

**FACTORS AFFECTING THE FINANCIAL SUSTAINABILITY OF DONOR-
FUNDED LOCAL NON-GOVERNMENTAL ORGANIZATIONS IN KENYA: A
SURVEY OF LOCAL NGOs IN TURKANA COUNTY, KENYA**

BY

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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 references are made, and the author duly acknowledged.

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ABSTRACT

This study sought to assess the factors affecting financial sustainability of donor-funded local NGOs registered with the NGO board in Turkana County. The objectives of the study were to assess the effects of donor relationship management on the financial sustainability of local NGOs, to assess the effects of income diversification on the financial sustainability of local NGOs, to assess the effects of managerial skills of the Senior Management Team on the financial sustainability of local NGOs and to establish the effects of financial management systems on the financial sustainability of local NGOs.

The study used Open System Theory, Resource Dependency Theory, Institutional Theory, and Social Capital Theory. Because of the small number of NGOs in Turkana County, this study reflected all 34 local NGOs in the region. A systematic sampling procedure was used to target three members from the base unit of analysis. The study used primary data collected using questionnaires consisting of structured questions. The study used both inferential and descriptive statistics in data analysis using SPSS and the results presented in tables. Inferential and descriptive statistics were used to analyze the quantitative data, with responses from 90 participants from local NGOs in Turkana, Kenya. The results of the research revealed that donor relationship management had a favorable and significant impact on the financial sustainability of donor-funded local NGOs in Kenya, meaning that, donor relationship management did impact the financial sustainability of local donor-funded NGOs in Kenya. On the other hand, the findings indicated that income diversification had a positive and substantial effect on the financial sustainability of donor-funded local NGOs in Kenya. Thirdly, managerial skills of senior management had a positive but insignificant effect on the financial sustainability of donor-funded local NGOs in Kenya. Finally, the research results elucidate that sound financial management systems have a favorable but insignificant impact on the financial sustainability of donor-funded local NGOs in Kenya.

The study recommends that local NGOs should have multiple sources of income to ensure their financial sustainability as well as maintain proper relationships with donors since these two variables are very significant in determining the financial sustainability of local donor funded NGOs.

Key words: Financial sustainability, Non-Governmental Organizations, Income Diversification, Education level for senior management team, financial management, Donor relationship Management.

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DEDICATION

I dedicate this dissertation my wife Grace and my daughter Eliana.

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ACRONYMS AND ABBREVIATIONS

NGO: Non-Governmental organization

USAID: United States Agency for International Development

KNBS: Kenya National Bureau of Statistics

NPO: Non-Profit organization

OPERATIONAL DEFINITION OF TERMS

Financial Sustainability: The ability of local NGOs to recover costs as well as have reliable sources of funding even when some or all donors fundings come to an end.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Market Failure is one of the overbearing arguments for the participation of any government in the market (Pasour Jr, 1981). However, sometimes the activities of the governments cannot adequately satisfy the requirements of the market that predispose some people to harsh socio-economic conditions. Non-Governmental Organizations (NGOs) fill this role by ensuring that social advancement is achieved. Globally, many people understand and accept that the government cannot individually resolve poverty and other market adversities; thus, the value of NGOs.

Whichever roles or objectives are at the core of an NGO's primary duties; financial sustainability is of key interest. Financial sustainability is the ability to recover costs as well as have reliable sources of funding. An institution is deemed financially stable if it has elucidated a capacity to sustain positive cash flows and retain a steady income base allowing capacities to maintain its core projects (Milelu, 2018). In this regard, Milelu (2018) argues that net income (income after expenses and taxes) or the availability of funds to cater for all organization activities or comparison of assets to liability is the true measure of financial sustainability.

Several variables have been identified as variables to the general function of financial sustainability for modern-day Non-Governmental Institutions. These variables include Income diversification may be defined as the innate need of income are valuable to the sustainability of an NGO. Donor relationship management encompasses the conscious and deliberate efforts by

an NGO to create and sustain healthy relationships with donors (Mitlin et al., 2014). The theory of social capital explains how a healthy relationship between individuals and firms can be positive to the organization.

Financial Management systems include the financial and accounting practices that enable effective running of the institution (Mitlin et al., 2014). Financial Management systems are a broad statement for a diverse number of roles including planning, budgeting, administration, and controlling. This variable can also be affected by the education level of people in higher managerial positions

In Kenya financial sustainability for NGOs is enhanced by the regular interaction between local communities and NGOs. Tomno (2013) investigated CBO's financial sustainability in Baringo County Based on their access to donor funds, barriers on the accessibility of resources, availability of human capacity retention, and governance influence on the same. The research found that the primary income source was associated with external donor assistance, including grants and donations (Tomno, 2013). Tomno (2013) also revealed that poor governance challenges affected the NGOs negatively on the acquisition of resources from different donor agencies. Therefore, Tomno (2013) offers compelling insights into the impact of local and national government influence on Community Based Organizations.

Regionally, most of the variables described above can still be deemed as influential to NGOs' financial sustainability. In Ghana, Okorley and Nkrumah (2012) investigated the organizational factors influencing local NGOs' sustainability. Factors that influence organizational sustainability, such as human resource capacity, funding, program development, and management, were used as control variables (Okorley& Nkrumah, 2012). Even though specific theoretical foundations infer a causation and correlation between core precepts, Orkoley

and Nkruma (2012) find that the aforementioned factors affect NGOs, although mutual exclusivity cannot be guaranteed. Therefore, the key determinants that affected financial sustainability in the region could be reduced into two distinct variables that are inadequate leadership structures and poor financial structures coupled with inadequacy of funds.

Globally, the assertion is that the role of NGOs is quintessential to reconciling the socio-economic differences that sometimes cause adverse effects in a community. Financial sustainability for NGOs borders the economic behavior reflected in private institutions and firms. Gunderson (2011), in a study on internal controls posited that enhancing Your Internal Control Environment found that organization needs to strike a balance between declining revenues and operational and capital needs (Gunderson, 2011). This generally asserts that NGOs need to find different ways of carrying out their business to enhance their survival during a financial crisis, for example, the economic hardships caused by the COVID-19 pandemic.

There are other factors that may affect the financial sustainability of local donor funded NGOS, but this study settled on four variables namely donor relationship management, income diversification, skills of senior management team and financial management systems after consultations with experts in this area.

1.1.1 Donor-Funded Local NGO

A local NGO is a category of non-governmental institutions with objectives in agriculture, climate change, education, health, and economic development. Local NGOs receive funding from local donors such as local business, international NGOs, corporations, and ordinary citizens (Kerine, 2015). According to Kerine (2015), some of the ubiquitous international donors

providing substantial financial assistance for NGOs in Kenya; including, the European Union, Ford Foundation, Agencies Francis Development, United States Agency for International Development, Swedish International Development Cooperation Agency, and foreign corporations and individuals.

The main goal of NGOs is to strengthen people's capacity for sustainable local development and uplifting the lives of vulnerable people in society. Some of the sensitive groups of people often affected by the activities of local NGOs include refugees, orphaned children, people living with disabilities, and people affected by HIV/AIDS, cancer, and other diseases. Furthermore, local NGOs help communities faced with natural disasters such as floods, drought, and famine (Kerine, 2015). Stubbs (2018) outlines the practical precepts of NGOs arguing that depending on their size, structure, and financial capabilities, such institutions differ in their communities' operations.

1.1.2 Financial Sustainability

Tomno (2013) defines financial sustainability as the ability of non-governmental organizations (NGOs) to develop a variety of resources that might enable them to carry out their activities even in the potential instance that donor financing is withdrawn. Thus, sustainability reflects the ability of an organization to meet its daily obligations and the mandate of stakeholders. Tomno (2013) posits that the effectiveness and viability of a project reaches fruition when its benefits have a positive effect on the enterprise of current generations and protect the welfare of future generations.

