

EFFECT OF CORPORATE GOVERNANCE PRACTICES ON PERFORMANCE OF NON-GOVERNMENTAL ORGANIZATIONS IN UASIN GISHU COUNTY, KENYA

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ABSTRACT

Some of the key challenges facing non-governmental organizations include failure to effectively enforce pertinent laws as they struggle to remain afloat. Lack of financial sustainability of several NGOs in Kenya is an indicator of poor organizational performance. These organizations also face the challenge of attracting enough donor funding and as such are unable to undertake their activities, programmes and projects efficiently. The objective of the study was to examine the effect of ethical practices on performance of NGOs. Both the agency and stakeholder theories guided the study. A descriptive research design was adopted. The study population comprised of the 106 accounting and management staff working with registered NGOs in Uasin Gishu County. A census approach was adopted. This study employed a research questionnaire that was both structured and self-designed. A pilot study was conducted to assess the validity and reliability of the research questionnaire. The data collected were subjected to both descriptive and inferential analyses with the facilitation of the Statistical Package for Social Sciences Version 24. Descriptive statistics comprised frequencies, percentages, means, and standard deviations. On the other hand, Pearson's correlation, and both simple linear and multiple regression analyses constituted inferential statistics. The results of the analyses are presented in form of tables. The study results indicated that ethical practices adopted by NGOs influenced the performance of these organizations. The study concluded that ethical practices were the most important factors that influenced performance of NGOs. The study recommended that the management of NGOs should ensure that the ethical practices are upheld and improved in order to ensure that their performance is sustained.

Keyword: Corporate governance practices, Ethical practices, Non-governmental organizations, Organizational performance, Uasin Gishu County.

1. INTRODUCTION

Corporate governance is a concept that has been around for years. Yousef (2007) defines governance as very formal process of governing a country or organization. On the other hand, corporate governance as described as the system by which organizations are directed and controlled. In the same breadth, corporate governance is said to constitute a set of rules that define the interactions amongst stakeholders, management, and the board of directors of a given organization and has an influence on its operations. Moreover, corporate governance provides the structure through which an organization's objectives are set. It also determines the means of realizing the stated objectives and monitoring performance (Ping & Andy, 2011).

In Bangladesh, Alamgir, Annamalai, Appasamy, Hassan, Hossain, Khan, Matsuert, Rasmussen, Zaman and Zannath (2006) noted that the rapid growth and diversification of the NGO sector has raised public policy challenges and questions. These include among others, NGO corporate governance and the implications of various ways of financing these organizations. Moreover, it is reported that there has been little systematic review of the public policy and corporate governance implicating of the evolving character of NGOs in Bangladesh (Alamgir et al., 2006). In an assessment of governance of non-governmental organizations in Uganda, Barr, Fafchamps and Owens (2004) noted that there exists corporate governance issues especially in reference to filing tax return. This is supported by the evidence that the NGOs are exempt to corporate tax yet, they fail to demonstrate that they certainly deserve such exemption. In Uganda, there are crooks and swindlers who are attracted to the sector by the prospect of securing grant money. The foregoing governance issues necessitate improvements in both monitoring and oversight of the growing NGO sector (Barr et al., 2004).

According to Natenzi (2012), there has been a significant increase in the number of non-profit making organization, mostly NGOs in Kenya since early 90's. Yet, the concept of corporate governance has hitherto largely been neglected. This is in spite of the demands by the society particularly, stakeholders for increased accountability on the organization's dealings. This has necessitated NGOs to have in place a strong and powerful board of directors that can provide oversight by using systems of measurement and control. In the same breadth, it is stated that corporate governance is a crucial enabling factor in the deployment of the organizations' resources with the view of optimizing the sustainable performance of the organization (Ng'eno, 2009).

