

**DIVERSIFIED REVENUE STREAMS AND THE FINANCIAL SUSTAINABILITY  
OF NON-GOVERNMENTAL ORGANISATIONS IN KENYA**

**BY**

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**OCTOBER, 2024**

## DECLARATION

I declare that this dissertation is my original work and has not been previously published or submitted elsewhere for award of a degree. I also declare that this contains no material written or published by other people except where due reference is made and author duly acknowledged.

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I do hereby confirm that I have examined the master's dissertation of

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## **ABSTRACT**

For NGOs to sustain their operations and preserve their influence, achieving financial sustainability is vital. Diversifying an organization's income streams is essential, especially in light of the reduction in donor financing. The purpose of this study was to ascertain how revenue diversification affects non-governmental organizations' (NGOs') long-term financial sustainability in Kenya. In particular, it looked at how grants, fee based services, interest income from revolving funds, and income generating activities affected Kenyan NGOs' ability to be financially sustainable. The study was guided by three important theories: Resource-Based View, Institutional Theory, and Resource Dependency Theory. A descriptive study design was used, with 249 Nairobi County-based NGOs as the target population. 154 NGOs that were committed to reducing poverty were chosen through the use of a purposive sampling technique and simple random sampling. The main method of gathering data was a survey of one hundred fifty-four managers from these NGOs using questionnaires. The data that had been evaluated was displayed using both inferential and descriptive statistics. The results showed that grants, fee-based services, interest from revolving funds, and income generating activities all had an impact on NGOs' ability to remain financially sustainable. The findings showed a correlation between increased financial sustainability and an increase in any of these revenue streams, including, grants, and fee based services. On the other hand, a rise in these sources of income, income generating activities and interest income decreased financial viability. Therefore, there was a better likelihood that NGOs with a variety of income streams would continue to be financially stable. The study came to the conclusion that every revenue source it looked at was important in figuring out financial viability. The report suggested that NGOs should focus on building and maintaining strong, diverse relationships with a wide range of donors. It also recommended NGOs should invest in building their capacity to deliver high-quality, competitive services that meet the needs of their target audience. Thirdly, NGOs should invest in ongoing monitoring of loan performance and provide continuous support to beneficiaries throughout the loan period. Lastly, before initiating or expanding these projects, NGOs should conduct thorough feasibility studies and market analyses.

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

**AED-** Academy for Educational Development

**ACBF** - African Capacity Building Foundation

**AMREF-** African Medical and Research Foundation

**KNBS** - Kenya National Bureau of Statistics

**RBV-** Resource Based View

**NGO** – Non-Governmental Organization

**UNDP** - United Nations Development Programme

**USA-** United States of America

**USAID-** United States Agency for International Development

## TERMS AND DEFINITIONS

**Capacity Building:** Efforts undertaken to improve an NGO's internal skills, resources, and processes, enabling it to operate more effectively and achieve its mission. (Alaerts 1999)

**Fee-Based Services:** Services offered by an NGO for which a fee is charged to the recipient. (Curtis 1996)

**Financial Sustainability:** The ability of an NGO to maintain its financial health and continue its operations over the long term without relying excessively on external funding. (Gleißner W 2022).

**Grants:** Funds provided by governments, foundations, or other entities that do not require repayment. (Siahaan 2022)

**Income-Generating Activities:** Initiatives or projects that NGOs undertake to generate income. (Ugwu 2018)

**Interest Income from Revolving Funds:** The revenue generated from loans made to beneficiaries from a fund set aside by the NGO. As beneficiaries repay their loans with interest, the income earned contributes to the financial resources of the NGO. (Wasser 2020)

**Market Analysis:** The process of assessing the viability of potential income-generating activities by examining market conditions, consumer demand, competitive landscape, and economic factors that could impact the success of these initiatives. (Glasner 2020)

**Revenue Streams:** The various sources from which an NGO generates income. (Remeňová 2020)

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

NGOs around the world have been grappling with financial instability, raising concerns about their long-term viability. This vulnerability became especially clear during the COVID-19 pandemic, which triggered widespread financial and economic disruptions, significantly affecting NGO funding. According to the Center for Effective Philanthropy (2021), 44% of NGOs in the U.S. faced financial difficulties during this period. Similarly, economic downturns in European nations such as Greece and Spain have led to a rise in NGOs struggling to stay afloat (Dolan, 2017). In 2017, several NGOs in Hungary that heavily relied on funding from the Open Society Foundations (OSF) were forced to shut down after OSF announced its withdrawal from the country.

In Africa, financial challenges have had a severe impact on NGOs, with Olufadewa (2021) estimating that 25% of them have been forced to close due to funding issues. The sustainability of civil society organizations across the continent remains precarious, with 60% of NGOs citing financial constraints as a primary concern. In modern African development, NGOs play a critical role in the broader "development machinery," a complex network that includes governments, experts, professionals, and academics, all working to provide essential development interventions.

In Kenya, the financial sustainability of NGOs is an ongoing challenge. Of the roughly 15,000 registered NGOs in the country, over 4,000 have been deregistered due to financial

viability issues, and 67% of the remaining NGOs report financial instability, struggling to meet their financial obligations (Rocafort, 2019). These statistics underscore the urgent need for research into revenue diversification strategies to address the financial challenges facing Kenyan NGOs. By diversifying their revenue streams—through a mix of donor grants, fee-based services, product and service sales, and interest income from revolving funds—NGOs can reduce their dependency on a single source of funding and establish a more stable financial foundation (Rocafort, 2019).

### **1.1.1 Financial Sustainability**

NGOs encounter a variety of financial difficulties worldwide. Government support for NGOs has decreased as a result of populist politics' emergence in several nations (Obuch, 2020). Furthermore, with disruptions in fundraising efforts and a rise in service demand, the COVID-19 epidemic has shown weaknesses in the financial viability of NGOs (UNDP, 2019). For instance, the Fidesz party of Prime Minister Viktor Orbán led the Hungarian government, which came under fire for cutting off funding to non-governmental organizations that opposed its policies. The Open Society Foundations and other NGOs that accepted foreign financing were subject to restrictions after the Hungarian Parliament approved the "Stop Soros" law in 2017 (UNDP, 2019).

Africa provides a unique environment for NGOs' long-term financial sustainability. The region is home to a large number of non-governmental organizations (NGOs) that engage in a range of sectors, including as environmental conservation, healthcare, education, and poverty alleviation. However, donor reliance and restricted access to funding are two problems that African NGOs frequently face (Dupuy et al., 2015). An organization in Uganda called Grameen

Foundation works to reduce poverty by providing digital financial services and microfinance. To assist different community groups in achieving financial stability, they offer training and financial instruments. In addition to serving marginalized communities, the Grameen Foundation struggles financially as a result of changes in donor contributions (McCole, 2014).

Kenya boasts a robust non-governmental organization (NGO) sector that is essential in tackling social and economic issues. However, there have been changes in the financing sources available to Kenyan NGOs, with a greater focus on philanthropy and the mobilization of local resources (Indagasi, 2023). For financial support, a large number of non-governmental organizations in Kenya have historically depended primarily on foreign donors and development agencies. These funders frequently contributed substantial sums of money to initiatives and initiatives addressing various social and development-related problems. But because Kenyan NGOs rely so heavily on outside funding, they are susceptible to changes in donor priorities and variations in foreign contributions. (Indagasi, 2023).

### **1.1.2 Diversifying Revenue Sources**

The understanding that an over-reliance on a single revenue source might leave NGOs vulnerable to changing donor preferences or outside shocks is the driving force behind diversifying revenue streams (Indagasi, 2023). Donor money can be erratic and susceptible to shifting geopolitical factors, as Indagasi (2023) points out, which emphasizes the significance of looking into a wider range of revenue options. Furthermore, at times of crisis, as the COVID-19 epidemic, when traditional fundraising techniques like events and public gatherings were badly disrupted, the importance of revenue diversification becomes even more apparent (Funding Centre, 2020).

NGOs operating in Africa have been investigating revenue diversification tactics more and more (Prizzon, 2021). In order to reduce the dangers associated with relying solely on donor funding, 68% of NGOs in East Africa emphasize the need for diversification (Prizzon, 2021). With an emphasis on income production from grants, fee-based services, interest income from revolving funds, and income generating activities, non-governmental organizations (NGOs) in Africa are placing an increasing emphasis on revenue diversification (Indagasi 2023). These patterns demonstrate the importance of looking at how revenue diversification impacted the NGOs' ability to be financially sustainable in Africa.

NGOs play a big part in addressing social, economic, and environmental challenges, claims Twikirize (2017). Unfortunately, an over-reliance on a single financing source—grants and donor support—endangers their ability to maintain a solid financial position. 73% of Kenya's non-governmental organizations (NGOs) get money from foreign sources, underscoring the necessity of revenue diversification for improved financial sustainability (Omeri, 2014). Furthermore, a research study found that 37% of Kenyan non-governmental organizations had adopted revenue diversification measures apart from donor funding and grants (Egger & Schopper, 2022). Furthermore, the instability of grants and donor funding emphasizes the risks associated with depending solely on one source of income. Changes in donor objectives, political and economic situations, or both, have the potential to abruptly disrupt nongovernmental organizations' financial viability (Nguyo, 2014). Since revenue diversification allows non-profits to access a larger range of revenue sources, including fee-based services and income generating activities, it is becoming more and more popular as a strategic response (Olinski, 2022).

### **1.1.3 Diversifying Revenue Sources and Financial Sustainability**

Diversified revenue streams are now essential for NGOs to reduce financial risk and strengthen their resilience. Global development support to NGOs decreased by 4% between 2016 and 2022, according to Abiddin (2022), underscoring the necessity for NGOs to look into alternate financing sources. Most of the research in this field has historically focused on investigating financial sustainability techniques and financing sources, with a particular focus on donor support (Patel, 2016). However, in order to ensure their long-term viability in a time of shifting donor priorities, economic uncertainty, and growing problems, NGOs are being forced more and more to look for other and diverse revenue streams.

In the context of non-governmental organizations functioning in Africa, achieving financial sustainability has grown to be a more intricate task. The need to diversify revenue streams has become more important as non-governmental organizations (NGOs) deal with shifting donor preferences, unstable economic conditions, and evolving regulatory environments. Although donor financing has traditionally been a major source of revenue for African non-governmental organizations (NGOs) (Moyo & White, 2019), it is now especially important for these organizations to have a variety of revenue streams in order to maintain their resilience in a constantly changing environment. The unique social, economic, and political dynamics of the African continent necessitate a thorough investigation of revenue diversification strategies adapted to its particular circumstances.

In 2021, donor donations and government funding decreased, resulting in changes in the total amount of financing received by NGOs in Kenya (Musambaki, 2023). Changes in the donor funding landscape forced Kenyan NGOs to look at alternate methods of income

generation in order to lessen their reliance on outside financing (Onsongo, 2012). The need to strategically diversify revenue sources has remained a top goal even though Kenya's regulatory environment for NGOs has changed over time, as evidenced by the passage of the Non-Governmental Organizations Co-ordination Act of 1990 (Republic of Kenya, 1990). Furthermore, unanticipated occurrences like the global COVID-19 outbreak have made it increasingly than important for NGOs in Kenya to modify their financial plans. Due to financial flow problems brought on by the pandemic, NGOs were forced to quickly reevaluate their business models in order to adapt to the quickly shifting conditions. (Pu, G., et al. (2021).

#### **1.1.4 Non-Governmental Organizations(NGOs)**

NGOs have a critical role in tackling social, environmental, and humanitarian challenges in society. They are independent, private organizations that focus on issues including advocacy, service delivery, and community development while operating outside of the authority of governmental institutions (Anheier & Ben-Ner, 2017). Kenya had more than 17,000 officially recognized NGOs as of 2020, and the number of NGOs has been steadily increasing (Kenya NGO Coordination Board, 2020). The role that NGOs play in the expansion of the Kenyan economy is significant. They contribute in ways that go beyond how they affect society and progress. Kenya's non-governmental organizations (NGOs) employed around 71,096 individuals and contributed Ksh 175.9 billion to the country's GDP in the fiscal year 2021–2022, according to an analysis by the KNBS (2022).

According to Odhiambo (2020), a number of non-governmental organizations (NGOs) in Kenya have shut down. Additionally, external issues like donor preferences changing, economic downturns, and international crises like the COVID-19 pandemic can put additional

burden on the NGOs' capacity to continue receiving funding. A significant percentage of NGOs are distinguished by their tiny size, relatively recent founding, and hazy future prospects. Non-governmental organizations (NGOs), both national and local, frequently find themselves in this predicament as they attempt to establish robust and effective management frameworks that ensure good governance. The development of efficient procedures is still an ongoing task for these organizations, and donor funding plays a critical role in ensuring their survival. Additionally, there is the evident issue of legitimacy, as NGOs may be arbitrarily established. This depends on how well-reasoned their requests are made to possible funders. These NGOs are prone to discontinuity because they are by nature delicate (Republic of Kenya, 2022).

## **1.2 Statement of the Problem**

For NGOs to maintain stability and spur expansion, financial sustainability is essential. When donor financial support ends, it might be necessary for the NGO to build a variety of resource bases in order to maintain its institutional structure and continue to provide benefits to the target clientele. However, when financing ceases, NGOs typically cease activities. The Academy for Educational Development (AED) is an example of an international NGO that shut down when donor financing was discontinued (Beam, 2011). Due to its inability to maintain its activities financially due to a lack of other financing sources, AED folded three months after the United States Agency for International Development (USAID) discontinued supporting it in 2010. AED's size and history contributed to the controversy surrounding its demise.

Economic difficulties, the government's inability to assist NGOs, and the absence of a developed charitable culture made these organizations unsustainable in Zimbabwe, in contrast

to western nations where domestic (or internal) funding for NGOs was restricted (USAID, 2010; NANGO, 2013). A small number of NGOs made money on their own through membership fees, product sales, and consulting services, but these sources were insufficient to fund their programs, thus they had to rely on outside funding sources (USAID, 2010). Since program scope and timing must be modified to accommodate donor timescales, which are frequently quite short, NGO programming is challenging due to donor funding uncertainty (Lewis, 2011; NANGO, 2013). Numerous small NGOs in Zimbabwe have closed as a result of funding cuts. According to Allan Nickson and Fundraisers International (2013), just seven of the thirty small NGOs that were randomly chosen and based in Harare in 2012 were still in existence; the others had shut down because of financial difficulties. It is crucial to investigate methods of improving NGOs' financial viability outside of external help given the unpredictability of donor support.

