ABSTRACT

Financial reporting by Community Based Organizations (CBOs) has become an issue of global concern; because of their local operations CBOs do not use standards in their operations. The financial reporting of the CBOs do not result into relevant and reliable information to donors and this affect timely fund disbursements and activities' implementation. Previous studies have focus on larger Non Profit Organizations but limited reference to CBOs financial reporting relevance and reliability. Given the importance of financial reporting, there is limited information relating to governance, accounting and accounting systems, on relevance and reliability in the context of CBOs. The purpose of the study was therefore to analyze factors affecting financial reporting of CBOs in Kisumu County, Kenya. Specifically, the study sought to establish the effect of governance, analyze effect of accountability and establish the effect of accounting systems on financial reporting in the CBOs. The study was anchored on the contingency theory. The study employed correlational research design targeting 55 CBOs Accounting Officers and 8 management and monitoring officers. The research did census survey of the target population. Primary data was obtained through self-administered semi-structured questionnaires while the secondary data from desk review of relevant materials. Pilot study of 5 Accounting Officers from the target population in 5 constituencies was done. The reliability of the instrument was estimated after the pilot study of 5 CBOs, the result gave Coefficient alpha of 0.949. Validity of the instrument was verified using experts' reviewers. Data analysis was done using descriptive statistics, Pearson's correlation and regression analyses and presented in tables. The findings were that governance was a positive insignificant predictor of financial reporting ($\beta = 0.172$, $p = 0.140$) implying that for every unit increase in governance, financial reporting will increase by 0.172; accountability positively insignificantly influences financial reporting ($\beta = 0.125$, $p = 0.327$) meaning for every unit increase in accountability financial reporting will increase by 0.125 and accounting systems significantly affect financial reporting ($\beta = 0.548$, $p = 0.00$) implying that for every unit increase in accounting system financial reporting will increase by 0.548. The study concludes that embracing governance, accountability and accounting systems lead to quality financial reporting. The study recommends that CBOs should intensify good governance practices, improve accountability and strengthen accounting systems. The study findings may help CBOs in improving compliance to donor requirements and inform CBO sector policy formulation in Kenya and the funding partners. The study can form basis for further research in the area.