STATEMENT OF THE PROBLEM

Some of crucial challenges facing non-governmental organizations in Kenya include lack of proper accounting standards, failure to effectively enforce pertinent laws and struggle to remain afloat (Norli, 2014). This is against the backdrop of requirement for effective supervision coupled by good corporate governance practices which enhance both accountability and transparency considered as important in attracting much needed donors. The latter is a pointer of the performance of NGOs.

According to Nalianya and Luketero (2017) NGOs in Kenya face challenges in ensuring both the achievement and effectiveness of the projects and programmes that they run, a fact that underlines their performance being below the stakeholders' expectations. Subsequently, this has lowered the confidence various stakeholder have in them as change agents. Granted that NGOs in the country largely depend on donor funding, that funding from the 15 of the world's leading donor institutions dropped by a margin of 10% in 2010 (Kapyepye, 2013), it is imperative to underline the importance of accountability and transparency which characterize effective corporate governance practices. Despite the importance of integrity and other governance practices being essential in running of NGOs, mismanagement of finances held by these organizations has raised pertinent questions (Kemei & Mweberi, 2017). Lack of financial sustainability of several NGOs in Kenya not only characterize poor performance, but it is also a pointer of ineffective corporate governance.

Some past scholars who have attempted to address the relationship between corporate governance practices and performance locally (Mwaura, 2013; Adera, 2014; Abdulkadir, 2014;

Makali, 2015) did not examine how corporate governance practices influence performance of NGOs. Instead the studies investigated financial accountability, performance, and implementation of control systems. It is against this background that it is imperative to investigate the aforesaid performance as affected by corporate governance practices. The proposed study will be delimited to a cross-section of registered NGOs presently operating in Uasin Gishu County, Kenya. The choice of this County is premised on the fact that, it is largely cosmopolitan and has in the past been an epicentre of ethnic violence. To this end, there are several NGOs that have set base in the County with the object of addressing issues affecting diverse ethnicities and arising from infringement of human rights occasioned by politically-instigated violence

OBJECTIVE OF THE STUDY

To examine the effect of ethical practices on performance of non-governmental organizations in Uasin Gishu County

RESEARCH HYPOTHESIS

H₀: There is no statistically significant effect of ethical practices and performance on non-governmental organizations in Uasin Gishu County.

THEORETICAL FRAMEWORK

Theories and/or models touching on both corporate governance practices and organizational performance are reviewed. The agency theory and the contingency theory are reviewed and discussed in the context of corporate governance practices and performance of non-governmental organizations.

CONTINGENCY THEORY

The contingency theory was developed by Fiedler (1964). The theory states that there is no best way to manage an organization. Fiedler argues that organizational effectiveness is based on the internal and external environment of the organization. The contingency theory contains the relationship between leadership style and the effectiveness of the situation. According to the theory there are two behaviours of effective leaders which include relationship oriented and task oriented leaders.

According to Morgan (2007) organizations are open systems that need careful management to satisfy and balance internal needs and adapt to environmental circumstances. He further noted that achieving organizational effectiveness depends on the task and the environment in which the task is taking place. Organizations management therefore, should be concerned with achieving positive organizations relationships as well as achieving their objectives.

Organizational effectiveness is measured by examining attainment of goals as indicated by measuring performance. NGOs should ensure that they attain their intended goals irrespective of the issues that arise so as to ensure that their performance is exceptional. (NGOs) should also ensure that their leaders are competent enough to deal effectively with the issues that arise in the organization so as to ensure the attainment of organizational goals.

Agency Theory

The agency theory was proposed by Jensen and Meckling (1976). The theory states that there exists a conflict between shareholders (stakeholders) and managers. The former are the principals while managers are the agents in a principal-agent relationship. The aforesaid conflict arises when the agents pursue personal interests at the expense of the principal's interests. According to Jensen (1986), conflict may also arise since shareholders require payouts for their investments, thus reducing the internal resources that are controlled by managers. Ordinarily, managers are compensated on the premise of accounting profits. Therefore, they are incentivized to manipulate information (creative accounting), and/or favour projects with poor net present value (NPV) as long as such projects or activities or programmes as long as they provide immediate profits (Dogan & Smyth, 2002).