In Kenya, there are currently 12,000 registered NGOs, most of which depend on external funding, according to the KIPPRA Policy Brief (2023–2024). NGOs have been steadily increasing in number. The Miscellaneous Amendment Bill of 2013, which aimed to limit foreign funding to NGOs at 15% of their budget, was in conjunction with the falling state of international donations. This law makes an already difficult position even more difficult, which could result in a situation where the demand for foreign money outpaces the supply, which would then have an impact on the NGOs' capacity to remain financially viable. It stands to reason that some NGOs will fail due to a lack of financing. This will happen at the expense of the socioeconomic purpose upon which NGOs are founded, highlighting the necessity for NGOs to achieve financial sustainability.

Instead of focusing on organizational processes and factors determining organizational impact, the majority of research studies on NGOs in Kenya concentrate on program outcomes, capacity building, and government participation. Perhaps since NGOs have always been linked to seemingly limitless money from foreign donors, financial sustainability receives less attention. For NGO initiatives, obtaining significant, relevant, and ongoing funding has grown more difficult, frequently resulting in project delays. Instead of looking into other local financing possibilities, many local NGOs rely on donor contributions since they have trouble obtaining sufficient funds. This reliance on outside money may have an impact on donor priorities, thereby determining which programs are given priority (Morfit, 2011). As donor financing has decreased due to global issues including economic downturns, pandemics like COVID-19, and political conflicts like the Russia-Ukraine war, the situation has gotten worse. Furthermore, Kenyan NGOs' financial instability is exacerbated by their inability to obtain outside funding due to rigorous funding limitations, governance problems, and flaws in their financial management systems (Githaiga, 2022).

To provide evidence-based insights and recommendations for enhancing NGOs' financial resilience and long-term sustainability, it is critical to explore how diversifying revenue streams impacts their financial health (Asogwa, 2023). Therefore, the aim of this study was to investigate the role of revenue diversification in ensuring the financial sustainability of NGOs in Kenya.

### **1.3 Objectives of the Study**

#### **1.3.1 Main Objectives of the Study**

The main objective of the study is to determine the effects of diversifying revenue streams on the financial sustainability of non-governmental organisations in Kenya.

#### **1.3.2 Specific Objectives of the study**

- i. To determine the effect of grants on the financial sustainability in NGOs in Kenya.
- ii. To examine the effect of fee-based services on financial sustainability in NGOs in Kenya.
- iii. To ascertain the effect of interest revenue from revolving funds on financial sustainability in NGOs in Kenya.
- iv. To evaluate the effect of income generating activities on financial sustainability in NGOs in Kenya.

### **1.4 Research Questions**

- i. What effect do grants from particular sources have on the long-term financial viability of non-governmental organizations in Kenya?
- ii. What financial effect do fee-based services have on NGOs' long-term viability in Kenya?
- iii. To what extent does interest income from revolving funds affect NGOs in Kenya's capacity to maintain a stable financial position?

- iv. How does income generating activities affect the ability of Kenyan non-governmental organizations to maintain a stable financial base?

## **1.5 Significance of the Study**

For many stakeholders, the study on how revenue sources diversification affects the long-term financial viability of non-governmental organizations in Kenya would be crucial.

### **1.5.1 NGOs**

By analyzing the results of revenue diversification tactics, it advances knowledge regarding the NGO sector's financial viability. This information is essential because NGOs have difficulty finding consistent revenue sources and sustaining activities over an extended period of time. This study offers useful information about efficient revenue strategies that may improve the resilience and lifespan of non-governmental organizations by examining how revenue diversification affects financial sustainability. The analysis of revenue diversification techniques' outcomes in this study adds a great deal to our knowledge of the NGO sector's financial sustainability. Given the ongoing difficulties NGOs encounter all around the world in obtaining steady revenue and carrying out their operations, this contribution is particularly significant.

### **1.5.2 Government**

This is due to its possible effects on how policies are made and how the NGO sector is supported. Governments have a major role in fostering an atmosphere that allows NGOs to

prosper and become financially sustainable. The results of this study can help shape evidence-based programs and policies that support revenue diversification for non-governmental organizations. Understanding how revenue diversification affects an organization's ability to be financially sustainable allows the government to create targeted interventions that help NGOs overcome obstacles and take advantage of opportunities to diversify their sources of revenue.

### **1.5.3 Donors**

A significant portion of NGOs' revenue comes from donors. Donors can make better decisions about their financing methods by using the study's findings. The results of this study will also aid in the creation of more focused revenue strategies that improve the long-term viability and financial sustainability of non-governmental organizations. Donors should modify their strategies to better meet NGOs' needs for revenue diversification, which will help NGOs become more resilient and self-sufficient.

### **1.5.4 Scholars**

The results of this investigation will contribute to the current corpus of knowledge. That is, researchers can learn more about the variables influencing NGOs' financial sustainability and the tactics that can strengthen their resilience by examining the impact of revenue diversification on that sustainability. The results of this study will shed light on the significance of varying sources of income and the advantages that non-governmental organizations may experience in terms of resource mobilization and sustainability. These results can be expanded upon by researchers conducting comparable studies in various settings. Additionally, this

study's analysis of the relationship between revenue diversification and financial sustainability in Kenyan non-governmental organizations adds to the body of knowledge by illuminating contextual details.

## **1.6 Scope of The Study**

This study's primary objective was to look at the relationship between revenue diversification and NGOs' capacity to continue being financially sustainable. The dependent variable of financial sustainability has been compared to the independent variables of income generating activities, fee-based services, interest income from revolving funds, and individual donations in this study. The research was guided by the theories of resource dependency, institutional theory, and resource-based view. The study has concentrated on 249 NGOs that work to combat poverty in Nairobi County, and are duly registered with Kenya NGO Coordinating Board.

Furthermore, NGOs have been selected by simple random selection because there are numerous registered and active NGOs in the region. The finance managers of the sampled NGOs have participated in this study have been chosen by convenience sampling. A series of closed-ended questions have been developed as a component of a survey meant to gather quantitative information from stakeholders. The responders received their questionnaires in a fair amount of time.

## **1.7 Justification of the Study**

This study examines the impact of diversifying revenue streams on the financial sustainability of NGOs in Kenya. Many NGOs rely heavily on donor funding, which is often unstable and unpredictable. By exploring alternative income sources such as local fundraising and social enterprises, the research aims to provide practical solutions to enhance the financial resilience of NGOs. The findings are expected to inform policies that support NGOs in sustaining their operations and reducing their dependence on traditional funding. Given the critical role NGOs play in Kenya's development, this study is essential for ensuring their long-term survival and impact.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

The purpose of this study is to give readers a comprehensive overview of the body of knowledge, research, and gaps related to this specific topic. In order to ascertain how revenue diversification impacts the long-term financial viability of non-governmental organizations in Kenya, relevant research, theoretical frameworks, and empirical data will be examined.

#### **2.2 Theoretical Review**

The theoretical overview in this paper supports the exploration of revenue diversification strategies to enhance the financial sustainability of non-governmental organizations. The background information in this part helps readers comprehend how non-governmental organizations (NGOs) carefully manage their revenue sources to maintain their independence and long-term viability. It accomplishes this by referencing well-known concepts like Resource Dependency Theory, Institutional Theory, and Resource-Based View (RBV).

##### **2.2.1 Resource Dependence Theory**

Resource dependency theory is a fundamental concept in organizational sociology, maintains that organizations depend on outside resources for both expansion and survival rather than being self-sufficient entities (Pfeffer & Salancik, 1978). According to this theory, which

was created in the 1970s by Pfeffer and Salancik, in order for an organization to obtain necessary resources like finance, information, and legitimacy, it must establish interdependencies with external entities, including suppliers, clients, regulators, and other organizations. It highlights how the necessity for organizations to protect and manage these vital resources shapes their behavior, requiring them to make deliberate choices and adjust to account for external dependencies. The idea provides a prism to look at how companies manage a complicated network of relationships in order to thrive and achieve their goals.

The idea clarifies the real-world difficulties that companies encounter while acquiring and managing resources. It emphasizes how having a varied resource portfolio can reduce the dangers that come with depending too much on one source. Critics claim that by concentrating only on external factors, the theory may oversimplify the dynamics of resource reliance and ignore the impact of internal elements as well as an organization's power to change its environment (Hannan & Freeman, 1984). Furthermore, the theory's focus on acquiring resources is consistent with the nonprofit sector's increasing acknowledgement of the adaptability of revenue sources. In order to stay financially viable, NGOs typically have to navigate a challenging financing landscape, which calls for flexibility in their resource strategies.

The Resource Dependency Theory makes explicit the revenue-generating tactics used by NGOs. It draws attention to the close connection that exists between NGOs' capacity to control and diversify their resource demands and their ability to maintain a sound financial position. This theory can be used to investigate how NGOs navigate regulatory frameworks, get money, and form alliances through strategic interactions with funders, governments, and other stakeholders. Furthermore, the study's examination of the opportunities and difficulties

NGOs have in making money while abiding by donor directives and outside restrictions is consistent with the theory's acknowledgment of possible conflicts between NGOs and the people who finance them. Therefore, Resource Dependency Theory offers a robust framework for analyzing the intricate interactions that non-governmental organizations have with their resource contexts, enhancing our comprehension of the variables that influence their approaches to generating revenue.

### **2.2.2 Institutional Theory**

According to institutional theory, the larger institutional environment in which an organization operates has a considerable impact on it (DiMaggio & Powell, 1983). This thesis, which was put forth by DiMaggio & Powell in the 1980s, contends that in order for an organization to remain legitimate and secure its existence, it must adhere to the norms, values, and practices of the time. It highlights how institutional factors, such as formal rules, societal expectations, and cultural norms, influence organizational behavior and decision-making. It highlights how institutions have a significant impact on the power dynamics and organizational logics, which in turn shapes interactions and behaviors within organizations (Johnson, 2021). Three main types of pressure lead organizations to adopt similar structures. Legal responsibilities or the power of the organizations they depend on are the sources of coercive pressures. When faced with a great deal of uncertainty, a tendency known as mimetic pressures arises to emulate successful models. Last but not least, normative pressures are the pressures to adhere to established norms and conventions. These pressures originate from the common practices and shared ideas of professional associations and groups that are incorporated into the company through hiring practices (DiMaggio & Powell, (1980s).

Its acknowledgment of how societal norms and expectations influence organizational behavior is one of its strong points. The hypothesis has shown to be helpful in understanding why companies often follow the same procedures even when there are no overt competitive constraints. Critics counter that the approach may minimize organizations' agency and ability to make strategic decisions by oversimplifying the relationship between institutions and organizations (Scott, 2017). Furthermore, because Institutional Theory places more emphasis on legitimacy than adaptation, its emphasis on adhering to established norms may stifle innovation and change inside organizations. Moreover, the adaptability of Institutional Theory in comprehending how organizations react to external forces has been documented across a range of sectors and industries (Meyer & Rowan, 1977). However, the theory's possible shortcomings, such as its lack of focus on variances in organizations' strategic decisions, highlight the necessity of a nuanced viewpoint that takes into account internal agency as well as institutional influences in influencing organizational behavior. This dual factor could provide a more thorough knowledge of how companies manage the intricate interactions between their pursuit of financial sustainability, strategic choices, and societal standards (Scott, 2014).

This study makes use of institutional theory to understand how non-profits develop strategies for generating revenue. Using this idea as a guide, the study investigates how NGOs deal with expectations, societal norms, and outside pressures as they work toward financial sustainability. The study's objective, which is to understand how NGOs modify their revenue-generating tactics to win over stakeholders, is in line with the legitimacy-seeking behavior idea. Additionally, the study's examination of how NGOs convey their purpose and impact to raise funds is consistent with Institutional Theory's emphasis on the significance of symbolic activities and legitimation processes. All things considered, Institutional Theory provides a

strong framework for understanding the intricate interactions that exist between NGOs, their institutional setting, and revenue-generating techniques ((Meyer & Rowan, 1977)).

### **2.2.3 Resource Based View**

A strategic management theory known as the Resource-Based View (RBV) places emphasis on an organization's internal resources and skills as the main sources of competitive advantage and superior performance (Barney, 1991). A company's distinct collection of rare, precious, unique, and non-substitutable resources can give it a long-term competitive edge, according to RBV. According to this theory, in order to obtain a competitive advantage in the market, businesses should recognize and capitalize on their unique assets, including organizational culture, technological know-how, human capital, and brand recognition. These internal resources, according to RBV, serve as the cornerstone for generating distinction, adding value, and attaining sustained success.

Its emphasis on an organization's internal assets and the significance of cultivating competencies that are challenging for rivals to imitate are among its strong points (Barney, 1991). Critics counter that RBV may ignore market dynamics and outside influences that affect an organization's performance. Furthermore, some academics argue that the RBV paradigm is difficult to implement in real-world decision-making scenarios because it does not provide explicit criteria for recognizing and valuing resources. An additional critique of RBV is that its explanatory power may be limited as it fails to properly consider the influence of industry structure and competition on a firm's success.

In order to understand how NGOs strategically use their internal resources for competitive fundraising and income production, RBV theory is essential to this study. RBV makes it possible to investigate how NGOs' unique assets—such as their standing and experience—draw in partners and donors and promote long-term financial viability. The long-term financial sustainability objectives of the research are in line with RBV's emphasis on sustainable competitive advantage. Understanding and encouraging long-term financial sustainability within the NGO sector is the main objective of the research, and RBV's emphasis on sustained competitive advantage is in line with this purpose. Moreover, RBV's appeal for effective resource distribution aligns with the need for non-governmental organizations to exercise prudent resource management, guaranteeing maximum use in order to achieve long-term financial stability.

## **2.3 Empirical Review**

### **2.3.1 Grants**

Yan, Mmbaga, and Gras (2023) carried out a cross-sectional study with the objective of investigating the significance of grants as a means of revenue diversification for non-governmental organizations in Canada. Both quantitative financial record analysis and qualitative interviews were employed by the researchers. The findings showed that donor money made up a sizable amount of NGOs' revenue, with differences according to the NGOs' emphasis and size indicating that larger NGOs often relied more on donations to run their activities. Donor donations are an essential source of revenue for non-governmental organizations (NGOs), enabling them to remain financially stable and carry out their missions. Hung & Hager (2019) investigated the effect of donations on the financial viability of NGOs in the US. The researchers combined financial data analysis and questionnaires as part of a

mixed-methods methodology. According to the study, there was a noteworthy trend: NGOs that received big donations had an average yearly growth rate of 15%. This indicates that donor funding play a crucial role in promoting financial resilience.

Mensa-Bonsu (2021) used a sample of NGOs from Sub-Saharan Africa to perform a mixed-methods study to evaluate the effect of donations as a financing source for NGOs. The results underlined the crucial impact that donations play while also drawing attention to difficulties in managing and gaining access to gifts. The report suggested capacity-building programs to improve NGOs' abilities to handle donations and optimize the contribution of donor financing to guaranteeing long-term financial viability. Furthermore, Agha et al., (2014) carried out an empirical study in Nigeria. The purpose of the study was to determine how donations and the financial viability of non-governmental organizations in the area are related. Purposive sampling was used in the study to select a sample size. Financial record analysis and qualitative interviews were employed by the researchers. Results showed a similar pattern that highlighted the unique regional dynamics of donations: NGOs with strong donor ties were more likely to achieve sustainable financial success.