Income diversification is one of compelling considerations in the context of NGO's financial sustainability. Income diversification refers to the increase in income sources or the

balance share among the different sources. A local NGO with multiple sources of income experiences less variability in total income and has a greater comparative advantage than the one with less diversity (Mitlin et al., 2014). With different sources of income, it can face adversities such as donor funds deductions or cuts. It also enables the organization in its risk management by investing the money in many income-generating projects. Therefore, according to Mitlin et al (2014) NGOs that can source funds from different donor agencies over a long-sustained period have higher survival chances.

High competency levels among senior-level personnel in an NGO usually encourage good financial performance in a donor-run entity. A well-learned management team can oversee the development of programs (Okorley et al., 2012). Other than that, they can understand and execute fully the laid down structures, guidelines, or procedures (Okorley et al., 2012). Finally, Okorley et al. (2012) argue that competent senior management can understand and relate with foreign donors, creating a robust social cohesiveness; thus, asserting the capacity to safeguard donor's expectations.

Donor relation management is another sensitive variable in the broad outlay of factors affecting NGOs financial sustainability. Mitlin et al. (2014) assert that donor relationship management entails undertaking deliberate efforts aimed at constructively engaging donors in an NGO's activities. An NGO must adopt different techniques to capture the attention of donors they are interested in; for example, a proper plan layout indicating the benefits, or the expected returns of a project may strongly convince donors to fund a project (Mitlin et al., 2014). Therefore, maintaining strong relationships with donors even after the first donation may increase the chances for regular financial aid and publishing audit reports portrays the company's transparency, consequently building trust with financiers.

The financial management systems that necessitate a mechanism for managing donor funds have significant influences on financial sustainability (Miriti, 2016). Additionally, the value of financial management systems is exemplified through the proper financial management practices, good governance, and accountability, which are salient factors in stimulating overall firm improvement and influencing NGOs value for money (Kelly, 2019). A comprehensive plan that sets the policies and guidelines on funds allocation to different projects ensures financial sustainability (Kelly, 2019). Thus, effective management is an essential factor that influences financial management, as it is central to the decision-making regarding the handling of financial resources because most NGOs cease to exist when streams of donor funds decline. The issue of budget planning and debt directly affects the potential for the continuum of operation for NGOs. NGOs' enormous development functions demand a continuous availability of funds and effective and efficient mobilization of financial resources (Kerine, 2015). The financial management systems or control systems help manage financial activities such as accounting, budgeting, planning, and forecasting, record-keeping and reporting, and financial oversight (Lewis, 2005). The bottom line in Lewis's (2005) approach is that sustainability of NGOs also relies on internal control systems within the organization.

1.1.3 Donor Funding in Kenya

Started mostly as self-help groups in the 1960s, the survival of most NGOs in Kenya has relied heavily on donor funding. Even though some NGOs have alternative sources of income, decline in donor funding often means scaling down of operations or complete shutdowns; indicating that such organizations' financial wellness is still heavily inclined to donor funding (Omeri, 2014). Fowler (2013) posits that donor funding customarily comes with a list of stringent and rigid

measures for use or affecting the operations of an NGO; for example, a donor may specify that only well-educated staff beyond certain levels may be involved in the disbursement and other such use of funds. Several claims have been made that some NGOs in Kenya miss out on opportunities for donor funding for failing to meet the base threshold as indicated in donor contracts (Omeri, 2014). Additionally, the inadequate drive to establish and maintain donor relationships is often mirrored by lack of financial sustainability by a number of NGOs in the country.

NGOs in Kenya are regulated by the NGOs Co-ordination Board. This board is mandated by the government as a state corporation to have a direct overview over the operations of NGOs including supervision of donor activities (Omeri, 2014). The NGO Co-Ordination Board (2020) specifies that it has the authority and mandate to regulate NGO operations within the country. However, it is important to note that this board is not an enforcement authority. Gunderson and Kelly (2019) posit that even though regulation of NGOs has been centralized in Kenya, the country is still faced with the declining trend for donor funding as many donors move away from social programs. Therefore, donor funding and donor relationships management is central to the issue of financial sustainability of NGOs

1.1.4 Turkana County

Turkana is the largest county in Kenya by landmass. It is located in the northwestern part of the country and has a population of 926,976 (KNBS, 2019). Rising temperatures and changing rainfall patterns leading to an increased frequency of extreme weather events such as droughts and floods (County Government of Turkana, 2020) characterize the region. Such threatening weather conditions affect the sustainable development of the county. The county has high poverty

levels and is ranked among the top five poorest counties in the country (Ngugi, 2013). The above economic development disparities between Turkana and other regions have motivated many local and international NGOs to work in the region to improve the people's welfare in the region.

1.2 Statement of the Problem

Many local NGOs and CBOs tend to close shop a few months or years into operations due to financial challenges that they face because they have trouble achieving sustainability and accountability (Kameri-Mbote, 2000). There is data on research papers done on this topic in different counties and considering different factors but none of these is in the Turkana County context. Some variables affecting the sustainability of NGOs are similar everywhere, while others are specific to particular settings. Karanja and Karuti (2014) were able to draw the conclusion that funding was a major headache for local NGOs. The authors were able to conclude that various government policies were among factors that interfered with the smooth management of NGOs using a study carried out in Isiolo County and covering all the NGOs in the county. Therefore, there is need for research into the short life span of NGOs; a problem that is noted by the NGO Council report of 2006 who reported that many local NGOs collapse before six years of operating. The report stated that around seventy percent of NGOs face this predicament.

Globally, Gunderson (2011) established that effective financial management systems, accounting processes and procedures, internal and external auditing, information systems, and financial analysis are quintessential variables that must be implemented to achieve financial sustainability. This suggestion infers that even though NGOs sometimes differ from profit-motivated firms, they should adopt certain systems and tools that ensure that they meet the objective of optimal operations effectiveness.

In Kenya, Wachira (2016) did research on the factors affecting financial sustainability of local NGOs in Kiambu County and found donor relationship management, diversification, financial management and management competence affected the financial sustainability of local NGOs. Whereas Wachira (2016) conducted the study in Kiambu, a cosmopolitan county, this study will be conducted in Turkana County, a county in the Arid and Semi-arid lands (ASAL) region of the country.

Despite the numerous research in the area of financial sustainability of local NGOs both locally and internationally, no research has been carried out in Turkana County despite its size and the number of NGOs it hosts and none of the studies has investigated the effect of management skills of the senior management on financial sustainability of local NGOs. This is a gap in research that this study intended to fill.

1.3 Research Objectives

1.3.1 General Objective:

The general objective of the study was to establish the factors affecting the financial sustainability of local NGOs in Kenya: A survey of NGOS in Turkana County, Kenya

1.3.2 Specific Objectives:

The study will concentrate on the following specific objectives:

1. To establish the effect of donor relationship management on the financial sustainability of local NGOs in Turkana County.
2. To investigate the effect of income diversification on the financial sustainability of local NGOs in Turkana County.

3. To ascertain the effect of managerial skills of the senior management team on the financial sustainability of local NGOs in Turkana County.
4. To establish the effect of financial management systems on the financial sustainability of local NGOs in Turkana County.

1.3.3 Research Questions

1. What is the effect of donor relationship management on the financial sustainability of local NGOs in Turkana County.?
2. What is the effect of income diversification on the financial sustainability of local NGOs in Turkana County.?
3. What is the effect of managerial skills of the senior management team on the financial sustainability of local NGOs in Turkana County.?
4. What is the effect of financial management systems on the financial sustainability of local NGOs in Turkana County.?