Since there is desire for high rewards to induce managers to manipulate by either overestimating or underestimating indicators in order to make them more achievable in detriment of the value of the firm, for instance, by having inefficient debt targets. The principal-agent conflict often has negative consequences of probable loss in value of an organization. On the same breadth, Jensen and Meckling (1976) assert that the agency costs of separating ownership from control are not supposed to surpass as long as such issues as executive labour market and incentive plans are designed to minimize the self-interest of managers.

In respect of the present study, the agency theory can be employed to demonstrate the potential conflict between managers and/or directors of non-governmental organizations and the donors. Whereas donors' objectives are to maximize or optimize the organizational performance of NGOs, the directors or managers who act as the agents, may pursue personal interests that may conflict with the interest of donors. Eventually, the conflict may compromise the performance of these organizations.

EMPIRICAL REVIEW

Past empirical studies relative to corporate governance practices, that is ethical practices in addition to performance of non-governmental organizations are reviewed.

Ethical Practices and Performance of NGOs

A study was carried out by Wild (2012). The study dealt with ethical procurement strategies for International Aid NGOs. One of the aim of the study was to establish ethical procurement strategies for International Aid NGOs in humanitarian supply chains. Case study research design was adopted by the study. A total of 11 International Aid NGOs engaged in similar activities were selected. Interviews were conducted to senior logistics and purchasing managers of International Aid NGOs and organizations' suppliers. The study noted that there were strategies in place in respect to collaborative ethical procurement due diligence between the NGOs, suppliers and donors. It was however noted that there were concerns on ethical risks pertaining to humanitarian supply chains that differ with commercial supply chains in regard to the nexus between donors and suppliers

A study by Egharevba and Atkinson (2016) on the role of corruption and unethical behaviour

was conducted. The study particularly established the role of corruption and unethical behaviour in placement of industry sponsored clinical trials in Sub-Saharan Africa. The study objective was to explore the ethical considerations in respect to the affairs of pharmaceutical industry sponsored clinical trials. Interviews and questionnaires were used to obtain data from industry and health care professionals drawn from Nigeria, Ghana, South Africa, Uganda, Egypt and Liberia. The study findings showed that there were unethical behaviour highlighted across the aforementioned countries. Some were misappropriation of resources such as materials intended for pharmaceuticals being sold privately and pharmaceutical companies not being ethically compliant when conducting trials outside Europe. It was also noted that there were widespread corruption in the conduct of trial by pharmaceutical companies. The study recommended that stakeholders of pharmaceutical industry ought to discuss openly and create solutions based on transparency and accountability in regard to the affairs of the pharmaceutical companies.

In Kenya, a study was conducted by Ng'eno (2009). The issue was corporate governance practices and challenges among international NGOs. One of the objectives of the study was to establish corporate governance practices among international NGOs in Kenya. Cross-sectional survey was used. 50 international NGOs were sampled. Data were obtained by the use of questionnaires. It was indicated that the boards of the NGOs were functional and ensured good corporate governance. The boards were noted to put in place policies and guidelines that govern operations of the organizations. The boards were also noted to exercise ethical practices in ensuring organizations resources were prudently used.

Corporate Governance and Performance of NGOs

In Palestinian territories, a study by Aboramadan, and Borgonovi (2016) looked into strategic management practices and performance in the context of NGOs. The study examined the effect of strategic management practices proxied by environmental scanning, strategy formulation, strategy implementation and strategy evaluation and monitoring on financial and non-financial performance of NGOs. A correlational survey research design was used where quantitative approach was adopted. All the active international NGOs in different sectors in Palestinian territories were examined. The research findings demonstrated that both financial and non-financial performance of NGOs was determined by strategic management practices. It was recommended that NGOs should adopt proper strategic management practices to further enhance performance.