In 2019, Aquino carried a research in Kenya that examined the particular function of donor monies in bolstering the financial viability of non-governmental organizations in Kenya. The study concentrated on the target group, that work to reduce poverty and are situated in Nairobi County. In order to choose respondents, the researchers used a systematic sampling strategy that entailed looking into every sixth organization in the population, yielding a sample size of 15%. Data were gathered using questionnaires and both qualitative and quantitative methodologies. The study's conclusions demonstrated the important role that donations play in ensuring the financial stability of non-governmental organizations in Kenya. But it also

highlighted issues that NGOs faced when handling donor funding, namely their reliance on donors and the strict reporting standards that accompanied it.

Furthermore, a local investigation into the effect of donations on the financial sustainability of Kenyan NGOs was conducted by Ngugi in 2022. The study used the descriptive technique of research and targeted non-governmental organizations in Nairobi. Questionnaires served as the main data source. Surveys and in-depth interviews were combined with quantitative and qualitative approaches in this study. The study's conclusions highlighted that NGOs with a more diverse range of revenue sources—including contributions from individuals, businesses, and the diaspora—exhibited stronger financial stability, which fueled their expansion and allowed them to carry out their important mission.

### **2.3.2 Fee Based Services**

Abiddin's (2022) study looked at how Australian non-governmental organizations used fee-based services. A mixed-methods approach was used in the research, integrating case studies of Australian NGOs such as The Smith Family with questionnaires. The purpose of the study was to determine how fee-based services affect NGOs' ability to remain financially viable as well as how they help them broaden their programmatic scope. The results showed that these NGOs' fee-based services made up around 28% of their overall income, with training courses, consulting, and educational seminars being the most often provided services. NGOs who successfully combined fee-based services with their mission reported greater influence on their target populations as well as better financial viability.

Babu & Franzel (2021) investigated how Ugandan NGOs adopted and used fee-based services. The lookout using qualitative interviews and case studies, the researchers examined non-governmental organizations (NGOs) such as the African Medical and Research Foundation in Uganda and AMREF Health Africa, which provides health training and consulting services. The study aimed to determine the factors that led to and complicated the implementation of fee-based services in the region. The findings demonstrated that while fee-based services contributed to revenue stream diversification, non-governmental organizations (NGOs) continued to face challenges such as limited resources and competition from for-profit enterprises. On the other hand, non-governmental groups were able to expand their scope and generate revenue through fee-based services.

A study on the Kisumu-based NGO YEI was carried out by Simiyu & Sambu in 2012. They evaluated the financial impact of fee-based services through surveys and data analysis. The results showed that a sizeable portion of the NGO's total revenue comes from fee-based services. For instance, 15% or so of YEI's overall revenue came from fee-based training programs and vocational courses. In addition to improving YEI's financial sustainability, this revenue stream allows the organization to reach a wider audience and give Kisumu County's kids additional possibilities. YEI is a Kisumu County-based organization that provides a range of fee-based services, including career counseling, vocational training, and skill-building seminars, with the goal of empowering the young in the area. These services meet the requirements of young people in the area in terms of education and job development.

### **2.3.3 Interest Income from Revolving Funds**

Churchill (2020) looked at how microfinance schemes help non-governmental organizations make money. The goal of their study was to gain a thorough understanding of how revolving funds affect the financial stability of non-governmental organizations that operate in Germany and the surrounding nations. The study used a cross-sectional survey approach to collect data from a variety of NGOs in 109 countries. The results of the survey showed that, depending on the size and emphasis of the NGO, microfinance programs made up an average of 12% of the total revenue of NGOs. It's interesting to note that the study found that smaller NGOs tended to depend more significantly on revolving funds as revenue. Churchill (2020) examined the Empower Women Foundation, which aimed to provide economically disadvantaged women with opportunities for skill development and revenue-generating ventures. The study revealed that the non-governmental organization "Empower Women Foundation" makes money through revolving fund initiatives by lending small sums of money to female entrepreneurs so they can launch or grow their enterprises. The research revealed that the loans were paid back with interest, which helped the NGO fund its programs to empower women and reduce poverty.

Wright (2018) conducted a study in South Africa to investigate the function of microfinance programs as a revenue stream for non-governmental organizations. The main goal of the study, was to find out how much microfinance programs support the financial viability of NGOs in South Africa. In order to do this, the researchers used a mixed-methods research strategy that included qualitative interviews with representatives from different NGOs together with quantitative surveys. In order to have a thorough grasp of how microfinance affects NGOs' revenue sources, the study concentrated on a wide spectrum of NGOs operating

in various South African sectors. The researchers gathered information on the financial contributions of microfinance programs to the total revenue of participating NGOs through the use of quantitative surveys. Qualitative interviews also shed light on the tactics and difficulties these NGOs encountered while using microfinance as an income stream. The study's conclusions showed that NGOs in South Africa rely heavily on microfinance programs to generate revenue. An average of fifteen percent of the participating NGOs' overall earnings came from microfinance. This demonstrates how microfinance may provide NGOs in South Africa with a steady stream of income. In order to optimize the financial advantages of these programs for non-governmental organizations, the study stressed the significance of strategic planning and efficient cooperation with microfinance banks.

Ndung'u (2021) examined the Kenya Women Finance Trust (KWFT) case study in particular in order to concentrate on the function of microfinance programs in producing revenue for non-governmental organizations (NGOs). The study's main goal was to ascertain the degree to which microfinance initiatives support the financial sustainability of KWFT and other comparable NGOs in Kenya. The researcher thoroughly examined KWFT's financial records and operations using a case study technique. The study combined quantitative data analysis with qualitative interviews with key stakeholders to fully understand the effects of revolving funds on KWFT's revenue streams and overall financial stability. Kenya Women Finance Trust is a well-known Kenyan microfinance organization that focuses on offering financial stability by combining quantitative data analysis with qualitative interviews with important stakeholders. The study's target audience was Kenya Women Finance Trust, a well-known microfinance organization in Kenya that specializes in offering financial services to low-income households and female entrepreneurs. Ndung'u (2021) claims that KWFT provides a variety of microfinance products with the goal of empowering women and fostering economic

development, such as insurance, savings accounts, and microloans. The results of the investigation showed that microlending programs provide KWFT with a significant portion of its revenue. The revenue generated by KWFT's microfinance efforts was 40% on average. This illustrates the significance of microfinance as the industry's primary revenue source. The study also emphasized the advantages of revolving funds for women's economic empowerment and the general socioeconomic development of the KWFT-served communities (Ndung'u, 2021).

#### **2.3.4 Income Generating Activities**

Domenico (2020) carried out research in the United Kingdom to investigate the function of product sales revenue as a source of income. The purpose of the study was to evaluate how much money product sales contribute to the sustainability of NGOs. A mixed-methods approach was used in the research design, incorporating qualitative interviews with NGO Leads and quantitative surveys. NGOs active in several UK industries were included in the population of interest. The results showed that, of the 288 NGOs that were tested, sales proceeds from goods provided a sizable source of revenue for NGOs operating in the United Kingdom. For participating NGOs, product sales accounted for almost 20% of overall revenue on average.

In 2023, Katongo carried out a study for NGOs in 19 Sub-Saharan African countries, concentrating on 384 NGOs and examining the function of sales revenue from goods and services as a source of income. In-depth interviews with non-governmental organizations that run social enterprises were conducted by the researchers using a qualitative study design. The goal of the study was to investigate how product sales revenue affects non-governmental organizations' ability to remain financially stable. The results demonstrated that product sales

revenue contributes significantly to the financial viability of non-governmental organizations in Sub-Saharan Africa. For participating NGOs, product sales accounted for approximately 20% of their overall revenue on average. The study highlighted how essential it is to match NGOs' mission and values with their product offers in order to guarantee market success and long-term revenue growth.

In a study published in 2023, Matayo examined the role that product sales revenue plays in the long-term financial viability of non-governmental organizations in Kenya. Using a case study methodology, the researchers looked at Rafiki Crafts, an NGO in the Kenyan districts of Machakos and Kajiado that makes and markets handcrafted goods manufactured by regional artists. The results showed that Rafiki Crafts' ability to maintain operations depended heavily on product sales. They showed that every responder held the same opinion, which is that design is essential to improving the quality of both products and services. Vendor revenue made up about thirty percent of the NGO's overall revenue. Through the sale of handmade items, the organization empowers local artists and promotes community development, as shown by the report. The study found that product sales revenue can make a substantial difference in an organization's ability to remain financially viable, particularly for organizations that support local entrepreneurship and cultural preservation.

## **2.4 Summary of Literature**

The literature research offers a comprehensive summary of NGOs' revenue diversification initiatives. Hung & Hager (2019) found a favorable correlation between the growth of NGOs and sizeable donations; however, Yan, Mmbaga & Gras (2023) emphasize the importance of donor funding for NGOs' financial viability, especially for larger NGOs.

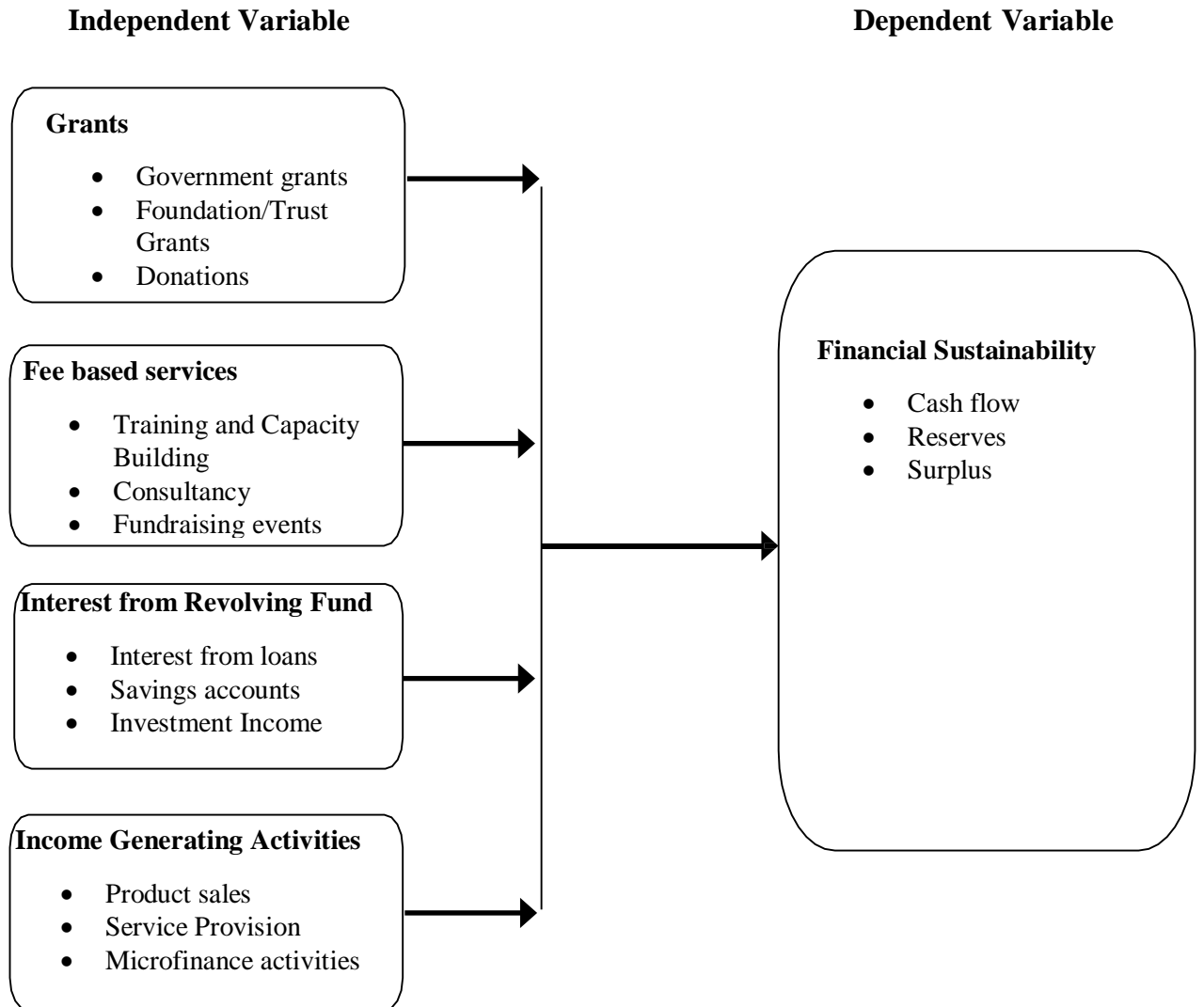
While Agha et al., (2014) emphasize the significance of strong donor connections on sustainable financial outcomes, Ngugi (2022) stresses the relevance of donations while pointing out access and management issues. While Mensa-Bonsu (2021) demonstrates how various revenue sources enhance the financial sustainability of Kenyan NGOs, Aquino (2019) highlights the importance of donations in the financial sustainability of Kenyan NGOs while also addressing issues like donor fund dependency. While Babu & Franzel's (2021) study examines the adoption of fee-based services in Ugandan NGOs, highlighting resource constraints, Abiddin's (2022) study emphasizes the significance of fee-based services to the financial stability of UK NGOs. Churchill (2020) notes that microfinance initiatives increase the revenue of UK NGOs, whereas Simiyu & Sambu (2021) emphasize the financial significance of fee-based services for Kenyan NGOs. While Matayo (2023) emphasizes the critical role that product sales play for Kenyan NGOs like Rafiki Crafts, Katongo (2023) demonstrate the importance that product sales play in the financial viability of NGOs in Sub-Saharan Africa. All of the studies show that NGOs can improve their financial sustainability in a variety of ways, but they also draw attention to problems and shortcomings in contextual research.

## **2.5 Conceptual Framework**

Building the conceptual framework, according to Mugenda and Mugenda (2003), entails developing concepts regarding the links between research variables and displaying these relationships visually. Figure 2.1's conceptual framework demonstrates how the independent and dependent variables in this study are related to one another.