1.4 Justification of the Study

The NGOs coordination board (the institution legally mandated to register and deregister NGOs in Kenya) in their Annual NGO sector report 2018-2019 noted that the NGOs in Kenya are at the evolving stage which requires a lot of effort to ensure the sustainability of the sector (NGO sector report 2019). The current working environment for NGOs is characterized by reducing funding from both the international and local donors as well as the government. This implies that the NGOs, both local and international, must reduce if not eliminate their reliance on donor funds to ensure their financial sustainability.

USAID, one of the larger international donors, in a process referred to as Journey to Self-Reliance is reorienting its strategies, partnership models, and program practices to achieve greater development outcomes and work toward a time when foreign assistance is no longer necessary. This study aims at establishing how the local NGOs in Turkana County are doing to ensure their financial sustainability in these changing times.

1.5 Significance of the Study.

1.5.1 Management of local NGOs: The findings of this study will benefit the management of local NGOs in Kenya and enable them to design strategies to ensure the financial sustainability of their organizations.

1.5.2 NGO coordination board: The study will help the NGO board know how the local NGOs in Turkana are ensuring their financial sustainability and develop policies that will ensure financial sustainability of these and other NGOs.

1.5.3 Future scholars and academicians: The study will add to the current body of knowledge on factors affecting financial sustainability of local NGOs, will be useful for literature review and will be a basis for further research in future.

1.5.4 Other local NGOs: The findings of this study will help other local NGOs strategize on their financial sustainability by learning what others are doing.

1.6 Scope of the Study

This study sought to assess the factors affecting financial sustainability of local NGOs in Turkana County, Kenya by targeting the employees of local NGOs in Turkana County. The study was based on the variables of donor relationship, income diversification, financial management and

managerial competence and their effect on the sustainability of local NGOs in Turkana County, Kenya.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This literature review aimed to capture previous studies conducted on the factors affecting the financial sustainability of donor-funded NGOs. Much of the tasks involved examining variables such as donor relationship management, income diversification, sound financial management practices, managerial skills for the senior management team and financial management systems, and their impact on NGOs' financial sustainability in the various studies undertaken in this area within the specific Kenyan context and the continent. The studies also localized the target population to the county level and the district level. Several studies were able to prove the existence of a relationship between good donor relationship management and the financial sustainability of donor-funded community-based organizations (Ali, 2012; Moore, 2012; Saungweme, 2014). These studies were able to show the existence of a positive and significant relationship between donor relationship management and financial sustainability.

Regarding income diversification, Omeri (2015) proved that a positive and significant relationship between income diversification and financial sustainability existed. Omeri (2015) established the relationship existed in the Kenyan context, specifically in Nakuru County. Saungweme (2014) demonstrated this relationship in the Zimbabwe context. Sound financial management is another variable proven to affect financial sustainability positively. Lewis (2011) and Waiganjo et al. (2012) proved the existence of this positive and significant relationship. One of the most commonly quoted theories on this subject matter is resource dependence theory. This theory is very relevant because much of the NGOs operating in Kenya are resource dependent.

This theory advocates for adoption of strategies that may help overcome such dependencies in order to remain relevant in an ever-changing environment.

2.2 Theoretical Review

2.2.1 Open System Theory

An organization may be defined simply as individuals working together to achieve a common goal or objective and is made up of subsystems that are interconnected and interdependent. Even though the open system theory has no compelling singular author, it has been exemplified in different disciplines to reflect several critical aspects. The Greek philosopher Kostas Axelos argued that the view of an open system in social sciences is one of the initial steps of understanding the world (Bostedo, 2004). Additionally, Bastedo (2004) elaborated that open system theory states that an organization's survival is contingent on its relationship with the environment. Lim and Sambrook (2010) posit that a system becomes an open system when a penetrable boundary exists. Although a boundary exists between an organization and its environment, this boundary should be porous. Ideas, information, and materials should impregnate such a boundary. A porous border will enable such an organization to adapt to its environmental changes.

The internal and external environments both affect an organization's sustainability and creating a positive internal environment will have an impact on sustainability. A healthy organizational culture will lead to a much better workforce ready to work to meet and achieve organizational objectives. Silard (2018) posits that leaders of non-profit organizations who strive to create a healthy organizational culture will influence the workforce. Positive emotions within an organization are essential in establishing such an environment. Kim and Kim (2015) asserted

an existing interdependence and reciprocity between government and non-profit organizations. The authors focused on the external environment, emphasizing the challenges within the external environment. Studying and evaluating both the internal and external environment will enable most NGOs to be better equipped to face any phenomena that might threaten their sustainability.

2.2.2 Resource Dependency Theory

The resource dependency theory exemplifies and accentuates the value that organizations derive from creating and enhancing compelling relationships. The theory emerged from Pfeffer and Salancik's seminal work in 1978, formulating this theory on the basic precept that organizations are resource inefficient and have to acquire resources from the environment by engaging in transactions with other actors and organizations in the external environment (Pfeffer & Gerald, 1978). Resources are scarce or may be under the control of an unyielding actor who may want to exert pressure on an organization. Such transactions may result in unequal exchanges that generate differences in authority, power, and access to more resources. It is also essential to bear in mind that the proportion of resource dependence determines the organization's behavior, in our case, an NGO. The higher the proportion of reliance on external resources, the more influence the donors have on the NGO's running.

The Resource Dependency theory advocates for developing strategies such as increased links with other similar organizations, political action, and diversification to enhance an organization's bargaining position. Organizations should be able to juggle the different demands from their various stakeholders. From an open system perspective, effective organizations can recognize changes in the environment and adjust to the emergency.

Other authors have also been able to utilize resource dependency theory and other concepts to come up with new strategic responses to dealing with the ever-changing environment. By incorporating both resource dependency theory and institutional theory, Oliver (1991) deduces five main strategies that might assist in organizations namely compromise, avoidance, acquiescence, defiance, and manipulation. Kumi (2017) also integrated Oliver's approach, neo-institutional theory, and resource dependency theory in understanding how NGOs reacted to uncertainty in the environment and concluded collaboration was the most effective strategy in controlling the uncertainties. Alliances between NGOs help such organizations gain resources that may include finances, information, and human resources.

2.2.3 Institutional Theory/ Principal-Agent Theory

Institutional Theory examines the mechanisms and processes of establishing structure, rules, norms, routines, among others, as the guidelines for how a society behaves. Mitnick (2013) asserts that Stephen Ross and Barry Mitnick independently and roughly concurrently, were the first scholars to propose, explicitly, that a theory of agency be created, and to actually begin the theory's creation in the 1970s. The institutional theory also seeks to determine how to meet social expectations by institutionalizing norms and rules. This theory is very relevant because there are specific rules or terms and conditions that an NGO must follow in order to get funding. It also provides some rules and regulations to conduct how an NGO will interact with the society in which it operates and seeks to bring about changes.

The principal-agent relationship arises if one party (agent) represents another party (principal) in day-to-day transactions. The principal hires the agent who has delegated decision-making authority and uses the principal's resources. However, due to both parties having

differences in priorities, that is, nonalignment of priorities, there arises the principal-agent problem.

In an NGO, the donor is the principal, while the beneficiary (in this case, the NGO) is the agent. Agency theory tries to tackle the principal-agent problems caused by either moral hazard or adverse selection. These two problems may cause inadequate project/program monitoring resulting in poor project/program implementation and may increase project/program costs. Adverse selection and moral hazard are due to incomplete and imperfect information. These two problems occur when an informed party gains more from a transaction than a less-informed party does.

A moral hazard may be described as a change in behavior due to somebody else bearing the risk. Krugman (2009) stated that moral hazard was any circumstance in which one person decides how much risk to take, while another person pays the cost associated with the risk taken. Moral hazard occurs when the beneficiaries/NGOs start following their policies to the detriment of the donors' objectives. The agents may also overstate the benefits of a particular project/program undertaken using external funds. The reality may be that the funded projects/programs are not making any real difference in the community or society. Moral hazard causes benefactors/agents/NGOs not to raise any concerns with donor agencies when benefits of projects/programs are not fully realized

Adverse selection is another problem that goes against the principal—adverse selection due to asymmetric information where one party has more information than the other party does. Due to NGOs being involved in the community itself, the beneficiary/agent/NGO will always have more information concerning the projects/programs than the funding agency/donor/principal.