An empirical study was conducted by Oppong, Abedana, Owiredu and Asante (2016). The study concerned with internal control and performance of Faith-Based NGOs in Accra in Ghana. The purpose of the study was to assess the state of internal control practices in faith based NGOs and how the controls affected the performance of the organizations. Seven faith based organizations were targeted where 150 staff in administrative and supervisory departments were selected. Self-administered structured questionnaires was used to gather data from respondents. It was determined that control systems enhanced performance of the studied NGOs in economic and efficiency terms.

A study carried out by Adera (2014) assessed the factors that affect the performance of NGOs in

Kenya. The investigation was a case study where Action Aid International was considered. The objective of the study was to establish the factors affecting the performance of NGOs in Kenya. Census survey design was used. Data were collected using questionnaires. The findings showed that performance of NGOs had a positive relationship with strategic plans, staff management, financial stability and governance. It was also indicated that the studied organization had adequate skills for effective organization performance and had put innovative human resource management strategy to enhance organizational effectiveness.

CONCEPTUAL FRAMEWORK

A conceptual framework is defined as a schematic model that is employed to express abstract concepts and relationships easily and/or using minimal words (Narzaro, 2012). In this respect, a conceptual framework outlines variables or concepts regarding a given study. It further illustrates the presumed interaction between the stated variables. There were two sets of variables that were depicted in the framework that were, independent and dependent variables. Independent variables which are also referred to as predictor variables included the various corporate governance practices. The independent variable was ethical practices and Organizational performance was the dependent variable. Each of the stated variables (both independent and dependent) were operationalized using measurable indicators as illustrated.

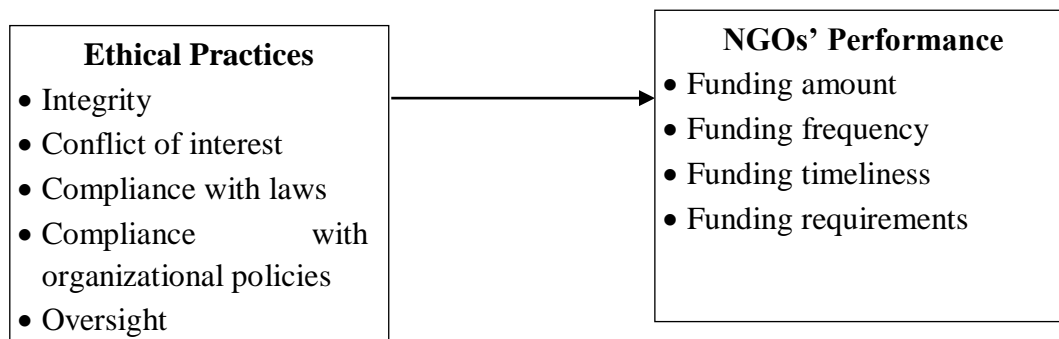


Figure 1: Conceptual Framework

RESEARCH METHODOLOGY

Introduction

Research methodology entails the procedure that is undertaken in respect of what kind of data, and how such data will be collected, from who, facilitated by what tools, and how the collected data will be processed and analyzed. In this respect, therefore, the chapter outlines the research design, target population, census design, research instrument, pilot testing, data collection procedure and data analysis methods. The chapter also states how the findings resulting from the aforesaid data analysis were presented.

Research Design

The success of every study is founded on the suitability of a research design. According to Kothari (2004), a research design is defined as a blueprint which guides how a research study is conducted. Considering various factors such as the target population, kind of data to be collected and methods of analysis, a descriptive survey research design was adopted. Descriptive design, in general, seeks to address ‘what?’ type of questions without distorting the study phenomena. In the context of the present study, the general question was, “What is the relationship between internal control system and corporate governance of non-governmental organizations in Uasin Gishu County?” Moreover, there was no any attempt to alter how the prospective respondents worked within their company nor interfere with the firm’s day-to-day operations, hence the choice of descriptive research design. In addition, the study adopted a quantitative approach where the data collected was exclusively numerical.