**FIGURE 2.1**

**Conceptual Framework**



## 2.6 Operationalization of Variables

Variable	Indicator	Operationalization	Measurement
<b>Financial Sustainability</b>	<ul style="list-style-type: none"> <li>➤ Cash flow</li> <li>➤ Reserves</li> <li>➤ Surplus</li> </ul>	<p>Total cash inflows minus total cash outflows</p> <p>Sum of all reserves held by the organization</p> <p>Total revenue minus total expenses for the fiscal year</p>	Interval scale
<b>Grants</b>	<ul style="list-style-type: none"> <li>➤ Government grants</li> <li>➤ Foundation/Trust Grants</li> <li>➤ Donations</li> </ul>	Sum of all grant amounts received	Interval scale
<b>Fee based services</b>	<ul style="list-style-type: none"> <li>➤ Consulting services</li> <li>➤ Training and Capacity Building</li> <li>➤ Fundraising events</li> </ul>	Sum of fees collected from members	Interval scale
<b>Interest Income from Revolving funds</b>	<ul style="list-style-type: none"> <li>➤ Interest from loans</li> <li>➤ Savings Accounts</li> <li>➤ Investment Income</li> </ul>	Sum of interest earned on loans, savings and investment.	Interval scale
<b>Income generating activities</b>	<ul style="list-style-type: none"> <li>➤ Product sales</li> <li>➤ Service Provision</li> <li>➤ Microfinance activities</li> </ul>	Sum of sales from products, services and microfinance	Interval scale

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter provides an essential framework for understanding the methodical technique used to collect, examine, and evaluate data in order to meet the goals of the study. This chapter gives readers a clear overview of the procedures used to investigate the research topics by thoroughly outlining the instrumentation, data collection strategies, study design, and analytical methodologies.

#### **3.2 Research Design**

A research design, according to Myers (2013), is the framework or outline of the suggested research project. Various research designs exist, contingent on the research problem to be addressed. These include descriptive survey, cross-sectional design, experimental design, and case study design. Descriptive design has been used in this investigation, in order to accurately depict the phenomenon being studied, descriptive research entails the methodical gathering, organizing, and presentation of data (Mugenda & Mugenda, 2003). The descriptive design of this study allows for a clear and comprehensive summary of the various revenue-generating strategies used by NGOs.

### **3.3 Target Population**

According to Mugenda and Mugenda (2003), a target population is specifically defined as a group of individuals, institutions, units, or events, as well as a collection of items or homes that are the subject of an investigation. The study focused on 249 out of 511 NGOs that are formally registered with the Kenya NGO Coordinating Board (2022) and that operate in Nairobi County, Kenya, with the goal of reducing poverty. The sample size was reduced due to practical constraints, including limitations in resources and accessibility, while still ensuring the selected NGOs provided a representative subset for reliable analysis. This is so that information and data about NGOs that are registered can be regarded as authentic and verifiable, as these organizations are recognized as legal entities in Kenya and submit financial reports to the NGO Coordinating Board. Finance managers who were chosen from among the NGOs in Nairobi County were included in the selection process comprising of the target population.

Nairobi, the capital of Kenya, is a gathering place for a myriad of non-governmental organizations (NGOs) with different goals, scales, and methods of generating income. This focus provided a chance to gather a broad and varied sample of NGOs, which enabled a thorough examination of various strategies for generating income within the NGO sector. The criterion for selection helped to increase the study's external validity by providing a more accurate picture of NGOs involved in a variety of sectors and activities.

### **3.4 Sampling Design and Sample size**

#### **3.4.1 Sampling Design**

The process of choosing a group to be employed in research data collection is known as sampling design (Lopez, 2013). When faced with constraints on time, resources, and practicality, the goal of sampling is to acquire a representative subset of a larger population (Lopez, 2013). Purposive sampling has been used in this study, and only NGOs that work to reduce poverty have been included. Additionally, as there are many registered and operating NGOs in the area, simple random sampling was used to choose NGOs. Choosing a sample, or group of subjects, from a larger population or target group is known as simple random sampling. Each person in the population was chosen at random and had an equal chance of being included in the sample (Levy, 2013). The finance managers of the sampled NGOs were chosen by convenience sampling.

#### **3.4.2 Sample Size**

When time, money, and energy are limited, the goal of sampling is to obtain a representative group that will allow the researcher to learn about the total population. Given that the study's target group consists of registered and operating NGOs in Nairobi, simple random sampling was employed throughout the region. As a result, data was gathered from NGOs finance managers. The sampling frame for the local NGOs is provided in Appendix IV. The sample size was calculated using Yamane's (1967) simplified formula for proportions when  $P \geq 0.5$  and a 95% confidence level are assumed.

$$n = \frac{N}{\quad}$$

$$1+N(e)^2$$

A sample size of 154 resulted from the use of the above formula.

### **3.5 Data Collection Instrument**

In order to test hypotheses, address particular research issues, and evaluate findings, data collection is the systematic process of gathering and analyzing information on pertinent variables (Myers, 2013). A set of closed-ended questions was created as part of a questionnaire intended to collect numerical data from stakeholders.

### **3.6 Data Collection Procedure**

Within a fair duration, questionnaires were given to the responders. A systematic and uniform approach to data collecting was made possible by questionnaires, which allowed for the consistent and organized collection of information from a large number of respondents (Babbie, 2020). To ensure the validity of the study, the researcher requested approval from the designated non-governmental organizations. To help in communication, the researcher also gave the respondents their direct contact information.

### **3.7 Validity and Reliability of Instruments**

According to Drost (2011), a measuring device's reliability is determined by its capacity to measure a construct consistently under various circumstances and produce findings that are comparable, particularly in terms of how much measurement error is present. The questionnaire used in this study was presented to the stakeholders for their self-sufficient reviews on its

capacity to ensure its authenticity. Pre-testing, or piloting, of the questionnaire was completed before the other questions were distributed before the questionnaires were distributed in large quantities. NGOs in Langata Sub county were part of the pilot project, which pre-tested the instrument on a population with comparable homogeneous features. In order to reword, clarify, and resolve any ambiguities in the questionnaire, the pilot study assisted in changing a number of items. The consistency of the findings from the instrument tests is measured by reliability. It is a gauge of how well a research tool produces reliable data or results following numerous trials. The random error has an impact.

Cronbach's coefficient alpha was used to determine the study instrument's reliability for even or uneven items based on the questionnaire items' numerical arrangement. As a general rule, a proposed psychometric tool should only be used if the alpha value, or  $\alpha$ , achieved on a significant sample is 0.70 or higher (Uzunboylu, 2016). The Cronbach's coefficient alpha formula that was applied is as follows:

$$\alpha = \frac{k\bar{c}}{\bar{v} + (k - 1)\bar{c}}$$

The average variance is represented by v-bar, the average inter-item covariance is represented by c-bar, and the number of items is denoted by N. The instrument was chosen as the primary data gathering tool when it was determined that it was producing reliable results. The precision and significance of conclusions drawn from the data constitute validity. It is a gauge of how successfully a test captures the intended information. It is focused on accurately representing the factors being studied. Data errors that are systematic have an impact on it. This was addressed in this study by pre-testing the instruments and designing them well to match the research aims (Borg & Gall, 1997).

### **3.8 Data Analysis and Presentation**

Quantitative data for this investigation was collected by utilizing Excel Analysis Toolpak, an analytical tool. Colquhoun (2014) asserts that Excel Analysis Toolpak is an invaluable instrument for conducting thorough statistical analyses and expanding research approaches because of its user-friendly interface and accessibility. Regression was used in this study for inferential statistics. The coefficient of determination (R-squared) was calculated to show the percentage of variance in the independent variables (revenue streams) and dependent variable (financial sustainability) in the regression model. The independent variables do not explain any variance in the dependent variable at a value of 0 in the R-squared scale, whereas at a value of 1, all variance is perfectly described by the independent variables. A better match is indicated by a higher R-squared value.

#### **3.8.1 Analytical model**

Researchers can examine links, interactions, and possible consequences based on predetermined variables and assumptions by using an analytical model, which is a structured framework for mathematically representing and analyzing complex systems or phenomena (Hosseini, 2019). If functional links between variables exist, they are established and illustrated in this work using theoretical models. The researcher will be able to statistically evaluate the impact of the independent variable on the dependent variable with the help of these models. This study employs multiple regression equation formulation and linear regression analysis as analysis approaches. These methods help determine the extent to which the independent variable influences the variance in the dependent variable. A Correlation analysis was carried out to assess the correlation between the variables. This helped to determine if the predictor

variables showed significant correlations, which could affect the performance of the regression analysis in the following ways:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where;

Y is the variable (Financial sustainability)

$\beta_0$  is the regression constant,

$\beta_1$ ,  $\beta_2$ ,  $\beta_3$  and  $\beta_4$  are the coefficients of independent variables,

X1 is Grants,

X2 is Fee based services,

X3 is Interest income from Revolving Funds,

X4 is Income Generating Activities;

$\varepsilon$  is the error term

### **3.8.2 Diagnostic Tests**

When estimating the empirical model, the Classical Linear Regression Model's (CLRM) underlying assumptions must be upheld. If the CLRM assumptions are broken, the estimates produced might not be Best Linear Unbiased Estimates (BLUE). To ensure that there is no violation, this study tested for normality, linearity, multicollinearity, and heteroscedasticity. Shapiro (1999)

#### **3.8.2.1 Normality Test**

This study used the normalcy test to ensure that no presumptions regarding normalcy would be violated. Two methods were used to determine normality: numerical and graphical

methods. The Anderson-Darling test, which indicates that a variable is not normally distributed if the p value is less than 0.5 or 5% of the data, was employed in this study to test for normality. The normality P-P plot, which employs the normal probability plot to ascertain whether the data goes beyond the diagonal line and violates the assumption of normalcy, was examined in the study.

### **3.8.2.2 Multicollinearity Test**

This alludes to the challenge of distinguishing between the many independent variables' impacts because of the abnormally high correlation among them (Alin, 2010). The Variance Inflation Factor (VIF) and tolerance were used in a multicollinearity test. Low tolerance levels and a large VIF are indicators of multicollinearity.

### **3.8.2.3 Heteroscedasticity test**

The results are deemed unreliable if the model's estimators are inefficient but continue to be impartial and consistent. The model's heteroscedasticity was eliminated using the white diagonal measure. This type of treatment assisted in reducing the variance of the model's error term.

## **3.9 Ethical Consideration**

The study was conducted appropriately and discreetly. During the administration of the questionnaire, the respondents were politely and gently informed of the purpose of the study

and the requirements. The researcher also maintained confidentiality and non-disclosure. A high standard of ethics was upheld by the researcher during the entire research.

## **CHAPTER FOUR**

### **DATA ANALYSIS, FINDINGS AND INTERPRETATIONS**

#### **4.1 Introduction**

Finding out how revenue diversification influences non-governmental organizations' long-term financial viability in Kenya was the aim of the study. The response rate, which was given in connection with the researcher's distribution of the questionnaires, opens this chapter. Following that, the discussion and results are presented in line with the specific goals of the study. The data that had been evaluated was displayed in the study using both descriptive and inferential statistics.

#### **4.2 Response Rate**

154 responders who were selected from among the 249 NGOs were given the questionnaires. Of the 133, 200 (86%) had returned questionnaires, and 21 (14%) had never been returned. Therefore, only the returned surveys were used for data analysis. As seen in Table 4.1, the response rate was determined to be 86%.

A wide range of demographics were represented among those who answered the inquiry about NGOs' financial sources. The distribution of male and female participants was fairly balanced, indicating inclusivity in leadership positions within the non-governmental organization sector. The respondents' ages ranged from 25 to 55, with most of them being in the 30- to 45-year-old bracket. A mix of early-career professionals and seasoned NGO management specialists can be seen in this age group.

The respondents' different social backgrounds were highlighted by the fact that a sizable number of them were married, while others were single or in other relationship categories. The majority of respondents had five to fifteen years of professional experience in the non-governmental sector. With more than 15 years of expertise, a smaller group showed a thorough comprehension of the intricacies of NGO revenue streams and financial viability. Given their degree of experience, the participants were in a good position to offer insightful commentary on their firms' financial management procedures.

**TABLE 4.1**  
**Response Rate**

<b>Response Rate</b>	<b>Frequency</b>	<b>Percentage %</b>
Returned Questionnaires	133	86
Non Returned Questionnaires	21	14
Total	154	100

**Source: Research Findings (2024)**

According to Mugenda & Mugenda (2003), Table 4.1 demonstrates that the completed and returned questionnaires yielded a response rate of more than 50%, which is considered sufficient for the population representation of NGOs in Kenya. As a result, inferences about the financial sustainability of NGOs in Kenya and the diversification of their revenue sources could be made with the study's 89% response rate.

### 4.3 Pilot testing

Cronbach's coefficient alpha was used to determine the study instrument's reliability for even or uneven items based on the questionnaire items' numerical arrangement. As a general rule, a proposed psychometric tool should only be used if the alpha value, or  $\alpha$ , achieved on a significant sample is 0.70 or higher. The Cronbach's coefficient alpha formula that was applied is as follows:

$$\alpha = \frac{k\bar{c}}{\bar{v} + (k - 1)\bar{c}}$$

The average variance is represented by v-bar, the average inter-item covariance is represented by c-bar, and the number of items is denoted by N. Prior to administering the questionnaires, the study obtained a Cronbach's Alpha value of 0.7913 from the pre-test. This number was higher than the required threshold of 0.70, suggesting that the questionnaires had an accuracy level of up to 79%. The instrument was chosen as the primary data gathering tool when it was determined that it was producing reliable results. The precision and significance of conclusions drawn from the data constitute validity. It is a gauge of how successfully a test captures the intended information. It is focused on accurately representing the factors being studied. Data errors that are systematic have an impact on it. This was addressed in this study by pre-testing the instruments and designing them well to match the research aims (Borg & Gall, 1997).

## **4.4 Descriptive Statistics**

To describe the data, this study used descriptive statistics including percentages, standard deviation, and frequency distributions. The following frequency tables were used to present the results in accordance with the study's objectives:

### **4.4.1 Grants and Financial Sustainability of NGOs**

Determining how funding impacted Kenyan NGOs' capacity to maintain financial stability was one of the study's goals. Each respondent's individual non-governmental organization's revenue intervals generated by grants were required to be revealed. The income interval ('000') in KES was explicitly requested from them, and it was broken down into four ranges: 10,000–50,000, 50,001–100,000, 100,001–500,000, and Above 50,000. Among the various kinds of grant income were contributions, foundation/trust grants, government grants, and any other grant money generated by the NGO. Their responses were displayed as percentages and frequencies on Table 4.2.