2.2.4 Social Capital Theory

The social capital theory first presented by Bordieu in 1985 asserts the necessity of interpersonal relationships (Bizzi, 2015). Social capital may be viewed as the set of interpersonal relationships that provide access to resources that may create value for individuals in organizations (Bizzi, 2015). Putnam (2001) posits that social capital can be traced to humans' capacity to consider others, cooperate, and act generously. The theory articulates social relationships and social structures. It shows how people's positive relationship based on trust, respect, and kindness promotes prosocial behavior while discouraging exploitive behaviors.

Social capital in organizations equates to social relations and social network structures. The relationships that different members of the organization maintain are what is referred to as social capital. Social networks and social capital are two independent concepts that are related casually. As Inkpen and Tsang (2005) posit, social capital originates from social networks and may be viewed as the resources one can acquire from the networks they have formed. An important aspect to consider with social relations is the essence of the power structure and how that can influence accountability in NGOs. Since NGOs are mostly underfunded and there is an over-reliance on donors, they have to be accountable to donors. Cornwall et al. (2000) posit that NGOs should justify where, how, and when resources are used. Since accountability to donors involves providing answers to a higher authority, it is upward accountability. Blagescu and Young (2005) posit that upward accountability encourages compliance with stated objectives and policies, which improves an organization's performance. However, accountability is skewed towards donors. This is mainly because of the funds they provide.

Social capital theory is essential in the deployment of trust. Since NGOs receive funds from donors, there is a need for trust to be established early in the relationship. Trust reinforces

compliance, as Putnam (1993) asserts by taking the example of an individual who may benefit from breaking a rule. If the individual knows that such disobedience may result in trust relations being jeopardized, the individual is less likely to break a rule. Therefore, trust is implicit in the notion of community.

2.3 Empirical Review

Previous studies have established the common factors affecting donor-funded local NGOs financial sustainability. Financial sustainability is key to any organization's survival, and it is for this reason, NGOs employ different strategies to cover their increased costs. Chakawarika (2011) reveals that many NGOs have relied on donors' generosity and benevolence to cover their increased operating costs over the past years. However, other non-financial factors like the managerial skills of senior management and donor- NGO relationship can give helpful insight into the potential of survival of CBOs.

2.3.1 Donor Relationship Management

Fafchamps and Owens (2008) established that there is a strong positive relationship between donor relationship management and financial sustainability. The study involved local NGOs in Uganda and Zimbabwe that relied heavily on donor funding. Additionally, Fafschamps and Owens (2008) also noted a correlation between income generation and donor relationship management in NGOs in both countries. The study explains this phenomenon by stating that increasing donor funding resulting from effective relationship management increased confidence among members in making their contributions.

The variables surrounding donor-relationship management were investigated by Waters (2010) using an exploratory research design. Waters (2010) used a stratified random sample of donors (n = 1706) to three non-profit hospitals and a census of the fundraising team members at the participating hospitals (n = 124). The research found that there is a strong positive relationship between financial sustainability and donor relationship management because donor relationships identified in the corporate values are vital to forecasting the donors' financial contribution to the well-being of the hospitals (NGOs) (Waters, 2010). The donor relationship management encompassed the variables of commitment, satisfaction for both parties, trust, and cultivation strategies adopted to ensure the relationship between the donors and the hospitals (Waters, 2010). Waters (2010) posits that donors generally provide more than 80 percent of the fundraising revenue for the sake of non-profit organizations; thus, it is crucial to cultivate and maintain relationships with donors if such institutions are to retain their financial sustainability. The social capital theory identified in the theoretical review above posits the invaluable position of creating healthy relationships with various stakeholders in an organization through social values such as trust. Therefore, it is plausible for Waters (2010) to conclude, by the merit of this study, that donor relationship management is essential in determining the financial sustainability of local NGOs.

Lewis (2011) posits that financial sustainability has a direct and strong positive relationship with NGOs' donor relationship management. Lewis (2011) uses a multivariate analysis method for the study and ranks the independent variables in strength of relationship with the dependent variable, financial sustainability. This study asserts that donor relationship management is the most compelling factor for financial sustainability, followed by sound financial management practices, then income diversification and

own income generation. However, Leon (2001) had preceded the studies shown in Lewis (2011) and argued that all four independent variables must be accorded similar attention by NGOs to achieve financial sustainability, as neglecting one of the variables could impact the overall result.

Proper communication is paramount in managing donor relationships effectively. Lewis (2011) defines donor relationship management as developing and maintaining positive relations with donors. Other ways of cultivating a positive relationship with donors are through proper utilization of funds, preparing and presenting timely and adequate financial reports to donors, and meeting donors' conditions (Moore, 2012). Therefore, NGOs should understand the needs of donors, contact persons, and the contact persons' requirements.

Ibrahim (2012) evaluates the relationship between financial sustainability and donor relationship management for NGOs in Kenya. A case study conducted on the management team of the Sisters Maternity Home (SIMAHO) included 67 respondents selected using a stratified proportionate random sampling procedure (Ibrahim, 2012). The researchers employed a multivariate regression model to assess the myriad of factors associated with financial sustainability of NGOs in the specific setting (Ibrahim, 2012). According to Ibrahim (2012), there is a significant and positive correlation between the management of donor relationships and strategic financial management and the long-term financial viability of nongovernmental organizations (NGOs). Ibrahim (2012) proposes that the study findings indicate that NGO's ability to generate funding has a comparatively insignificant effect on the financial viability of the enterprise. Therefore, Ibrahim (2012) concludes that accountability and appropriate communication channels are compelling necessities for non-governmental organizations (NGOs) if they wish to maintain a trustworthy relationship with their financial backers.

Onsongo (2012) argues that evidence from the data from the National Council of NGOs, indicates a decline in donor support for nongovernmental organizations (NGOs) from Sh87 billion in 2008 to Sh73 billion in 2009, compared to a preceding annual growth rate was from Sh7 (Onsongo, 2012). This study sought to uncover the strategies that NGOs have implemented to achieve financial sustainability, including determining how strategic financial management, paradigm, organizational structure, internal financial funding, and programming helps NGOs maintain their financial viability. Data were gathered utilizing surveys and a random sampling method were used to choose the development sample (Onsongo, 2012). The Statistical Package SPSS (version 17.0 for social sciences) was used to analyze the data (Onsongo, 2012). Descriptive statistics and material were employed in the investigation, given that the data was both qualitative and quantitative, analysis. Based on the research findings, Onsongo (2012) concludes that strategic financial management and appropriate governance received great results as significant predictor variables.

Wiggil (2014) evaluated how Non-profit Organizations (NPOs) practiced donor relationship management and conformed to theoretically proven methods. The different non-profit organizations managed this fundamental relationship if it conformed to what the relevant theory advocated. Wiggil (2014) took a qualitative research approach by conducting interviews to collect data. Trust and commitment were agreed on as the most critical in maintaining the donor-beneficiary relationship. The interviewees agreed that a clear policy on donor control matters in projects was vital. However, donor control was best achieved through a legal contract that spelled out each party's obligations. The study was able to conclude that non-profit organizations should stick to their mission to continue receiving funds. The author also stated

that non-profit organizations seeking to address the need for donors to "self-actualize" was critical in ensuring donor support.