Target Population

An entire population to which the findings of a given study and conclusions thereof are generalized constitutes the target population (Kothari, 2004). The accounts and management staff working with registered NGOs in Kenya constituted the target population. The study population, on the other hand, is described as people, entities, or subjects who meet the operational definition of the target population. Interpretatively, it is the population to which the scope of the study is delimited (Alvi, 2016). In respect of the present research, the study population comprised of the 106 accounting and management staff working with registered NGOs in Uasin Gishu County as shown in Table 1 below.

Table 1: Distribution of Staff

Staff Category	Number
Accounting Staff	53
Management Staff	53
Total	106

Census Design

According to Lavrakas (2008), a census is an attempt to list all elements in a group, and to measure one or more characteristics of the stated elements. A census is preferred in research studies since it enables provision of detailed information regarding all or most elements in the population. Moreover, a census design enhances the generalizability of the findings to both the study and target populations (Kothari, 2008). In respect of the present study, a census approach was adopted where all the 106 accounts and management staff working with NGOs in Uasin Gishu County were projected to take part in the study.

Research Instrument

A research instrument is described as a tool that assists in the collection of data for a given study. This study adopted a research questionnaire that was both structured and self-designed. This implied that the questionnaire consisted of exclusively close-ended items (questions) hence the aspect of being structured. In addition, it was drafted by the researcher in person instead of

adopting from other sources, hence the aspect of being self-designed. According to Mugenda and Mugenda (2003), questionnaires are the most appropriate tools in facilitating collection of data from a relatively large population as it is the case of the present study. The choice of the structured questionnaire was further in tandem with the quantitative approach that the study adopted.

Pilot Testing

A pilot study is a preliminary study that is usually conducted on a relatively small scale with the view of determining the suitability of the data collection tool (Lavrakas, 2008). Other purposes of the study were to evaluate the feasibility and logistical implications of the study with the object of improving the effectiveness of the study. The pilot study was conducted on randomly selected accounts and management staff working registered NGOs in Kisumu County. The participants of the pilot study were 11, which was approximately 10% of the unit of analysis (Kothari, 2004). Relative to this study, the aim of the pilot study was to test the whether the research instrument was both valid and reliable to be used to assist in collection of data for the main study.

Data Collection Procedure

The procedure of data collection involved seeking permit, consent and approval of the relevant authorities in addition to administration of the research instrument on the projected respondents. Firstly, a letter from the University was obtained to allow the researcher to embark on the process of data collection. This was followed by obtaining an authorization letter and research permit from the National Council of Science, Technology and Innovation (NACOSTI). Subsequently, approval of the senior management of registered NGOs in Uasin Gishu County was obtained. The questionnaires were administered by the researcher in person. The filled questionnaires were collected after a period of time that was mutually agreed upon by the researcher and the management of the aforesaid organizations.

Data Processing and Analysis

The collected data were first screened to ensure both appropriateness and completeness. Any inappropriately or incompletely filled questionnaires were discarded as one way of minimizing outliers. The data were subjected to both descriptive and inferential analyses with the facilitation of the Statistical Package for Social Sciences (SPSS) Version 24.0 programme. Descriptive statistics comprised frequencies, percentages, means, and standard deviations. On the other hand, Pearson's correlation and multiple regression analyses constituted inferential statistics. The following regression models were adopted to address the objectives of the study.

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

Where

Y	represents	'Organizational Performance'
β_0	represents	Constant
X_1	represents	'Ethical Practices'
ε	represents	'Error Term'

β_1 represents ‘Regression Coefficient of the Independent Variable’

RESULTS AND DISCUSSION

Introduction

The chapter addresses the results and associated discussions in respect of the study objective. Firstly, the study presents the questionnaire return rate obtained from filled questionnaires vis-à-vis returned questionnaires. The background information of the accounting and management staff working with NGOs in Uasin Gishu County are then outlined. The foregoing is followed by results of both descriptive and inferential analysis in relation to ethical practices and performance of NGOs. The results are accompanied by pertinent interpretations and discussions.