**TABLE 4.2****Mean and Standard Deviation Statistics for Grants**

Grant Income	Income Interval					N/A	Mean	Standard Deviation
	In KES ('000')							
	Less than 10,000	10,000 – 50,000	50,001 – 100,000	100,001 – 500,000	Above 500,000			
Government grants	17%	55%	15%	11%	3%	0%	0.167	0.198
Foundation/Trust Grants	9%	35%	20%	28%	8%	0%	0.167	0.132
Donations	25%	51%	9%	10%	5%	0%	0.167	0.188
Any Other .....	11%	51%	18%	14%	5%	0%	0.167	0.181
							<b>0.167</b>	<b>0.175</b>

**Source: Research Findings (2024)**

As can be seen in Table 4.2 above, the majority of respondents received grants, indicating that grants were common among the majority of NGOs. Government grants (Mean 0.167; Std. Dev 0.198), Donations (Mean: 0.167; Std. Dev: 0.188) and foundation/trust grants (Mean: 0.167; Std. Dev: 0.32) were prevalent funding types among non-governmental organizations. Additionally, the grant income interval was highest at 55% ranking between KES 10,000-50,000. The analysis generated a mean of 0.167 and a standard deviation of 0.181 for the various grant categories. These included corporate sponsorships, bilateral and multilateral aid, membership fees, and others.

The study's conclusions indicated that various grant kinds had an impact on NGOs' ability to remain sustainable. These results so concur with those of Jones (2018), who found that there was a favorable relationship between foundation grants and the NGOs' ability to sustain their financial viability. The majority of NGOs, according to the current study, relied on government funding to maintain their operations. This result supports the supposition made

by Robertson (2021), who claimed that government funds offer a steady and predictable source of revenue that can improve NGOs' capacity to organize and carry out their operations successfully, eventually resulting in increased financial sustainability.

#### **4.4.2 Fee Based Services and Financial Sustainability of NGOs**

The study's second objective was to assess how fee-based services affected the financial stability of non-governmental organizations in Kenya. The respondents were asked to list the revenue streams that their individual non-governmental organizations derived from fee-based services. They were specifically asked to indicate the income interval in KES ('000'), which was divided into the following ranges: 10,000–50,000, 50,001–100,000, 100,001–500,000, and above 500,000. The various fee-based service categories included consulting, health care, training and capacity building, and any other fee-based service that the NGO charged. On Table 4.3, their answers were displayed as frequencies and percentages.

**TABLE 4.3****Mean and Standard Deviation Statistics for Fee Based Services**

	<i>Income Interval</i>							
<b>Fee Based Services</b>	<i>In KES ('000')</i>							
	Less than 10,000	10,000 – 50,000	50,001 – 100,000	100,001 – 500,000	Above 500,000	N/A		
							<b>Mean</b>	<b>Standard Deviation</b>
Capacity Building and Training	15%	44%	16%	20%	5%	0%	0.167	0.156
Consulting	14%	44%	18%	20%	5%	0%	0.167	0.153
Fundraising Events	16%	35%	32%	16%	2%	0%	0.167	0.144
Any Other .....	17%	40%	24%	17%	2%	0%	0.167	0.147
...								
							<b>0.167</b>	<b>0.150</b>

**Source: Research Findings (2024)**

As can be seen in Table 4.3 above, the majority of respondents provided fee based services indicating that any other services were uncommon among the majority of NGOs (Mean 0.167; Std. Dev 0.147). Furthermore, the study found that capacity building (Mean: 0.167; Std. Dev: 0.156), consulting (Mean: 0.167; Std. Dev: 0.153) and fundraising events (Mean 0.167; Std, Dev 0.144) were the most prevalent funding types among non-governmental organizations.

These findings clearly demonstrated the need of fee-based services for the NGOs' continued financial viability. The findings corroborate Grant's (2021) contention that providing services can elevate an organization's reputation and experience, perhaps attracting a larger membership and clientele as well as strengthening its financial reserves and long-term sustainability. In contrast to these findings, Babu & Franzel (2021) pointed out that because

many NGOs aimed to compete with for-profit companies, the fee-based services they offered were quite costly. As a result, many NGOs faced financial and resource constraints. The lack of defined rules for identifying and valuing resources in most organizations can be explained by the Resource-Based View Theory (Barney, 1991). This makes it challenging to implement the theory in actual decision-making scenarios since, in most cases, outside variables and market dynamics that affect an organization's performance are disregarded.

#### **4.4.3 Interest Income from Revolving funds and Financial Sustainability of NGOs**

The third goal of the study was to determine the impact of interest income from revolving funds on the financial sustainability of non-governmental organizations in Kenya. The participants were requested to enumerate the sources of revenue that their respective non-governmental organizations produced by changing funding. The revenue interval in KES ('000'), which was separated into the following ranges, was explicitly requested of them. 10%–50,000, 50%–100,000, 100%–500,000, and Over 500,000. Among the several evolving fund types were Microfinance Programs, Agricultural Inputs, SME Group Loans, and any other revolving fund that the NGO used. Their responses were displayed as percentages and frequencies on Table 4.4.

**TABLE 4.4****Mean and Standard Deviation Statistics for Interest Income from Revolving funds**

Income Interest from Revolving funds	<i>Income Interval</i>							
	<i>In KES ('000')</i>							
	Less than 10,000	10,000 – 50,000	50,001 – 100,000	100,001 – 500,000	Above 500,000	N/A		
						<b>Mean</b>	<b>Standard Deviation</b>	
Interest from loans	8%	29%	26%	22%	16%	0%	0.167	0.112
Savings Account	10%	51%	22%	15%	2%	0%	0.167	0.187
Investment Income	19%	44%	17%	12%	8%	0%	0.167	0.151
Any Other .....	32%	47%	5%	10%	8%	0%	0.167	0.183
...							<b>0.167</b>	<b>0.158</b>

**Source: Research Findings (2024)**

The results showed that all NGOs under study made money from different kinds of revolving financing, as shown in table 4.4 above. These included Interest from loans (Mean: 0.167; Std. Dev: 0.112), savings account (Mean: 0.167; Std. Dev: 0.187), and invest income (Mean: 0.167; Std. Dev: 0.151). The respondents listed micro-enterprises, business programs, micro-insurance infrastructure, and development programs as additional revolving funds deployed by the NGOs. These programs produced a Mean of 0.167 and a Std. Dev of 0.183. The study's conclusions showed that revolving funds are not a major source of revenue for non-governmental organizations in Kenya. This contradicts earlier research by Wright (2018), which discovered that there is a favorable correlation between interest revenue from loans and

the long-term financial viability of non-governmental organizations. NGOs cannot rely on interest on loans to provide a steady stream of cash, as they frequently do not yield large interest income. By giving NGOs more money for operations, this revenue can support their ability to remain financially sustainable. Even while these findings were based only on an evaluation of interest from loans, they neglected to include the dangers connected with loans, which have caused numerous NGOs to file for bankruptcy due to nonpayment of loans in accordance with the terms and conditions that were agreed upon (Churchill, 2020).

#### **4.4.4 Income Generating Activities on the financial sustainability of NGOs.**

The study's fourth objective was to evaluate how income generating activities affected Kenyan non-governmental organizations' ability to remain financially stable. The respondents were asked to list the revenue streams that their individual NGOs produced from income generating activities. They were specifically asked to indicate the income interval in KES ('000'), which was divided into the following ranges: 10,000–50,000, 50,001–100,000, 100,001–500,000, and Above 500,000. Among the various goods and services offered were trade goods, artwork, branded goods, and any other goods and services that the NGO used to make money. On Table 4.5, their answers were displayed as frequencies and percentages.

**TABLE 4.5**

**Mean and Standard Deviation Statistics for Income Generating Activities**

Income Generating Activities	Income Interval					N/A	Mean	Standard Deviation
	In KES ('000')							
	Less than 10,000	10,000 – 50,000	50,001 – 100,000	100,001 – 500,000	Above 500,000			
Product sales	29%	49%	17%	4%	2%	0%	0.167	0.193
Service Provision	10%	39%	25%	18%	8%	0%	0.167	0.139
Microfinance activities	39%	35%	13%	12%	1%	0%	0.167	0.168
Any Other	15%	38%	15%	15%	17%	0%	0.167	0.120
							<b>0.167</b>	<b>0.155</b>

**Source: Research Findings (2024)**

The data demonstrated that all NGOs made money from a variety of goods and services they offered for sale to the general public, as shown in Table 4.5 above. Product sales (mean: 0.167; standard deviation: 0.193), service provision (mean: 0.167; standard deviation: 0.139), and microfinance activities (mean: 0.167; standard deviation: 0.168) were among them. The respondents also listed other goods and services that were offered for sale by these NGOs in order to raise money. These items and services produced the following results: Mean: 0.167; Std. Dev: 0.12; books and library services; company endowment and others. Additionally, the study's results showed that, at 49%, product sales produced the highest income, between KES 10,000-Kes 50,000, while service provision produced the lowest, less than \$10,000, or 10%. These results suggested that income generating activities had an impact on the NGOs' ability to be financially sustainable in Nairobi County.

These results support those of White (2020), who found that selling products promoted economic self-sufficiency while also offering an extra source of income. Effective product sales projects can help NGOs become more financially sustainable by allowing them to invest in their programs and initiatives, diversify their revenue sources, and become less dependent on outside financing. In the same context, Kariuki and Odhiambo (2019) asserted that higher levels of revenue concentration may increase the risk of many organizations collapsing, particularly during economic downturns. This is especially true in Kenya, where increased taxes are anticipated to result in a decrease in such revenues. According to Ali (2018), there are critics who argue that because many NGOs have shifted to selling goods and services, they are actually for-profit businesses. As a result, high levels of corruption have become more prevalent, putting most NGOs in danger of going bankrupt. Therefore, contrary to the results of the current study, which showed that self-financing activities in NGOs improved the financial sustainability of NGOs in Kenya, the findings from Ali (2018) do not advise NGOs to start commercial activities to enhance their financial sustainability.

#### **4.4.5 Financial Sustainability of NGOs**

Finally, the respondents were asked to list the income intervals for several financial performance measures for each of their individual non-governmental organizations over the previous three years. They were specifically requested to identify the income interval in KES ('000'), which was divided into the following ranges: 10,000–50,000, 50,001–100,000, 100,001–500,000, and Above 500,001. The answers were as shown in Table 4.6 below.

**TABLE 4.6****Mean and Standard Deviation for Financial Sustainability of NGOs**

Financial Sustainability Indicator	Interval					N/A	Mean	Standard Deviation
	In KES ('000')							
	Less than 10,000	10,000 – 50,000	50,001 – 100,000	100,001 – 500,000	Above 500,000			
Financial Reserves	10%	34%	26%	18%	12%	0%	0.167	0.12
Surplus	20%	56%	20%	5%	0%	0%	0.167	0.21
Cash flow	69%	29%	2%	0%	1%	0%	0.167	0.28
Any Other	63%	35%	2%	0%	0%	0%	0.167	0.27
							<b>0.167</b>	<b>0.220</b>

**Source: Research Findings (2024)**

The results showed that every NGO had a separate set of financial success measures, as shown in Table 4.6 above. These comprised the following: Cash flow (Mean: 0.167; Std. Dev: 0.28), Surplus (Mean: 0.167; Std. Dev: 0.21), and Financial Reserves (Mean: 0.167; Std. Dev: 0.12). According to these results, NGOs in Nairobi County were measured for their financial sustainability using these parameters, allowing each organization to constantly forecast its financial standing. These results are in line with Garcia's (2021) findings, which showed that there is a positive association between the cash flow and financial sustainability. An NGO with higher cash flow was able to pay its financial obligations because it had enough short-term resources. This enhanced the NGO's capacity to operate smoothly, withstand financial shocks, and seize new opportunities, contributing to overall financial sustainability.

## **4.5 Inferential Statistics**

Regression analysis and Correlation were used to ascertain the associations between the dependent and independent variables; the findings are shown and explained in the sections that follow. Furthermore, the study conducted diagnostic tests to assess the adequacy of the predictors used, and the findings were also shared.

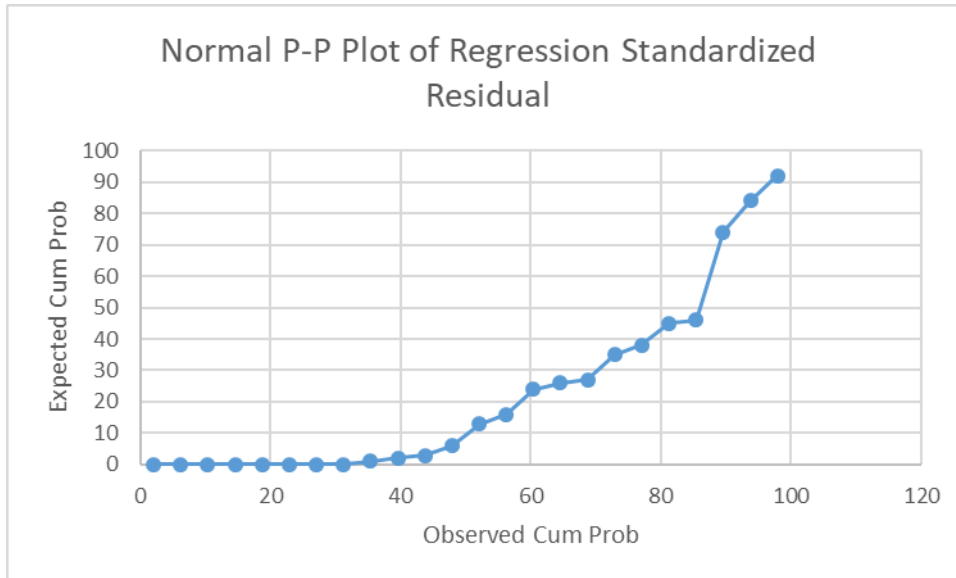
### **4.5.1 Diagnostic Tests**

Various diagnostic tests were performed to ensure that the data used was accurate, full, and uncorrelated amongst the constructions. They consisted of the following tests: linearity, heteroscedasticity, multicollinearity, and normality. The following was the discussion of each test's results.

#### **4.5.1.1 Normality Test**

To ascertain whether the data was regularly distributed, a normality test was conducted. The results, which were displayed on figure 4.1, were obtained using a normal probability plot.

**FIGURE 4.1**  
**Normality Test Results**



The study determined that the data used was regularly distributed along the diagonal line in relation to the findings.

#### **4.5.1.2 Multicollinearity Test**

This study used the variance inflation factors (VIF) to perform multicollinearity. VIF values between 1 and 5 suggest low correlation, 5 to 10 indicate moderate correlation, and over 10 indicate significant correlation that needs to be corrected, according to Alin (2010). The findings were shown in table 4.7.