According to Saungweme (2014), there is a positive but weak relationship between good donor relationships and financial sustainability. Saungweme (2014) argues that strategic financial management systems and income generation activities show a stronger positive relationship with the financial sustainability of non-governmental organizations (NGOs). Previous research on the topic that was analyzed by Saungweme (2014) yielded some insights into the components of an effective foundation for the management of donor relationships. Among these are the keeping of an up-to-date database and monitoring system for all donors in a country, the number of donor-organized programs in which an NGO is requested to participate, the number of projects and programs sponsored by a donor, and the number of donors that provide repeat financing.

Effective governance of an organization goes a long way in ensuring proper communication. Most donors place requirements, such as effective governing strategies, to be in place before they start or continue the funding of NGOs. Effective governing strategies are of the utmost importance as they ensure that there exist clearly defined roles and responsibilities among NGOs governing boards. Generally, the board of governance has the fiduciary duty of running the NGOs (Bernstein et al., 2015). Some of the responsibilities include monitoring financial performance and impact, strategic planning, conducting effective community outreach, among other duties. Governance is an important role that determines the financial sustainability of donor-funded organizations. Leaders of NGOs are entrusted with making important financial decisions that affect the organizations' financial sustainability while ensuring that positive relations with donors are maintained through effective communications (Freiwirth et al., 2017). During the day-to-day running of NGOs, the governing board is responsible for making critical financial

decisions that ensure the feasibility of operations. The governing board focuses on strategic organizational direction and enhancing decisions that lead to self-sustainability. NGOs' leaders, who apply managerial techniques and practices that reduce income volatility, can weather temporary financial hitches, and thus ensure that financial stability is achieved (Von Schnurbein & Fritz, 2017). Organizational resilience and capacity are another important concept in the management of NGOs. Leaders should identify setbacks and seek ways to turn such into opportunities. They should also respond positively and productively to disruptive factors (Witmer & Mellinger, 2016). When management can organize structural and human resources that offer programs and services, it has the organizational capacity (Lee and Nowell, 2015). Additionally, providing performance information to both members and donors with clear explanations on current operations and plans builds a donor relationship.

Mikołajczak et al. (2021) offer perspectives on how the severing of interactions between NGOs and their donors affected the former's financial sustainability during the pandemic. Mikołajczak et al. (2021) offered two critical research hypotheses in their research study. The first predicated that the COVID-19 pandemic has a detrimental effect on NGOs' financial status, restricting their ability to operate in Poland. This survey data from NGOs in Poland verified these hypotheses (Mikołajczak et al., 2021). According to the researchers, a significant portion of Polish NGOs indicated a significant reduction in income as a result of the cancellation of an event or program (for example, as part of a paid activities) and a decrease in the amount of money collected through donations (Mikołajczak et al., 2021). According to this study, NGOs in Poland also raise objections to the necessity of firing workers. Studies of have shown findings that are comparable to this (Mikołajczak et al., 2021).

The second hypotheses presented in the study is that COVID pandemic had an impacted the implementation of things, including how things worked and were done in NGOs to varied degrees, depending on the activities they carry out (Mikołajczak et al., 2021). Therefore, it is important to underline that the findings of this research analysis demonstrated that the areas of work of NGO's influence the difficulties and some of the COVID-19 pandemic's effects (Mikołajczak et al., 2021).

2.3.2 Income diversification

Generation of income is more critical than continued reliance on donor funding since it creates a sense of financial reliability and viability in the future. Kiondo and Mtatifikolo's (1999) study shows that self-financial sustainability is the key to financial independence. This economic sustainability is significantly achieved through income diversification. The independence of NGOs is affected by their overreliance on donations and grants since most external funding is channeled only for specific projects. Thus, Organizations are left in a dilemma on which projects to go onboard and which ones to be sidelined. Moreover, Kiondo and Mtatifikolo (1999) elucidate that the national government spending and budget spending trends heavily influence other NGOs, and these organizations are mostly affected and influenced by these varying patterns. According to Kiondo and Mtatifikolo (1999), organizations are expected to put up an entrepreneurial fighting spirit, proper planning, and budgeting to reduce reliance on external funding and improve self-sustainability.

Carroll and Stater (2009) assessed the limits to the relationship between the financial stability of non-profit organizations and income diversification reach. In their seminal work, the two established that diversification leads to decreased revenue volatility and thus encourages

financial stability. This is because diversification enables the setting up of additional streams of revenue. It can be argued that NGOs and non-profit organizations' alternative income generation may take on many forms. They include but are not limited to fundraising strategy, government grants, program service contracts, direct and indirect contributions, sales of goods and services, among others. Usage of any of the above-listed techniques will most likely reduce the chances of an organization declaring insolvency or, in the worst case, closure of its operations. In their study, Carroll and Stater (2009) used datasets of 249,543 non-profit organizations from the period 1991 to 2003. They found out that organizations that mostly relied on donations and contributions seemed to be at a higher likelihood of having high instability levels. Carroll and Stater (2009) concluded that income diversification is critical in reducing instability and overdependence on one source of revenue. However, Grasse et al. (2016) cautioned non-profit organizations to diversify resources strategically to reap maximum benefits rather than implementing income diversification strategies for the sake of expansion. They also stated that finding out about the operating environment risks before implementing such procedures would avoid a disastrous outcome.

Norman (2011) asserted that, rather than an organization relying on a sole source of income to fund its projects; it must look for cash from other external multiple sources NGOs has been dwindling due to donors and governments shifting their attention to other priorities with more important needs. Further, some donors have increasingly expressed less confidence in local NGOs' capacity to implement set projects, thus attaching their donations to specific projects. It is important to note that although many sub-Saharan organizations, for example, remain dependent on foreign external assistance; they are not limited to diversifying their incomes to enhance financial security (Viravadya & Hayssen, 2011). Local NGOs that intend to have a

steady flow of income to cater to all their income needs ought to have the spirit of investing. Various scholars have established that the key to financial freedom is income diversification.

Saungweme (2014) defined income diversification as an organization's ability to expand income sources to include donor sources, both local and internal. Saungweme (2014) sought to determine whether local non-governmental organizations were sustainable and the factors that influenced sustainability by surveying 52 local NGOs throughout Zimbabwe with primary data collection. Regression analysis was used to determine the relationship between different variables and financial sustainability. The independent variables used in the study include sound financial management practices, income diversification, own income generation, and good donor relationship management. The dependent variable was Local Non-governmental organization's economic sustainability. Laws and government policies were taken as the moderating variable. The intervening variables were the global financial crisis and changing international donor priorities. The regression analysis results showed that sound financial management practices had the most considerable impact on a local NGOs' financial sustainability. Income diversification was in second place; own income generation came in third, while good donor relationship management was the last variable in the ranking. Saungweme (2014) proved that a positive and significant relationship exists between income diversification and financial sustainability in NGOs in Zimbabwe.

Income diversification can be described as a local non-governmental organization's ability to secure funds from various sources including local communities, members of the public, both national and local governments, and external donors (Lewis, 2011). Besana and Esposito (2015) offer a practical foundation to understand income diversification in NGOs arguing that it can be aggregated as having a variety of investments as opposed to relying solely on one source of

income. Income diversification was described by Besana and Esposito (2015) as a way to reduce instability brought on by a reliance on one particular revenue source and to increase efficiency, which will increase organizational sustainability. Income diversification helps to reduce revenue unpredictability. Revenue volatility was described as the fluctuations in revenue from period to period by Jordan, Yan, and Hooshmand (2017). Tevel et al. (2015) assert that increased diversification does not always result in reduced volatility. An organization's ability to recover from unanticipated financial shocks, such as unexpected losses of generated and squired money or unmanageable rises in the organization's expenditure, is enhanced by income diversification. This circumstance is referred to as financial vulnerability by Cheuk (2016). Therefore, Lewis (2011) accentuates the need to diversify results from the limits placed on funds secured, especially from external donors. It is a compelling assertion in this variable that external donors place restrictions on how the funds may be utilized to channel their resources to specific purposes; thus, this variable may be related to other predictors like donor-relationship management because of how donors influence the flexibility of the usage of funds.

