

**THE EFFECTS OF FINANCIAL ACCOUNTABILITY ON THE EFFICIENCY
OF NON-GOVERMENTAL ORGANIZATIONS IN NAIROBI COUNTY**

BY

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ABSTRACT

Financial accountability has been one of the most problematic and prevalent issues for business worldwide for a long time; however, there has been much more attention and research dedicated to the topic after the scandals such as Enron, WorldCom and others. Increase in financial misappropriation and number of corporate scandals had an important impact on understanding and analyzing financial accountability and in turn on audit of the same and its regulation. Poor economic management and governance by African Governments has resulted in donors shifting their attention and increasing funding to NGOs from the early 1990s. However, the NGOs are faced by many fraud and corruption scandals and individuals abusing disaster relief and donations with effect of financial accountability on efficiency remaining unknown. This study therefore sought to bridge this gap by investigating the effect of financial accountability on the efficiency of non-governmental organizations in Nairobi County. The research adopted a descriptive design. The population consisted of all NGOs registered with NGO Coordination Board in governance sector that were located in Nairobi County from which a random sample of 72 NGOs in governance sector. Data was obtained from primary data using structured questionnaire using the Likert measurement scale. Data collected was sorted, classified, coded and analyzed using Data Envelopment Analysis (DEA) to measure the efficiency of NGOs and analyzed using SPSS version 21. Likert scale was highly used to measure the variables. The study found that financial accountability has positive and significant effect on efficiency of nongovernmental organizations in governance sector in Nairobi County. Additionally, the study found that individually and combined, financial accountability, staff experience and organization of NGOs have positive effect on NGO efficiency. NGOs with flat hierarchy were found to have better flow of information which promotes financial accountability and consequently efficiency of the NGOs. The study also found that NGOs using high percentage of their income from donor sources are less efficient than those using income from other sources. The study recommends formulation of policies by the relevant regulatory bodies to ensure that the NGOs enhance accountability for improved efficiency.