Response Rate

Response rate is defined as the proportion of the number of questionnaires filled and returned vis-à-vis the total number of questionnaires administered on the respondents. The unit of analysis of the study comprised of a total of 106 accounting and management staff. This implies that all these staff were issued with questionnaires. However, not all the questionnaires issued were filled and returned. The returned figure amounted to 98 questionnaires. Therefore, the response rate was established to be 92.45%. This was found to be adequate (Nulty, 2008).

Descriptive Results

The opinions of the accounting and management staff working NGOs were assessed and duly analyzed. The opinions were in regard to characteristics of the board of directors, financial accountability, ethical practices, risk management effectiveness, and performance of NGOs in Uasin Gishu County. The data collected were in Likert scale ranging from 1 to 5 denoted as; 1 = Strongly Disagree, 2 = Disagree, 3 = Neither Agree nor Disagree, 4 = Agree, and 5 = Strongly Agree.

Ethical Practices in NGOs

The descriptive results indicated in Table 2 are in relation to ethical practices in the context of performance of NGOs’ in Uasin Gishu County, Kenya.

Table 2: Descriptive Statistics for Ethical Practices

	N	SA	A	NAD	D	SD	Mean	Std. Dev.
There are effective checks and balances in respect of our NGO’s overall performance	98	51.0	49.0	0	0	0	4.51	.502
Authorization of financial transactions is executed from a central point	98	46.9	53.1	0	0	0	4.47	.502
Financial and accounting documents and records of our NGO are adequate	98	46.9	53.1	0	0	0	4.43	.497

There is regular physical control of both assets and records in our NGO	98	40.8	57.2	2.0	0	0	4.39	.530
There is clear segregation of duties amongst all employees working with our NGO	98	36.7	59.2	0	4.1	0	4.24	.826

The study also sought the opinions of the study respondents in respect of ethical practices in the context of performance of NGOs. The pertinent results are outlined in Table 2. The results demonstrated that all respondents (100.0%) admitted that there were effective checks and balances in respect of the NGO’s overall performance. In addition, all respondents (100.0%) concurred that authorization of financial transactions was executed from a central point and that financial and accounting documents and records of the NGOs were adequate. Moreover, it was agreed by most (98.0%) of the respondents that there was regular physical control of both assets and records in the NGOs. However, 2.0% were indifferent of the view. A total of 4.1% disputed with the argument that there was clear segregation of duties amongst all employees working with the NGOs while 95.9% agreed with the assertion.

More so, the study established that on average, respondents were in admission with the opinions that there were effective checks and balances in respect of the NGOs’ overall performance (mean = 4.51) and that the authorization of financial transactions was executed from a central point (mean = 4.47). The study further established that there were insignificant variance in the opinions of the respondents in respect of the foregoing assertions (std dev < 1.000). It was also agreed that the financial and accounting documents and records of the NGO were adequate (mean = 4.43) and that there was regular physical control of both assets and records in the NGOs (mean = 4.39). The study noted that the foregoing assertions drew similar views from the study respondents (std dev < 1.000). Furthermore, the study results illustrated that respondents concurred that there was clear segregation of duties amongst all employees working with the NGOs (mean = 4.24). In this regard, respondents’ opinions were also closely related (std dev < 1.000).

Performance of NGOs

Performance of NGOs was parameterizing by various indicators of funding. The study findings concerning performance of NGOs are as shown in Table 3. The analyses of the opinions of the respondents in respect of performance of NGOs showed that 87.8% of the respondents admitted that funding requirements or conditions had increased significantly in the NGOs. Additionally, most (87.7%) of the study respondents concurred that the funds received were hardly sufficient to address the NGOs’ budgetary requirements. On the same breadth, 79.6% illustrated that at least once a year, the organization had been receiving regular funding. However, 16.3% of the respondents disagreed with the view. A total of 73.5% of the accounting and management staff were in agreement with the notion that in at least one month since the expected date of receipt, the NGOs rarely received funding in time. A significant number (22.2%), however, disputed the aforementioned assertion. The argument that the NGOs had received funding amounting to at least 10% increase in every subsequent financial year from donor agencies was disagreed by majority (69.4%) of the respondents.