Markowitz was among the first researchers who actively promoted financial options diversification (Adebola-Wilson, 2017; Biswas, 2015). He was able to prove quantitatively that resource diversification reduces risk and he also showed why and how this occurs. His efforts in this area inspired other mainstream research to look into this particular notion. Income diversification is a multi-sector strategy that involves investing across a wide range of credit markets while focusing on high yield returns, according to Lotsmart and Violet (2015). This strategy may therefore lead to increased revenue/ income.

In Nakuru County, Kenya, Omeri (2015) created a descriptive survey study design that was targeted at 249 registered NGOs. Data analysis, in this research, was done using the

Statistical Package for Social Science and both descriptive and inferential statistics (SPSS) (Omeri, 2015). The independent variables included diversifying NGOs' funding sources, strategic financial planning within NGOs, and the level of staff competency (Omeri, 2015). The predictor variables also included government funding policies for NGOs and the culture of the organization (Omeri, 2015). The dependent variable was how financially sustainable NGOs were in the research setting (Omeri, 2015). Among the tests conducted were correlation analyses to gauge the link between variables and multiple regression models to determine whether it was possible to demonstrate a meaningful association between variables (Omeri, 2015). The study findings elucidated and illustrated a beneficial and significant connection between income diversification and monetary stability for NGOs in Nakuru County (Omeri, 2015).

2.3.3 Managerial skills for the Senior Management Team

The managerial skills for the Senior Management Team impact the NGOs' financial sustainability rely upon and Nkurumah (2012) posits that management competence is a major factor in local NGOs' financial sustainability. The Ghanaian Local NGO context study took both the quantitative and qualitative approaches with simple random sampling and purposive sampling procedures and quantitative data primarily from interviews and documents. This quantitative data was analyzed using descriptive statistics such as frequencies, means, and percentages. The findings showed that there was a positive contribution of good management to the sustainability of local NGOs. The study stated that since management can oversee projects and program implementation, good management ensures the NGOs' financial sustainability is a vital claim for good relations between the management, the staff, and the NGOs' board members (donors).

Analoui and Samour (2012), in their paper, wanted to investigate the role of managers in the management process and particularly their implication in the running of non-governmental organizations (NGOs) using NGOs located in Gaza Strip in Palestine as the target population. The research design chosen was descriptive, analytical, comparative, and statistical methods involving both qualitative and quantitative approaches. The methodology used in the paper was an empirical survey (questionnaire) assisted by interviews and secondary data. It examined the relationship between a manager's characteristics and strategic management's impact on an NGO's performance. The success of NGOs is pegged on the strategies chosen and whether they are suitable for the organization's environment. The authors discovered that the managers played an essential role in developing different strategies in NGOs. The age, managerial skills, gender, and years of experience all significantly influenced how effective a strategy would be implemented. The paper concluded that selection, training, and development of managers was an essential element of ensuring that an NGO performed well, and, by extension, it secured its financial sustainability.

Njoroge (2013) studied the elements affecting NGOs' long-term viability in Kenya. A sample size of 30 NGOs was used in the exploratory research design of the study (Njoroge, 2013). Both quantitative and qualitative data analysis were used to examine the data and the primary analysis adopted a descriptive and inferential trajectory for the quantitative data (Njoroge, 2013). Financial sustainability was the dependent variable, whereas the independent factors were strategic financial management, donor relationship management, own revenue generation, and income diversification (Njoroge, 2013). According to the study, managerial proficiency and NGOs' sustainability are positively correlated (Njoroge, 2013).

The Covid-19 crisis presented a significant test for NGOs globally. Asogwa et al. (2022) conducted a study to assess the impact of Covid-19 on the operation and management of non-governmental organizations (NGOs) in Nigeria. The research encompassed a multiple case study research design; where primary data was extracted from interviews with the participants (25 senior-level management staff of NGOs) (Asogwa et al., 2022). According to the data analysis and result findings, COVID-19 has both positive and negative effects on NGOs (Asogwa et al., 2022). A drop in health-seeking behaviors, low program implementation, increased costs and waste from PPE, the switch to virtual meetings, a decline in capacity building, and staff burnout/pressure were the main negative effects of the pandemic (Asogwa et al., 2022). However, the pandemic also presented a set of advantages, such as improved efficiency due to the use of technological advancements, peer-to-peer intervention through the creation of networks, adaptability and speedy response to the crisis, wise resource management, etc. (Asogwa et al., 2022). According to the research, the implementation of NGO programs was reliant on the potential presented by specific management members (Asogwa et al., 2022). Therefore, Asogwa et al. (2022), in their research offer a foundation to understand contemporary ideals and variables associated with NGO's sustainability and their potential to accentuate aspects of social justice, ecological integrity, and economic sustainability.

It is essential to note that during the pandemic, Mikołajczak et al. (2021) highlight in their study, employee fatigue and burnout as specific predictor variables for the impact of sound management systems in NGOs during the pandemic.

2.3.4 Sound Financial Management Practices/Systems

The tussle between donor funds and effective internal systems is significant in the Kenyan scope. Okun (2009) used a sample of 41 employees working in donor-funded projects in the Marsabit Central district to establish factors affecting the sustainability of donor-funded projects in the area. The results indicated that the NGOs were on track to achieve sustainability since they had put measures to seek more funding hence expanding their financial bases (Okun, 2009). 56.1% of respondents disagreed that financial project systems had any effect on organization sustainability. Worker perspective on the factors affecting the sustainability of CBOs is thus a significant element for most NGOs.

Wanjohi (2010) used a survey research design to identify the probability of success among four community-based projects in Mbeere, Kenya. The study incorporated a sample of thirty-six projects analyzed on a descriptive framework and using the electronic statistical tool, SPSS. The study's objective was not limited to determining community-based projects' stability, but it was expanded to include the possible issues relating to project management relevant to assessing the possibility of the community projects' financial sustainability. Wanjohi (2010) found that local and national leadership was relevant to community-based projects' financial sustainability. In addition, inadequate internal controls and sound financial management systems were identified as the variables that carried the outcome of the Mbeere community-based projects' failure. In light of these findings, Wanjohi (2010) recommends that community-based organizations seek to include radical measures in a sustainability strategy through effective financial management systems and a model that incorporates the inherent characteristics of the community's social structures in which the NGO operates.

Financial management practices involve planning on how an organization's resources will be utilized to meet present and future financial needs—having proper and sound financial management practices aids in convincing donors that NGOs have solid financial controls over donated funds. Strong financial controls ensure all monies donated are used for their specific intended purposes (Lewis, 2011; Saungweme, 2014). These skills allied to the management of resources are vital as they determine how the strategic plan of an NGO will be funded and remain a going concern.

Lewis (2011) defined financial management as involving two fundamental notions that are financing the local non-governmental organization's long-term objectives and reducing the threats to an organization's financial resources. It entails examining problems that could affect the organization's direction and capacity to meet present and future goals and acting swiftly to address them. Among other things, managing uncertainty and financing its objectives are challenges to strategic financial management (Lewis, 2011). Therefore, effective financial management is important for community-based groups to survive.

Waiganjo et al. (2012) found a positive and significant relationship between sound financial management and NGOs' sustainability. Waiganjo et al. (2012) stated that NGOs face stiff competition in access funds from foundations and trusts formed by private corporations and corporate social responsibilities by banks. Waiganjo et al. (2012) carried out a survey conducted between 2007- 2012 in Kenya. Stratified random sampling was used to select a sample of 16 NGOs. The study established that around 70% of the income for NGOs came from external donors.