**TABLE 4.7**

**Multicollinearity Test**

<b>Predictor</b>	<b>VIF</b>	<b>Tolerance</b>
Grants	1.40	0.71
Fee Based Services	1.37	0.73
Interest Income from Revolving fund	2.17	0.46
Income Generating Activities	1.78	0.56

**Source: Research Findings (2024)**

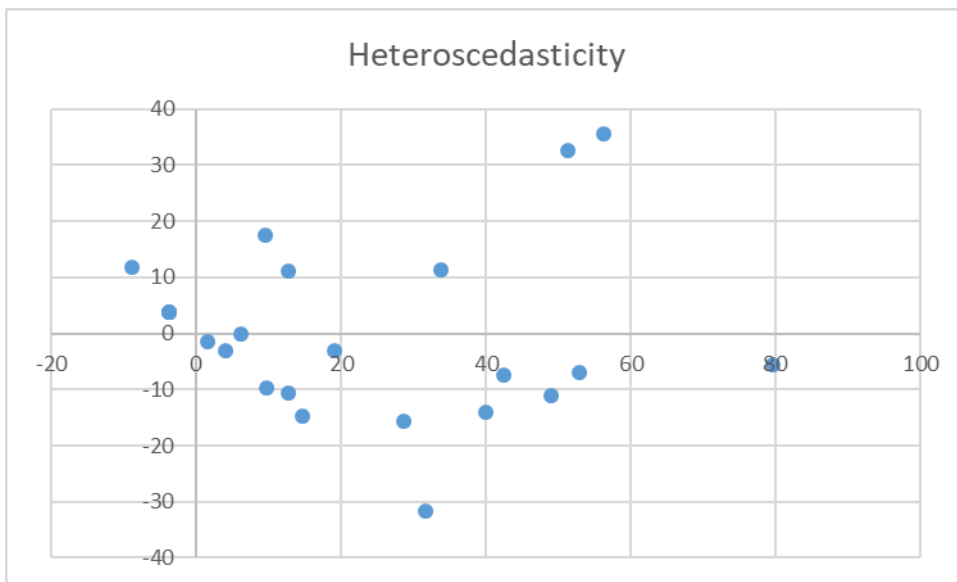
The findings showed that the variation inflation factor for fee-based services were 1.37, the variation inflation factor value for grants was 1.40, the interest rate from revolving funds was 2.17, and the income from generating activities was 1.78. Since none of the predictors' values were greater than 10, there was no correlation between them. Additionally, as shown in table 4.7 above, a tolerance test was conducted to ascertain collinearity. The findings revealed the following tolerance values for the predictors: revenues from the income generating activities (0.56), interest from revolving funds (0.46), grants (0.71), fee-based services (0.73), and so on. These findings showed that none of the study's variables was correlated, thus they were all used to investigate the connection between Kenyan NGOs' financial sustainability and their diversification of revenue sources.

**4.5.1.3 Heteroscedasticity Test**

In order to ascertain if the error terms in the time series data were associated across observations, the study performed a heteroscedasticity test. The residuals are homoscedastic, which is the null hypothesis under the Modified Wald test for GroupWise heteroscedasticity.

The variance of residuals is constant across the range of predicted values (random scatter), there is no heteroscedasticity. If the residuals exhibited a pattern (such as a funnel shape or systematic increase/decrease in variance), it would have indicated heteroscedasticity. Table 4.8 illustrates the data that was deemed appropriate for the study.

**TABLE 4.8**  
**Heteroscedasticity Test Results**



**Source: Research Findings (2024)**

#### **4.5.2 Correlation Analysis**

When a linear function is developed to help evaluate the impact of the independent factors on the dependent variable, correlation analysis is utilized to determine the degree of correlations between the research variables. The association between the independent variables in this study—grants, fee-based services, interest income from revolving funds, and income generating activities—and the dependent variable—the financial sustainability of NGOs—was

ascertained using the correlation coefficient. Gogtay (2017) states that there are two possible correlation coefficients: perfect negative correlation, or -1.0, and perfect positive correlation, or +1.0. For every variable in this study, a correlation coefficient was calculated.

**TABLE 4.9**  
**Correlation Analysis Results**

		<b>Financial Sustainability</b>	<b>Grants</b>	<b>Fee Based Services</b>	<b>Interest Income From Revolving funds</b>	<b>Sale of products and services</b>
<b>Financial Sustainability</b>		1.000				
<b>Grants</b>	<b>Pearson Corelation</b>	0.536	1.000			
	<b>Sig. (2 tailed)</b>	0.000				
<b>Fee Based Services</b>	<b>Pearson Corelation</b>	0.521	0.871	1.000		
	<b>Sig. (2 tailed)</b>	0.000	0.000			
<b>Interest Income from Revolving funds</b>	<b>Pearson Corelation</b>	0.734	0.788	0.818	1.000	
	<b>Sig. (2 tailed)</b>	0.000	0.000	0.000		
<b>Income Generating Activities</b>	<b>Pearson Corelation</b>	0.662	0.897	0.808	0.723	1.000
	<b>Sig. (2 tailed)</b>	0.000	0.000	0.000	0.000	

\*\* Correlation is significant at the 0.05 level (2-tailed).

**Source: Research Findings**

The study's findings demonstrated a favorable correlation between the independent variable—the financial sustainability of NGOs—and the subsequent variables: grants, fee-

based services, interest income from revolving funds, and sales proceeds from goods and services. The correlation coefficients were  $N = 133, r = 0.536, p = 0.00$ ;  $N = 133, r = 0.521, p = 0.00$ ;  $N = 133, r = 0.734, p = 0.00$ , and  $N = 133, r = 0.662, p = 0$ .  $N = 133, r = 0.536, p = 0.00$  show that there is a very positive association between grants (X1) and financial sustainability (Y). There is moderate association. There is statistical significance in the result because the p-value is lower than 0.05. This indicates that there is sufficient data to support a hypothesis that grants and financial sustainability are correlated linearly. Financial Sustainability and Fee-Based Services:  $N = 133, r = 0.521, p = 0.00$ : Financial sustainability (Y) and fee-based services (X2) exhibit a positive correlation. This implies that there is a correlation between fee-based services and financial sustainability. The outcome may be regarded as significant, suggesting that there is evidence of a relationship, between fee-based services and financial sustainability.

A positive connection has been observed between financial sustainability (Y) and interest income from revolving funds (X3). The data show that  $N = 133, r = 0.734, p = 0.00$ . This implies a positive relationship, whereby a rise in revolving fund income is correlated with an improvement in financial sustainability. Because the p-value is significantly less than 0.05, the outcome is very statistically significant. This indicates that there is compelling evidence to support a favorable correlation between interest revenue from revolving funds and financial sustainability. (Financial Sustainability and Sale of Products and Services): The results indicate a substantial positive association ( $N = 133, r = 0.662, p = 0$ ) between income generating activities (X4) and financial sustainability (Y). Improved financial sustainability is closely correlated with higher sales values. Given that the p-value is around 0, the outcome is highly statistically significant. There is a wealth of evidence indicating a strong correlation between financial sustainability and the income generating activities.

These findings support the claims made by Rocafort (2019), who contended that by diversifying their revenue streams and utilizing a variety of funding sources, such as donor grants, fee-based services, income generating activities, and interest income from revolving funds, NGOs could become less dependent on a single source of funding and establish a more stable financial base. Furthermore, as Pfeffer & Salancik (1978) indicate, businesses must identify and leverage their distinctive resources, including as human capital, technological know-how, brand reputation, and organizational culture, in order to gain a competitive advantage in the market. Based on the study's findings, Resource Dependency Theory consequently suggested that internal resources are the key to creating value, making a name for oneself, and succeeding over the long run.

#### **4.5.3 Regression Analysis**

Regression analysis is used to examine and characterize the relationship between particular study variables. This study used regression analysis to determine the relationship between the dependent variable (financial sustainability of NGOs) and the independent variables (income from income generating activities, fee-based services, interest income from revolving funds, and grants). Multiple regression analysis was used to ascertain the combined effect of source-specific grants, fee-based services, interest income from revolving funds, and income generating activities on the financial sustainability of non-governmental organizations. The results are illustrated in Table 4.10 below.

**TABLE 4.10**

**Multiple Linear Regression Analysis Model Results**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Standard Error of Estimate</b>
1	0.846a	0.716	0.657	16.608

**Source: Research Findings (2024)**

- a. Predictors: (Constant), Interest income from revolving funds, grants, fee-based services, income generating activities.
- b. Dependent Variable: Financial Sustainability of NGOs.

The analysis's findings showed that the variables had a positive connection ( $R = 0.846$ ). According to the regression coefficient ( $r^2 = 0.716$ ), grants, fee-based services, interest income from revolving funds, and income generating activities accounted for 71.6% of the financial sustainability. Financial sustainability's remaining percentage, 28.4%, was ascribed to non-study-related issues. The most significant independent variable in the financial sustainability of NGOs in the research area was identified using the beta value. The results of the study of difference, whole of squares, level of opportunity (df), mean square, relapse, and residual qualities obtained from the relapse investigation are displayed in the ANOVA table below.

**TABLE 4.11**

**ANOVA**

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	4	13228.75522	3307.1888	11.9903923	4.95629E-05
Residual	19	5240.578113	275.8199		
Total	23	18469.33333			

a. Predictors: (Constant), Interest income from revolving funds, grants, fee-based services, income generating activities

b. Dependent Variable: Financial Sustainability of NGOs.

**Source: Research Findings (2024)**

The results of the study of difference, whole of squares, level of opportunity (*df*), mean square, relapse, and residual qualities obtained from the relapse investigation are displayed in the ANOVA table below. As may be seen from table 4.12 above, the F-statistic of approximately 11.99 is relatively high, indicating that the regression model is likely a good fit for the data. The p-value (Significance F) of approximately 0.00004956 is much less than the common alpha level of 0.05, suggesting that the overall regression model is statistically significant. This means that at least one of the independent variables in the model significantly predicts the dependent variable.

**TABLE 4.12****Coefficients**

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
<b>Intercept</b>	-3.79518364	5.624485915	-0.674761	0.50795599
<b>Grants</b>	-0.870715342	0.441260667	-1.9732449	0.06319362
<b>Fee Based Services</b>	-0.571281488	0.423785282	-1.3480447	0.19349741
<b>Interest Income from Revolving funds Income Generating Activities</b>	1.297108073	0.312627408	4.1490542	0.00054515
	1.316100049	0.40443314	3.2541845	0.00417427

According to the findings, Fee-Based Services ( $\beta = -0.57$ ), Interest Income from Revolving Funds ( $\beta = 1.30$ ), Income from generating activities ( $\beta = 1.6$ ), and Grants ( $\beta = -0.87$ ) were the main sources of income for the NGOs' financial sustainability. These results suggested that the study's entire revenue stream had an impact on the NGOs in Nairobi County's ability to be financially sustainable.

These results are consistent with Inyanza (2021) observation that NGOs should diversify their revenue streams because relying too heavily on a single source of financing can leave them susceptible to changes in donor preferences or outside shocks. This explains why the majority of NGOs in Kenya have diversified their income streams in order to guard against shifting donor priorities, unstable economic conditions, and new challenges. However, even though this is a good thing, Dolan (2017) contended that a lot of NGOs have lost sight of their social mission and are instead preoccupied with making money, which puts them in grave risk of going out of business. The resource-based view (RBV), institutional theory, and resource dependency theory—which served as the study's guiding theories—were further analyzed and showed that there was a complex interaction between internal resources, external influences,

and financial sustainability in Kenyan non-governmental organizations. The present study's results demonstrate that non-governmental organizations (NGOs) have employed strategic revenue management to maintain their long-term sustainability and autonomy. This confirms that the NGOs' financial sustainability has been influenced by their diversification of revenue streams.

#### **4.5.3.1 Regression analysis of revenue streams influencing financial sustainability of NGOs**

The model below shows the regression equation that shows the relationship between the independent variables (i.e., evaluating the effect of revenue stream diversification on the study's financial sustainability, i.e., source-specific grants, fee-based services, interest income from revolving funds, and revenues from the income generating activities) and the financial sustainability of NGOs. The observed values of the dependent and independent variables were used to estimate the unknown parameters of the model. The dependent variable was expressed as a combination of independent variables.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where;

Y is the variable (Financial sustainability)

$\beta_0$  is the regression constant,

$\beta_1$ ,  $\beta_2$ ,  $\beta_3$  and  $\beta_4$  are the coefficients of independent variables,

X1 is Grants,

X2 is Fee based services,

X3 is Interest income from Revolving Funds,

X4 is Income generating activities;

$\epsilon$  is the error term

Therefore,

$$Y = 3.7951 + 0.871(X1) + 0.571(X2) - 1.297(X3) - 1.316(X4) + \epsilon$$

**Equation 2 (Beta Values are included)**

If grants, fee-based services, interest income from revolving funds, and income generating activities were all zero, financial sustainability would be 3.7951 units (assuming units are defined for Y). For each 1-unit increase in grants (X1), financial sustainability (Y) is expected to increase by 0.871 units, assuming all other variables remain constant. The relationship is positive, and the impact is strong. For each 1-unit increase in fee-based services (X2), financial sustainability (Y) is expected to increase by 0.57 units, holding other variables constant. This suggests a positive relationship between fee-based services and financial sustainability, meaning fee-based services might be associated with an improvement in financial sustainability. For each 1-unit increase in interest income from revolving funds (X3), financial sustainability (Y) is expected to decrease by 1.3 units, assuming other variables remain unchanged. This indicates a negative relationship, suggesting that higher interest income from revolving funds could slightly reduce financial sustainability. For each 1-unit increase in the income generating activities (X4), financial sustainability (Y) is expected to decrease by 1.32 units, assuming other variables remain constant.

These results supported the claim made by Resource Dependency Theory (Pfeffer & Salancik, 1978) that organizations must rely on outside resources in order to exist and prosper rather than be able to manage their operations on their own. This clarifies the impact of revenue diversification on financial sustainability that this study found, demonstrating the close relationship between NGOs' financial sustainability and their capacity to control and vary the

sources of their dependence. Toepler's (2020) research, on the other hand, offered evidence against this theory, arguing that diversifying sources of funding, particularly in African non-governmental organizations, led to a lack of focus, conflicts among organizational leaders, political intervention, and other external factors that resulted in the demise of numerous organizations throughout the continent. Toepler (2020) claims that a lot of NGOs are unable to manage these many revenue streams and advises the adoption of appropriate tactics to support the NGOs' independence and self-sufficiency.

## **4.6 Discussions of Findings**

### **4.6.1 Grants and Financial Sustainability of NGOs**

The study's first objective was to find out how grants affected Kenyan NGOs' ability to remain financially stable. The majority of NGOs in Nairobi received grants, according to the findings. The results also showed that donations and grants from foundations and trusts were the most common kinds of grants given to NGOs. The survey also included corporate sponsorships, membership fees, and bilateral and multilateral aid as other donation categories.

The results of the study also showed a positive correlation between grants and the long-term financial viability of NGOs. The study found statistically significant relationship between the financial viability of NGOs and several grant categories, including government grants, foundation/trust grants, donations, and any other grant income generated by the NGOs. Furthermore, the results demonstrated that a rise in grants was associated with a rise in NGOs' financial sustainability.