The study also ascertained that respondents admitted to the views that funding requirements or conditions had increased significantly (mean = 4.08); and that the funds received were hardly sufficient to address the NGOs’ budgetary requirements (mean = 3.82). Respondents were noted to have related views regarding the foregoing notion (std dev < 1.000). The surveyed accounting and management staff admitted that the organizations, at least once every year, had been receiving regular funding (mean = 3.67) and that the NGO rarely received funding timely (mean = 3.55). In the same light, the respondents displayed similarity in responding to the aforesaid opinions (std dev < 1.000). Additionally, respondents disagreed with the view that the NGOs had received increased amount of funding from donor agencies (mean = 2.16). The respondents, however, had differing views regarding the assertion (std dev > 1.000).

Table 3 Descriptive Statistics for Performance of NGOs

	N	SA	A	NAD	D	SD	Mean	Std. Dev.
Funding requirements or conditions have increased significantly	98	24.5	63.3	8.2	4.1	0	4.08	.699
The funds received are hardly sufficient to address our NGO's budgetary requirements (budget deficit has been increasing)	98	6.1	81.6	4.1	4.1	4.1	3.82	.778
Our organization has been receiving regular funding (at least once every year)	98	4.1	75.5	4.1	16.3	0	3.67	.797
Our NGO rarely receives funding timely (at least one month since the expected date of receipt)	98	14.3	59.2	4.1	12.2	10.2	3.55	1.185
Our NGO has received increased amount of funding from donor agencies (at least 10% increase every subsequent financial year)	98	6.1	12.2	12.2	30.6	38.8	2.16	1.241

Inferential Analysis

The study further determined the influence of corporate governance practices on performance of NGOs in Uasin Gishu County. The characteristics of board of directors, financial accountability, ethical practices and risk management effectiveness were each correlated with performance of NGOs. In addition the general relationship (R) between all the studied corporate governance practices and the aforesaid performance was examined. The coefficient of determination (R²) was further determined. The F-statistic was employed to assess the significance of the general regression model. Moreover, the diagnostic tests were employed to determine the extent of multicollinearity problems in the predictor constructs. The beta coefficients were used to illustrate the extent to which each of the corporate governance practices influenced performance of NGOs. The t-statistics were used to test the null hypotheses.

Results of correlation analysis

The study further sought to unearth, in isolation, the nexus between ethical practices and performance of NGOs. The results in Table 4 illustrates that there existed a positive, moderately

strong, and statistically significant relationship between ethical practices and performance of NGOs ($r = 0.381^{**}$; $p < 0.05$). The correlation results implied that as the NGOs continued to adopt stronger ethical practices, the higher the chances that their performance was bound to improve, and the reverse was established to be equally true. It can be concluded that sound ethical practices were likely to be responsible for enhanced performance of the NGOs in Uasin Gishu County. The findings herein were in concurrence to a previous study conducted in Kenya by Makali (2015), which indicated that ethical practices influenced procurement performance, which is part of the overall organizational performance.

Table 4: Correlation between Ethical Practices and Performance of NGOs

		Performance of NGOs
Ethical Practices	Pearson Correlation	.381 ^{**}
	Sig. (2-tailed)	.000
	N	98

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

Results of regression analysis

The study analyzed the effect of ethical practices on the performance of NGOs in Uasin Gishu County. As shown in Table 5, the relationship (R) between the aforesaid determinant and performance of NGOs was determined. In addition, the study analyzed the coefficient of determination (R^2) with the view of establishing the extent to which the ethical practices explained variation in performance of NGOs.