The role of community-based systems of governance in the management structures adopted by community-based organizations is critical. Thompson (2013) submitted work that

was concerned with about 250 existing CBOs that have created some sort of social network that directly influences their management practices, values, and structures. According to Thompson (2013), most financial and management systems are steered towards achieving the greatest good that does not offend the consensus of the members present. On extended analysis, the study asserts that in the 250 organizations, 64% of the members fell below the poverty line stipulated for Bangladesh and that this had an effect on the overall effectiveness of management systems. Therefore, the socio-economic environment has heavily influenced the community-based organizations' policies. One such policy includes the push for the community-based organizations to have the state allow poorer members of the society the legal width to participate in subsistence fish farming. The role of CBOs in achieving this was instrumental and well appreciated by more than 90% of all the organizations' members. In conclusion, even though Bangladesh's government still does not formally recognize the decisions and policy formulation processes of community-based organizations, Thompson (2013) posits that because of the sound financial management practices built on community-based systems, the impact of CBOs will be challenging to dismiss.

Karanja and Karuti (2014) argue that the government has a direct role in ensuring that NGOs maintain sound and ethical financial management practices and systems. According to Karanja and Karuti (2014), the general objective of the study was to determine the factors influencing financial sustainability among Non-Governmental Institutions operating in Isiolo County, Kenya. The researchers in this study define financial sustainability as an NGO's ability to achieve its objectives and provide for its stakeholders over time; thus, a financially sustainable organization must be able to fulfill every one of its operational and financial obligations, whether these funds come from spending plan or donor fees (Karanja and Karuti, 2014). The study

encompassed all NGOs in Isiolo County, with a descriptive research design. The study included 47 people, who were employed as management staff among those NGOs (Karanja & Karuti, 2014). The researcher used a census that was conducted to extract primary data. In addition, the research used the SPSS version 20, descriptive statistics, percentages, and frequency distributions were used to evaluate and analyze the data, representing it in graphs, charts, and tables (Karanja & Karuti, 2014). The research findings indicated that funding for NGOs is difficult and that government regulations obstruct the effective operation of NGOs (Karanja & Karuti, 2014). Therefore, Karanja and Karuti (2014) advised that the government immediately implement rules that will guarantee the financial viability of NGOs and assure management participation in decisions that will affect NGOs' financial sustainability in Kenya.

Wachira (2016) conducted a research study on the factors affecting local NGOs' financial sustainability in Kiambu County, Kenya. The study was driven by the fact that many local NGOs in developing countries experience sustainability challenges that result in closure after a few months driven by financial challenges. There is a need to establish the factors that affect these NGOs' financial sustainability. The study sought to determine the factors affecting the local NGOs' financial sustainability in Kiambu County. The study was based on a survey research design with the target population of the study being the local NGOs in Kiambu County. The target population was 38 local NGOs in Kiambu County. Purposive sampling was used to select five employees from each NGO, giving a sample of 190 respondents. The study was based on primary data. The data was collected through a structured questionnaire. Content validity index (CVI) was used to establish whether the questionnaire measured what it was to measure. Test-retest reliability was done where Cronbach's Alpha was used to measure reliability. Both descriptive and inferential statistics were used in the analysis of the data. The data was presented through

tables, pie charts, and graphs. The study found that the respondents indicated that donor relationship management, income diversification, financial management, and management competence affected their firms' financial sustainability. The study concludes that donor relationship management, income diversification, financial management, and management competence positively affect the local NGOs' financial sustainability in Kiambu County. The study further concludes that local NGOs in Kiambu County are financially unsustainable. The study recommends management training, adopting proper financial management practices, and establishing income-generating projects. The study suggests studying economic factors affecting the international NGOs' sustainability.

Wandera and Sang (2017) carried out a study to investigate the effects of financial management practices on NGOs' sustainability in South Sudan where a descriptive research design was chosen for the study. The study population was all the 112 NGOs registered in the country as of July 31, 2015. Data was collected through questionnaires, which resulted in quantitative and qualitative data and data analysis was carried out using both descriptive and inferential statistics. The dependent variable was project sustainability, while the independent variables were budgetary control, financial reporting efficacy, income source diversification, and donor relationship management. Wandera and Sang (2017) concluded that all the independent variables had a significant and positive relationship with the dependent variable. The study recommended that proper budgetary controls, such as participation of both staff and stakeholders in the budget-making process, good planning, evaluation, and monitoring, should be introduced. Income diversification activities were also recommended to be added to an NGO activity to ensure financial sustainability.

Previous studies on financial sustainability show that sound financial planning is a significant predicament affecting NGOs' continuance (Omeri, 2015; Saungweme, 2014). Omeri (2015) posits that many NGOs lack the resources to acquire, use, and maintain advanced financial technology to track and keep financial data for planning purposes.

2.4 Research Gap

Most research on NGOs has focused on the financial sustainability of such organizations. Although NGOs have increased initiatives to enable them to be sustainable, this progress towards sustainability has been slow. Many of the studies carried out on financial sustainability have been able to identify variables such as donor relationship management, revenue/income diversification, financial management as having an influence on financial sustainability. The managerial skills for the senior management team is a variable that has not been exhaustively focused on and the Turkana context has not been explored at all. This study sought to contribute new information on financial sustainability by the introduction of this variable and the new geographical context, in addition to the aforementioned variables, while investigating financial sustainability.

2.5 Summary of Literature Review

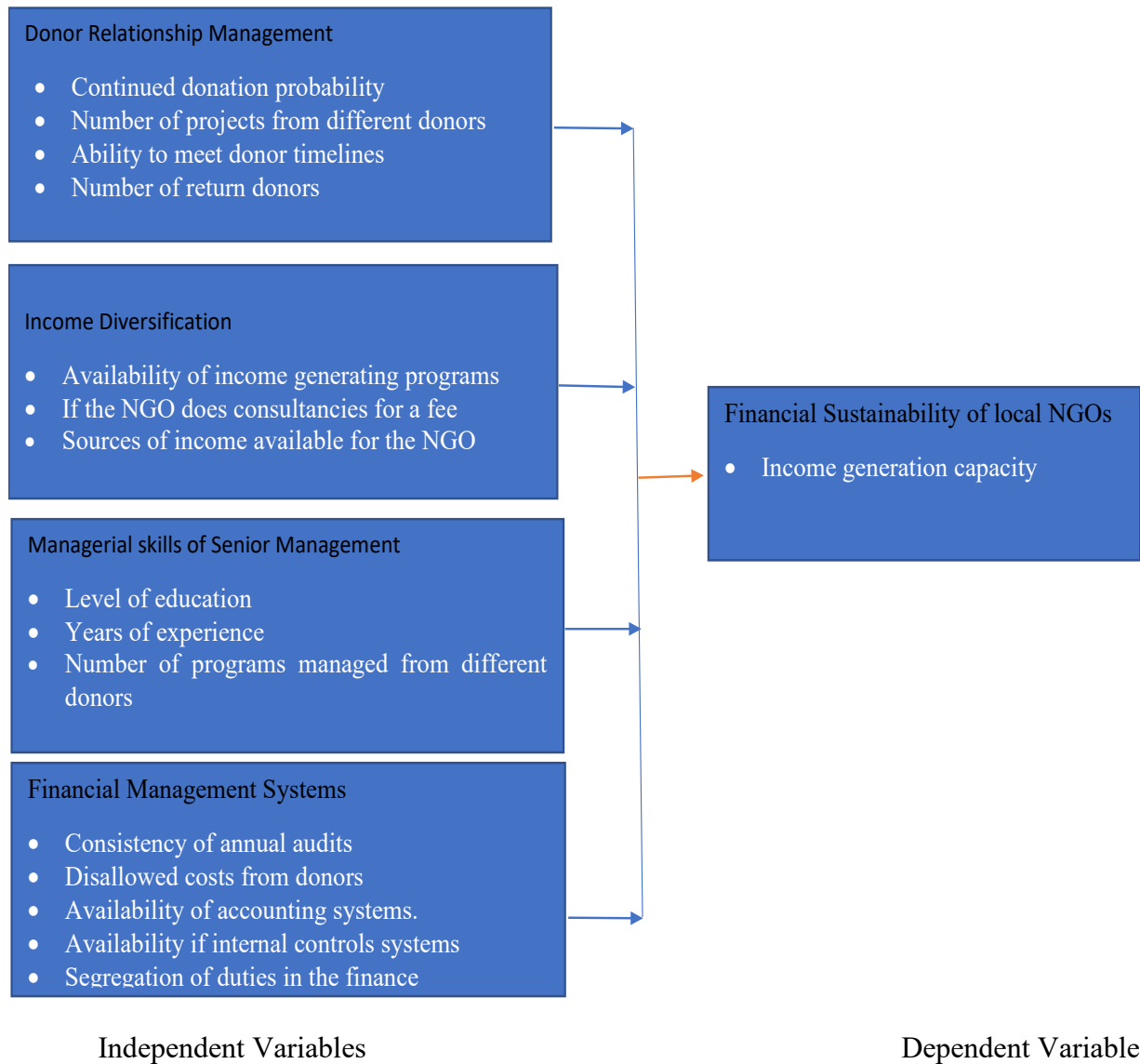
This chapter has tried to address the factors that influence the financial sustainability of NGOs in the Kenyan context. Literature review was carried out with the four variables in mind, that is, donor relationship management, income diversification, managerial skills for senior management team and sound financial management systems/practices. It was established that most NGOs are heavily reliant on donor funding leading to the limitation of the independence of NGOs. This