#### **4.6.2 Fee Based Services and Financial Sustainability of NGOs**

The study's second objective was to assess how fee-based services affected Kenyan NGOs' ability to remain financially stable. Descriptive statistics analysis revealed that each of their NGOs provided fee-based services. The health care, microfinance programs, and training and capacity building services were included in the fee-based offerings. Additionally, the survey identified additional fee-based services offered by these NGOs, such as cleaning, security, legacy income, garbage management, vehicle repair, mentoring, lodging, and property management services, among others.

The findings also showed a negative correlation between fee-based services and the long-term financial viability of non-governmental organizations in Nairobi County. The results demonstrated that there was a weak statistically significant impact on financial sustainability from the various fee-based service types that the NGOs utilized to raise money. Furthermore, the results demonstrated that a rise in fee-based services was associated with a rise in NGOs' financial sustainability.

#### **4.6.3 Interest Income from Revolving funds and financial sustainability of NGOs**

The study's third objective was to find out how much interest income from revolving funds influences the ability of non-governmental organizations in Kenya to be financially sustainable. The results of the descriptive data showed that all of the NGOs that were the subject of the inquiry made money through a variety of revolving fund programs, such as microcredit, agricultural inputs, and group loans to small and medium-sized enterprises. The

NGOs included in the study also deployed other revolving funds to development, micro-insurance, business, and micro-enterprise initiatives.

The findings showed that revolving funds and the financial sustainability of NGOs were negatively correlated. This suggested that a rise in interest income from revolving funds led to a decrease in NGOs' financial sustainability, whereas a fall in the same was associated with a rise in NGOs' financial sustainability.

#### **4.6.4 Income generating activities and financial sustainability of NGOs**

The final objective of the study was to evaluate how sales proceeds from goods and services affected Kenyan non-governmental organizations' ability to remain financially stable. The results showed that all NGOs made money by selling different kinds of goods and services to the general population. Trade goods, social enterprise models, and branded merchandise were among them. The survey found that these NGOs also sold books and library services, media designs and commercials, firm endowments, earned income, fundraising events and campaigns, and books and library services.

The results also showed a negative relationship between the financial sustainability of NGOs and the money they made from the selling of goods and services. This suggested that the financial sustainability of NGOs in Nairobi County was impacted by the proceeds from income generating activities.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

The study's overview, and suggestions about the impact of revenue stream diversification on the long-term financial viability of non-governmental organizations in Kenya are provided in this chapter. The chapter concludes with potential directions for future study.

#### **5.2 Summary of Findings**

##### **5.2.1 Grants and financial sustainability of NGOs**

The regression coefficient for grants (X1) is 0.871, indicating a positive relationship between grants and the financial sustainability (Y) of NGOs. This suggests that an increase in grant funding leads to an improvement in the financial sustainability of these organizations. Grants play a vital role in supporting the operations and programs of NGOs, providing a stable source of revenue that allows them to cover operational costs and implement long-term projects. In many cases, NGOs rely heavily on grant funding from governments, international agencies, and philanthropic organizations, making it a crucial revenue stream.

However, while grants contribute significantly to financial sustainability, their availability is often unpredictable and may be restricted by donor conditions. This reliance on external funding could pose a risk to NGOs if there is a shift in donor priorities or a reduction

in available funds. Therefore, while grants positively impact financial sustainability, NGOs are encouraged to diversify their revenue sources to reduce dependency on a single funding stream.

### **5.2.2 Fee based services and financial sustainability of NGOs**

The coefficient for fee-based services (X2) is 0.571, indicating another positive relationship between fee-based services and financial sustainability. This means that as NGOs increase their fee-based services they also enhance their financial stability. Fee-based services allow NGOs to generate income from their own activities, providing a more reliable and self-sufficient revenue stream. By offering services that are directly aligned with their missions, NGOs can leverage their expertise to create an additional funding source that supports their ongoing operations.

However, the lower coefficient compared to grants suggests that fee-based services might not be as impactful on financial sustainability as grants are. While fee-based services offer NGOs a measure of independence from donor conditions, not all organizations may have the capacity or market demand to generate substantial revenue from these activities. Therefore, fee-based services can be a valuable supplement but might not replace traditional funding sources for all NGOs.

### **5.2.3 Interest Income from Revolving funds and financial sustainability of NGOs**

Interest income from revolving funds (X3) has a negative coefficient of -1.297, implying that an increase in this source of revenue has a detrimental effect on the financial sustainability of NGOs. Revolving funds are typically used to provide loans or financial assistance, with interest income being generated from the repayments. However, this negative

relationship suggests that reliance on interest income could strain the financial health of NGOs, possibly due to high operational costs or poor loan performance, which could reduce the overall effectiveness of revolving funds.

This finding may also point to the inherent risks associated with managing revolving funds, such as defaults on loans or economic downturns that affect the ability of borrowers to repay. NGOs that depend on interest income might face challenges in maintaining a steady cash flow, making this revenue stream less reliable. As such, while revolving funds can provide valuable services to communities, they may not be the most effective way to sustain the financial health of NGOs.

#### **5.2.4 Income generating activities and financial sustainability of NGOs**

The coefficient for income-generating activities (X4) is -1.316, indicating a negative relationship with financial sustainability. This suggests that an increase in income-generating activities, such as running businesses or selling products, may reduce an NGO's financial stability. One possible explanation for this is that income-generating activities might divert resources and focus away from the NGO's core mission, leading to inefficiencies or operational challenges. Additionally, these activities often require substantial investment and may not always yield immediate returns, further straining the organization's finances.

Moreover, NGOs engaging in income-generating activities might face competition with private sector businesses, which can limit their market share and profitability. The negative coefficient highlights the potential risks associated with income-generating activities, suggesting that NGOs should carefully evaluate their capacity to manage these ventures

without compromising their core functions or long-term sustainability. Diversification of income streams remains important, but income-generating activities should be pursued with caution.

### **5.3 Conclusions**

In conclusion, the study reveals the diverse impacts of different revenue streams on the financial sustainability of NGOs. Grants and fee-based services were found to have a positive influence on financial sustainability, with grants having the strongest effect. This highlights the crucial role that external funding from donors plays in supporting NGO operations and ensuring their longevity. Fee-based services also contribute positively, though to a lesser extent, offering NGOs a degree of self-sufficiency by generating income from their expertise. Both of these revenue streams emphasize the need for NGOs to balance donor reliance with the development of their own income-generating capabilities to enhance long-term stability.

Conversely, the findings indicate that interest income from revolving funds and income-generating activities have a negative impact on financial sustainability. This suggests that while these revenue streams may be pursued as part of diversification strategies, they come with significant risks. The challenges of managing revolving funds and competing in commercial markets may strain resources and divert attention from the core mission of the NGO, leading to financial instability. Therefore, NGOs should exercise caution when integrating these revenue sources and ensure that their organizational capacities are aligned with the demands of such ventures. Diversification remains essential, but careful planning and evaluation are crucial to avoid undermining financial health.

## **5.4 Recommendations**

### **5.4.1 Grants and financial sustainability of NGOs**

NGOs should continue to prioritize grants as a primary source of revenue, given their strong positive impact on financial sustainability. Grants, often sourced from governments, international organizations, and private foundations, provide NGOs with the necessary capital to fund programs, cover operational costs, and implement large-scale, long-term projects. However, the reliance on grants can expose organizations to risks such as fluctuating donor priorities or economic downturns that may reduce available funds. To mitigate these risks, NGOs should actively pursue multi-year grants that provide stable, predictable funding over extended periods. This ensures continuity of operations and allows organizations to plan for the future with greater financial security.

In addition, NGOs should focus on building and maintaining strong, diverse relationships with a wide range of donors. Diversification of funding sources not only reduces the risk of financial shortfalls but also increases an NGO's resilience in the face of changing donor landscapes. NGOs should proactively seek to engage new donors while nurturing long-term partnerships with existing ones through consistent, open communication and by demonstrating impact. This can be achieved through transparent reporting, showcasing measurable outcomes, and maintaining accountability in financial management. Furthermore, investing in the development of grant-writing expertise within the organization is essential. Skilled grant writers can craft compelling proposals that align with donor priorities, increasing the likelihood of securing larger, more diversified grants. Continuous training and professional

development in grant writing can empower NGOs to better articulate their missions and projects, making them more competitive in the increasingly crowded funding landscape.

#### **5.4.2 Fee based services and financial sustainability of NGOs**

NGOs should explore opportunities to expand fee-based services, as these provide a sustainable alternative revenue stream that enhances financial independence and reduces reliance on donor funding. Fee-based services can include consultancy, training programs, workshops, membership fees, or access to specialized resources. By offering these services, NGOs can leverage their expertise and reputation to generate income, which can be reinvested into their programs and operations. This approach not only provides financial sustainability but also aligns with the growing trend of social enterprises, where NGOs combine their social missions with market-based activities. Fee-based services can enable NGOs to achieve a dual goal: generating revenue while advancing their mission through value-added services for their stakeholders.

To maximize the potential of this revenue source, it is critical that NGOs ensure the services they offer are closely aligned with their core mission and areas of expertise. For example, an NGO specializing in education could offer training programs for teachers or educational resources for schools. By staying true to their core mission, NGOs can offer services that are both impactful and relevant, enhancing their credibility and the perceived value of their offerings. Conducting market research is an essential first step in this process. Through market research, NGOs can identify unmet needs within their target audience or community, determine the willingness and ability of potential customers to pay for services,

and assess the competitive landscape. This ensures that the services developed not only meet demand but are also positioned competitively in the market.

Additionally, NGOs should invest in building their capacity to deliver high-quality, competitive services that meet the needs of their target audience. This could involve training staff to enhance their skills, developing more sophisticated service delivery mechanisms, or improving the quality of service offerings to meet or exceed industry standards. By focusing on excellence and customer satisfaction, NGOs can establish a strong reputation and attract a loyal customer base. Careful pricing strategies are also essential to balance affordability with sustainability. NGOs need to price their services in a way that is accessible to their target audience, particularly if they serve low-income or marginalized populations, while still covering costs and generating sufficient revenue to support operations. Sliding-scale fees, subsidies, or tiered pricing models can help make services more affordable while maintaining financial viability. By continuously refining their services and pricing strategies, NGOs can develop a sustainable model that provides valuable, mission-driven services while supporting long-term financial stability.

#### **5.4.3 Interest Income from Revolving funds and financial sustainability of NGOs**

Given the negative impact of interest income from revolving funds on financial sustainability, NGOs must take a strategic approach to better manage these funds. Revolving funds, which typically involve lending money to beneficiaries and then using the repayments to issue further loans, can pose risks if not properly managed. Defaulting on loans, poor financial literacy among beneficiaries, and inefficient management can lead to a depletion of the fund and strain the NGO's financial resources. To mitigate these risks and improve the

performance of revolving funds, NGOs should implement strict risk assessment and management strategies. This could involve conducting a thorough financial analysis of potential borrowers, assessing their ability to repay, and setting clear eligibility criteria for loans. Such measures can reduce the risk of defaults and ensure that only beneficiaries with the capacity to manage and repay loans are given access to the fund.

Moreover, NGOs should invest in ongoing monitoring of loan performance and provide continuous support to beneficiaries throughout the loan period. This support could include financial literacy training, where beneficiaries are taught basic financial management skills, budgeting, and planning to enhance their capacity to use the loan effectively and responsibly. By equipping beneficiaries with financial knowledge, NGOs can reduce the likelihood of mismanagement of funds and increase loan recovery rates. Additionally, robust monitoring systems that track loan performance, repayment schedules, and defaults in real time can help NGOs address issues early on, ensuring that problems are dealt with before they escalate.

To further improve the sustainability of revolving funds, NGOs should consider diversifying their portfolio of financial products. Instead of relying solely on traditional microloans, NGOs could offer a range of financial services, such as savings products, insurance schemes, or credit lines that better match the varying needs of their beneficiaries. Diversification can help mitigate risks and create a more resilient financial structure that supports beneficiaries in different ways. NGOs should also explore partnerships with microfinance institutions, banks, or other financial experts who can provide technical assistance, financial expertise, and risk-sharing mechanisms. Such collaborations could help optimize fund performance and reduce administrative burdens, allowing NGOs to focus on their core mission while ensuring their revolving funds operate effectively. By

professionalizing fund management and adopting a more diversified and risk-aware approach, NGOs can transform their revolving funds from a potential financial liability into a sustainable source of support for their beneficiaries.

#### **5.4.4 Income generating activities and financial sustainability of NGOs**

For NGOs engaged in income-generating activities, it is crucial to align these ventures with their organizational capacity and mission. By ensuring that income-generating projects reflect the core objectives of the organization, NGOs can create initiatives that not only produce revenue but also reinforce their overall purpose. For instance, an NGO focused on community health might offer health education workshops or sell wellness products, allowing it to generate income while fulfilling its mission. This alignment helps maintain the organization's identity and ensures that resources are effectively utilized, enhancing both financial sustainability and mission impact.

Before initiating or expanding these projects, NGOs should conduct thorough feasibility studies and market analyses. These assessments provide essential insights into the viability of proposed income-generating activities by evaluating market demand, competition, pricing strategies, and associated costs. By identifying potential challenges and opportunities through comprehensive research, NGOs can make informed decisions that minimize risks and enhance the likelihood of success. For example, understanding the target market's preferences can guide NGOs in tailoring their offerings, ensuring that the products or services meet community needs while also being financially viable.

Additionally, forming strategic partnerships with private sector organizations can significantly improve the effectiveness of income-generating activities. Collaborating with businesses allows NGOs to leverage expertise, technology, and resources that they may not possess internally. For instance, a partnership might involve shared marketing efforts or access to distribution channels, reducing competition while enhancing operational efficiency. Moreover, NGOs should allocate sufficient resources for the effective management of these ventures, including hiring skilled staff and establishing monitoring systems. By focusing on strategic planning and professional management, NGOs can mitigate risks and ensure that their income-generating activities contribute positively to their financial health without diverting attention from their core missions.

## **5.5 Limitations of The Study**

The use of NGOs' self-reported data, which can result in response bias or inaccurate reporting, was one drawback. The researcher used a professionally created and tested closed-ended questionnaire to gather data in order to improve objectivity and lessen this constraint. Access to financial records and data availability were also obstacles, particularly if NGOs are reluctant to divulge private financial data. In order to get around this, the researcher built confidence, gave respondents assurances of confidentiality and anonymity, and made sure they understood the significance and possible advantages of the study in order to motivate their cooperation and participation. Finally, because NGOs exist in a variety of industries and forms, some of the unique data might not be generalizable to a large number of NGOs. To get around this, the researcher employed a standardized questionnaire for all NGOs to gather as much relevant data as they can in order to make generalizations.

