financial performance on NGOs in Nairobi County. However, there are other factors that contribute to financial performance of NGOs.

Recommendations

Financial monitoring is an important factor in influencing financial performance as observed from the study and therefore the management of organizations should put more efforts in sensitizing employees on the value of financial monitoring in order to enhance financial performance. Most NGOs do not conduct evaluation of reports on budget performance on a regular basis and also, significant deviations in budgets are not reported to the management committee. More training should be done to the managers on how to conduct more efficient financial monitoring by placing emphasis on all important aspects of monitoring in order to reap the full benefits of financial monitoring in their organizations.

On internal controls, the study recommended that the management of NGOs should ensure that there is feedback systems in place that will ensure corrective measures are taken to enable NGOs respond urgently to emerging risks arising from factors within the organization and also to any changes in the business environment. Also there is a need for NGOs to constantly review and update their internal controls to ensure they are aligned to the goals and objectives of the organization.

Based on the findings of this study, organizations should investigate other factors that affect financial performance apart from financial planning, financial monitoring, accounting records and internal controls in order to enhance their financial performance

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