Table 5: Model Summary for Ethical Practices and Performance of NGOs

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.381 ^a	.145	.136	.39052
a. Predictors: (Constant), Ethical Practices				

The results ($R^2 = 0.145$) shown in Table 5 indicate that 14.5% of variance if the performance of NGOs could be explained by ethical practices adopted by the surveyed NGOs. Ethical practices were found to be crucially fundamental in the performance of the aforesaid organizations. This is premised on the fact that NGOs are interested in providing stellar services, which normally serve as basis of performance. Top-notch service delivery is one of the ethical practices of most NGOs.

Table 6: Analysis of Variance

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	2.480	1	2.480	16.260	.000 ^a
Residual	14.640	96	.153		
Total	17.120	97			

a. Predictors: (Constant), Ethical Practices
b. Dependent Variable: Performance of NGOs

The results ($F = 16.260$; $p < 0.05$) indicated in Table 6 illustrate the significance and the appropriateness of the linear regression model ($Y = \beta_0 + \beta_3 X_3 + \epsilon$). The results meant that ethical practices adopted by the surveyed NGOs had positive and statistically significant influence on performance of NGOs. The ethical practices, therefore, had a linear relationship with performance of NGOs. The adopted linear regression model was thus found fit in establishing the influence of ethical practices on performance of NGOs.

Table 7: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	1.779	.418		4.256	.000
Ethical Practices	.381	.094	.381	4.032	.000

a. Dependent Variable: Performance of NGOs

The results shown in Table 7 indicated that variation of ethical practices (β_3) by 0.381 units resulted to a 1 unit variation in the performance of NGOs (Y) as shown by the linear model $Y = \beta_0 + \beta_3 X_3 + \epsilon$ which is explained as $Y = 1.779 + 0.381 X_3 + 0.094$ when other factors were held constant.

Testing Null Hypothesis (H_0)

The results of the t-statistics were used to test the null hypothesis (H_0) as illustrated below.

H_0 : There is no statistically significant effect of ethical practices on performance of NGOs in Uasin Gishu County

H_A : The effect of ethical practices on performance of NGOs in Uasin Gishu County is statistically significant

The findings of the t-statistic were ($t = 4.032$; $p < 0.05$). In this regard, the influence of ethical practices on performance of NGOs in Uasin Gishu County was established to be statistically significant. The null hypothesis was rejected while the alternative hypothesis was taken to be true. Ethical practices of NGOs in Uasin Gishu County determined, largely, the performance of the NGOs. Such practices such as safeguarding organizations' resources and ensuring that sound use of resources enhanced performance of NGOs in the County.

DISCUSSION

It was revealed that there were effective checks and balances in respect of the NGO's overall performance and that authorization of financial transactions was executed from a central point. On the same breadth, the study noted that the financial and accounting documents and records of the NGOs were adequate. Moreover, it was illustrated that there was regular physical control of both assets and records in the NGOs. Additionally, it was disagreed that there was clear segregation of duties amongst all employees working with the NGOs. The study, more so,

established that the relationship between ethical practices and performance of NGOs was positive, moderately strong, and statistically significant. The foregoing implied that as the NGOs continued to adopt more robust ethical practices, the higher chances that their performance was bound to improve.

CONCLUSIONS AND RECOMMENDATIONS

The study concluded that there were effective checks and balances in respect of the NGO's overall performance. It was also concluded that the NGOs' financial transactions were executed from a central point and there were adequate financial and accounting documents and records. In addition, it was inferred that there was regular physical control of both assets and records in the NGOs. Further, the study concluded that there were no clear segregation of duties amongst all employees working with the NGOs. The study concluded that ethical practices were the most important facets of corporate governance in respect of enhancing performance of NGOs in Uasin Gishu County. The study recommended that the NGOs management should ensure that the ethical practices are upheld and improved in order to ensure that financial performance is sustained.

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