## **5.6 Suggestions for Further Research**

The current study explored how income diversification impacts the financial stability of Kenyan NGOs, finding that those employing diverse funding strategies are better equipped to handle financial crises. This highlights the importance of income diversification in enhancing financial resilience. Future research should be conducted in different contexts, including NGOs outside Nairobi County, and encompass a broader range of sectors such as health, education, environmental conservation, and human rights. Additionally, expanding the study to include both rural and urban NGOs, as well as governmental organizations like schools and universities, would provide valuable insights into financial sustainability across various sectors.

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## APPENDICES

### Appendix 1: Survey Instrument

#### Information about Participants

**Information for Researchers:** Teresa Njeri Karanja is conducting the research as a partial fulfillment of her Master's degree at KCA University.

This study's objective is to investigate how revenue stream diversification affects the long-term financial viability of non-governmental organizations in Kenya.

**Possible hazards, negative effects, or participant discomforts:** I don't think there will be any hazards involved in you taking part in the study. All you need to do is set aside 20 minutes or so of your time. Please stop the exercise if filling out the questionnaire makes you feel uncomfortable.

**Benefits of taking part in the study:** Being a respondent does not provide any immediate or direct benefits. Nonetheless, proposals that will assist NGOs in achieving financial sustainability and, as a result, continue to fulfill their essential role in the community and for their staff, are among the anticipated deliverables.

**Confidentiality:** No personal data, including names and addresses, will be shared. Never write your name or any other private information. As a result, no results of this study—such as publications, goods, or services—will contain your identity.

## CONSENT FORM INFORMED BY RESPONDENT'S SURVEY

I've been informed of the motivations behind this study's conduct, and I recognize that its sole goal is academic.

Name: \_\_\_\_\_ Signed: \_\_\_\_\_ Date: \_\_\_\_\_

### *Participant*

Name: \_\_\_\_\_ Signed: \_\_\_\_\_ Date: \_\_\_\_\_

### **Researcher**

## SECTION A: GENERAL INFORMATION

### **NGO Information**

- **Name of the NGO:** .....
- **Year of Establishment:** .....
- **Location:** .....
- **Annual Operating Budget:** .....

### **Respondent Information**

- **Gender of Respondent:** .....
- **Age of Respondent:** .....
- **Marital Status of Respondent:** .....
- **Years of Experience of Respondent:** .....

**SECTION B: Grants**

1) Check the box next to each row in the table below that represents the income your NGO received from grants during the last three years.

Grant Income	Income Interval In KES ('000')					
	Less than 10,000	10,000 – 50,000	50,001 – 100,000	100,001 – 500,000	Above 500,000	N/A
Government grants						
Foundation/Trust Grants						
Donations						
Any Other .....						

**SECTION C: Fee based services**

2) Check the box next to each row in the table below that represents the income your NGO received from fee based services during the last three years.

Fee based Service	Income Interval In KES ('000')					
	Less than 10,000	10,000 – 50,000	50,001 – 100,000	100,001 – 500,000	Above 500,000	N/A
Capacity Building and Training						
Consultancy						
Fundraising events						
Any Other.....						

**SECTION D: Revolving Fund Interest Income**

3) Check the box next to each row in the table below that represents the income your NGO received from revolving fund interest income during the last three years.

Revolving Fund	Income Interval					
	In KES ('000')					
	Less than 10,000	10,000 – 50,000	50,001 – 100,000	100,001 – 500,000	Above 500,000	N/A
Interest from loans						
Savings account						
Investment Income						
Any Other.....						

**SECTION E: Income Generating Activities**

4) Check the box next to each row in the table below that represents the income your NGO received from sale of products and services during the last three years.

Income Generating activities	Income Interval					
	In KES ('000')					
	Less than 10,000	10,000 – 50,000	50,001 – 100,000	100,001 – 500,000	Above 500,000	N/A
Product sales						
Service provision						
Microfinance activities						
Any Other.....						

**SECTION F: FINANCIAL SUSTAINABILITY OF NGOS**

5) What is the percentage of the three indicators in the following table during the past three years?

Financial Sustainability Indicator	Interval					
	In KES ('000')					
	Less than 10,000	10,000 – 50,000	50,001 – 100,000	100,001 – 500,000	Above 500,000	N/A
Financial Reserves						
Surplus						
Cash flow						
Any Other						

*Thank you for your participation*

## **Appendix 2: Sampling frame for Nairobi based NGOs**

1. Abha Light Foundation
2. Academic, Health and Agricultural Development Initiative
3. Accident Victims Relief Foundation
4. Act Change Transform
5. Action Against Poverty for Socio - Economic Justice in Kenya
6. Action First for Progress
7. Action for Ethical Leadership
8. Action for Peace Justice and Development
9. Action in Africa International
10. Action in Focus
11. Action in The Community Environment in Africa (Ace-Africa)
12. Active Association for Community Development
13. Advocacy for Community Development and Education
14. Africa - International Relief Friendship Foundation
15. Africa Network for Animal Welfare
16. Africa Resources Development Foundation
17. Africa Rural Link
18. African Care Empowerment Organization
19. African Centre for Energy, Technology and Sustainable Development
20. African Development & Emergency Organization
21. African Foundation for Civil Society Organization
22. African Foundation for Community Development
23. African Medical and Research Foundation
24. African Music Research Centre

25. African Poverty Research Network
26. Aids Healthcare Foundation, Kenya
27. Aids Prevention Forum of Kenya
28. Al - Morin Foundation
29. Al-Momin Community Development Organization
30. Al-Muntada Al-Islami Trust
31. Alpha Support Development Programme
32. Arid Lands Information Network - Eastern Africa
33. Barut Development Organization
34. Basic Education Concern
35. Basic Needs Uk in Kenya
36. Benevolent Education Centre for Rural Development (BECRD)
37. Better Life Foundation
38. Better Poverty Eradication Organization
39. Bible League International- Kenya
40. Bidii Strategies Network
41. Bio Right and Soil Conservation
42. Bishop Kigen Foundation International
43. Blind and Low Vision Network - Kenya
44. Blood life Initiative- Kenya
45. Bridge Partner Organization
46. Brook of Cherith Organization
47. Build Africa Kenya
48. Business Aid Connection for Poverty Eradication (Kenya)
49. Business Guidance and Counseling Foundation

50. Business Ideas for Rural Development
51. Business Ideas for Rural Development Initiative (Bird Initiative)
52. Capricorn International Services
53. Careers for Life International
54. Catholic Organization for Relief and Development
55. Center for African Post- Cultural Studies
56. Centers for International Programs - Kenya
57. Centre for Civic Empowerment Through Education and Economic Development
58. Centre for Civil Society Organizations
59. Centre for Community Law and Rural Development
60. Centre for Development Information Programme
61. Centre for Education of Disaster Survivors
62. Centre for Education Population Environment and Development
63. Centre for Energy and Environmental Studies
64. Centre for Entrepreneurship Development and Gender Issues
65. Centre for Environment and Renewable Energy Studies
66. Centre for Ethnic Mainstreaming
67. Centre for Excellent, Innovative and Practical Solutions
68. Centre for Human Rights and Democracy
69. Centre for Integrated Development Africa
70. Centre for Law and Research International
71. Centre for Life Perpetuation
72. Centre for Peace and Democracy
73. Centre for Rehabilitation of Ex - Offenders and Inmates
74. Centre for Rehabilitation of Ex-Convicts (Cerec)

75. Centre for Research Communication and Gender in Early Childhood Education
76. Centre for Rights Education and Awareness
77. Centre for Sustainable Regional Development - E.A.
78. Centre for The Study and Practice of Direct Democracy
79. Centre On Advocacy On Legal Ethics and Human Rights Issues
80. Chaka Bono Conserving Environment
81. Changamka Economic and Social Development - Kenya (Cesd (K)
82. Chariots of Destiny Organization
83. Chesire Rehabilitation & Crisis Centre
84. Child Legal Aid Centre
85. Child Life Missions of Kenya
86. Child Rescue Link-Kenya
87. Childcare International Kenya
88. Children and Community welfare Programmes
89. Christian Women Aids Awareness Programme
90. Citizens Against Violence Organization
91. Children Rescue Organization
92. Children Welfare Association Fund (CWAF)
93. Coalition On Violence Against Women – Kenya
94. Community Integrated Development International
95. Community Aid for Development
96. Community and Partners in Development Agency (Scapida)
97. Community Bio Environmental Intervention Programme International 2000
98. Community Care Initiative Organization Community
99. Communication for Health Development in Africa

100. Community Development and Child Sponsorship
101. Community Development and Research Centre
102. Community Emergency Response Volunteers
103. Community Health Services International
104. Community Leadership Advancement Network
105. Community Programme for Empowerment
106. Community Transformation and Rural Development (COTARD)
107. Community Urban Rural Education International
108. Compassionate International Relief and Development Agency
109. Consortium of Veterinary and Agricultural Researchers in Development
110. Coping Center for People Living with HIV/AIDS
111. Corruption Watch International
112. Cottage Industries Development Organization (CIDO)
113. Cross Currents Indigenous Network
114. Covenant Home Organization
115. Darat Hiv/Aids International Agency
116. Development Enhancement Programme-Kenya
117. Development Initiatives for Sustainability
118. Development Knowledge Link-Africa
119. Development Operations Towards Health and Needs (Dothan)
120. Disability and Women Development Strategies
121. Disabled for Education and Economic Development Support, Kenya
122. Disaster Management and Relief Program - Kenya
123. Dove Child Development Program
124. Dr. Taaitta Toweett Foundation

- 125.Dream Rescue International
126. Drug Abuse Hope Kenya
- 127.Earth care Africa Policy Monitoring Institute
- 128.East African Resource Centre
- 129.East African Wildlife Society
- 130.East and Central Africa Soccer Journalists Organization
131. Ecological Farming Development Initiatives
- 132.Ecumenical Disability Advocates Network
- 133.Ecumenical Pharmaceutical Network
- 134.Education and Care International
- 135.Education and Public Awareness Media Centre
136. Education Centre for Women in Democracy
- 137.Education for All Network
- 138.Elmago Concern Ministries
139. El-Taller Organization
- 140.Enterprise Development Initiative (Kenya)
- 141.Entrepreneurship and Management Assistance Programme
142. Environment and Development Concern
- 143.Environmental and Health Organization
- 144.Environmental Interaction Organization
- 145.Environmental Management and Community Development Centre
146. Environmental Research Mapping and Information Systems in Africa
- 147.Equatorial Community Development Initiative
- 148.Everbest Youth Environmental Organization
- 149.Expert Foundation

150. Explore Kenya Inclusive Organization
151. Faidika International
152. Fair Orphan Kenya (FOKE)
153. Family and Law Centre
154. Family Care Mission Organization
155. Family Federation for World Peace
156. Family Health Options Kenya
157. Family Information Research and Education
158. Family Life Counselling Association of Kenya
159. Family Programmes Promotion Services
160. Family Welfare Organization
161. Farming Systems Kenya
162. Female Enlightenment Organization
163. First Leadership Approach for Groups
164. Focus 2000 Child Rescue Programme
165. Footsteps Foundation
166. Forest Action Network
167. Forum for Organic Resource Management and Agricultural Technologies
168. Foundation for Biodiversity Conservation
169. Foundation for Rural and Urban Development
170. Free Press Center
171. Friends for Children Development Initiative
172. Friends of Masa Mau Complex and Mara Conservation
173. Friends of The Disabled Foundation
174. Friends Society for Kenyan Children in Japan\*\*

175. Friendship Awards Organization
176. Frontiers of Hope International
177. Gate of Hope Orphan's and Street Children Rehabilitation Centre
178. Gender Equity Network
179. Generation Rescue Initiative Organization
180. Global Children International
181. Global Forces Support Programme
182. Global Foundation for Interventional Cardiac Services
183. Global Hope Care
184. Glorious Women
185. Good People World Family
186. Grassroot Community Improvement Programme
187. Grassroots Alliance for Community Education
188. Great Hope Resource Youth Centre
189. Green Planet International
190. Healing Wings Rescue Agency
191. Health Agriculture and Develop
192. Health Agriculture and Development Organization
193. Health NGO'S Network
194. Health Workforce Training and Research, Kenya
195. Heart - Cry Widowers National Organization
196. Hearts International Organization
197. Heavenly Treasures Kenya
198. Heep Enterprise Enticing Programme
199. Help Mission Development Services

200. Helpers of Handicapped and Aged Persons
201. Heritage Conservation and Promotion Organization
202. Heritage Institute of Environment and Development
203. Highlands Community Assistance Programme
204. High vision Education Programme
205. Holistic Development and Relief International
206. Homeless Persons Organization
207. Hope - Craft Skills Development Centre
208. Hope for Teenage Mothers
209. Hope for The Blind Development Centre
210. Hope for The Nations Kenya
211. Humanitarian Aid and Development Organization (Had) Kenya Chapter
212. I Choose Life - Africa
213. Imani Rehabilitation Agency
214. Institute of Democracy and Governance
215. Integrated Development and Research in Rural Areas of Kenya
216. Integrated Women Empowerment Development Organization
217. Integrating Development Towards Guided Parenthood
218. Inter Community Network
219. Intergrated Partnerships for Community Prosperity
220. Integrated Pastoralist Assistance and Development
221. Integrated Programme On HIV/AIDS in Kenya
222. Intermediate Interventions for Development
223. Internal Displacement Policy and Advocacy Centre
224. International Bible Society East Africa

- 225. International Children's Mission
- 226. International Missions Organization of Kenya
- 227. International Programme for Preservation of a Serene Environment
- 228. Jitegemee Kenya Organization
- 229. Jiwezee Improved Productivity Programme
- 231. Joint Epilepsy Foundation
- 232. Kamukunji Jua Kali Prodema Organization
- 233. Keina Development Organization and Entrepreneurship
- 234. Kenya Aids NGO'S Consortium
- 235. Kenya Aids Watch Institute
- 236. Kenya Alliance for Communal Co-Existence and Development
- 237. Kenya Association for The Intellectually Handicapped
- 238. Kenya Basic Support Foundation
- 239. Kenya Business Development Services Programme
- 240. Kenya Centre for Informal Sector Promotion
- 241. Kenya Center for Intensive Farming
- 242. Kenya Community Health Network
- 243. Kenya Consortium to Fight Aids, Tuberculosis and Malaria
- 244. Kenya Drug Education Programme
- 245. Kenya Entrepreneurship Improvement Organization
- 246. Kenya Foundation for Youth & Women Programmes
- 247. Kenya Hope Organization
- 248. Kenya Regional Mobilization and Strengthening Agency
- 249. World Vision Programme

**Source: NGO Coordinating Board**