chapter revealed some of the factors that have an influence on the financial sustainability of NGOs.

2.6 Conceptual Framework

A conceptual framework is used to outline possible courses of action or present a preferred strategy for ideas. Mugenda (2008) defines a conceptual framework as a concise description of the phenomenon under study by a graphical or visual depiction of the study's major variables. It consists of independent and dependent variables, with the independent variable presumed to occasion or cause changes to dependent variables.

Figure 2. 1 Conceptual Framework



Source (Author)

The framework illustrated above for this study encompassed the descriptive cross-sectional design to determine the relationship between donor relationship management, income

diversification, managerial skills of senior management team, and sound financial management systems as variables that might affect the financial sustainability of donor-funded CBOs.

2.7 Operationalization of variables

The following table represents the expected results based on the literature/empirical review above:

Figure 2. 2 Definition and Measurement of Variables

Variable		Indicators	Scale	Type of Analysis
Dependent	Financial Sustainability	Donor dependency ratio Revenue source ratio Income generation capacity	Ordinal	Descriptive
Independent	Donor Relationship Management	Continued donation probability Number of projects from different donors Ability to meet donor timelines Number of return donors	Ordinal	Descriptive
	Income Diversification	The level of reliability on donor funds Availability of income generating programs If the firm does consultancies for a fee Sources of income available for the firm	Ordinal	Descriptive
	Managerial skills of the senior management team	Level of education Years of experience Number of programs managed from different donors	Ordinal	Descriptive
	Financial Management Systems	Consistency of annual audits Disallowed costs from donors Availability of accounting systems. Availability if internal controls systems Serration of duties in the finance department	Ordinal	Descriptive

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter sought to provide a blueprint or roadmap for collecting, measuring, and analyzing data. It is the structure that the researcher used to try to answer the research questions raised. The chapter presents the research methodologies that this research project incorporated in attempting to form the extent and magnitude of the relationship between the dependent and independent variables. Additionally, the chapter gives a layout of the research design, data collection and instruments used by the researcher.

3.2 Research design

This study adopted a descriptive research design. According to Cresswell and Cresswell (2017), research designs are the plans and the procedures for research. The research design also details the methods of data collection and analysis. It is the blueprint for the collection, measurement, and analysis of data (Cooper and Schindler 2014). While carrying out descriptive research, the researcher notes the possible vulnerability by researchers to attempt to control or manipulate the variables. The researcher only observed and measured the various variables.

3.3 Target Population

Cooper and Schindler (2006) define population as the overall collection of elements that one must have in order to make inferences about the population. Ngechu (2004) also defines a population as encompassing a well-defined set of people, services, elements, events, groups of things, or

households under investigation. Population can also be defined as individuals restricted to a geographical region or certain institutions, that is, a set of individuals that have at least one characteristic in common (Martínez-Mesa et. al 2014). Following the above definitions, the research was concentric on the thirty-six (36) duly registered local NGOs operating within Turkana County. (NGO board 2021). Three people were chosen from each local NGO and requested to fill the questionnaire to give a target population of 108 respondents.

Turkana County was chosen as the case study as it is identified as a marginalized county. According to the Commission on Revenue Allocation (CRA) Working Paper No. 2012/03, the commission was able to find out that Turkana, Marsabit, Mandera, Lamu, Wajir, Isiolo, Samburu,

Tana River, West Pokot, and Garissa are the most marginalized counties in Kenya. Turkana County's ranking as the most marginalized county was why it was chosen to be the case study. While numerous studies on the matter of financial sustainability of NGOs/CBOs have been undertaken, not many have exclusively focused on marginalized counties or regions.

3.4 Sampling and Sampling Procedure

A sample can be defined as a finite part or subset of participants drawn from the target population (Martínez-Mesa et. al 2014) while Sampling can be defined as the process through which individuals or sampling units are selected from the target population. (Martínez-Mesa et. al 2016)

The small population size of the local NGOs registered with the NGO board in Turkana County necessitated the involvement of all the local NGOs in the study therefore the study was a census.

Three representatives were chosen from each of the local NGOs to form a target population of 108 respondents. The questionnaires were then administered to these respondents.

3.5 Research Instrument

This study used primary data instruments where structured questionnaires were the primary data collection instruments for the study. The questionnaires were constructed in such a way that they had only close-ended questions. Five Likert scale was used for the closed-ended questions so that the respondents can select the appropriate answers according to them.

Questionnaires were favored because they are economical, offer wide coverage; they also are suited for obtaining repetitive information. Questionnaires also offered rapidity, as they are less time-consuming, put less pressure on the respondents, and offer uniformity. Questionnaires are also very good in obtaining objective data because they are used to obtain information that may not be observable.

3.5.1 Validity of the instrument

Instruments used for research should be measured, as content validity of instruments is important. Content validity is defined as “the degree to which items in an instrument reflect the content universe to which the instrument will be generalized” (Straub, Boudreau et al. 2004). The validity of instruments ensures that both researchers and readers have confidence in the instruments. Content validity may be defined as the degree to which the chosen instrument covers the content that it is supposed to measure. The validity was tested by showing the questionnaires to both supervisor and experts in the field. They both agreed the questionnaires as structured would collect the required data for analysis.

3.5.2 Reliability of the instrument

Kothari (2004) defines reliability as the extent to which a research instrument provides consistent results on repeated trials. Test-retest reliability was done using Cronbach's Alpha measure of internal consistency. The value of the alpha coefficient ranges from 0-1. The higher the coefficient, the more reliable the instrument is. Cooper and Schindler (2003) state that a 0.7 coefficient was taken as acceptable.

3.5.3 Pilot Testing

Pilot testing is meant to eliminate questions that the participants feel don't make sense and remove questions that may lead to biased answers. This is done by administering the questionnaire to a few people in the exact target group or people as close as possible to the target group (Bullen 2014). The pilot testing was done where Local NGOs operating in similar conditions and environment as that of Turkana County were given the questionnaire. A Local NGO operating in Wajir County was randomly selected and used to pilot test the questionnaire.

3.6 Data collection procedure

The questionnaires were self-administered through the drop and pick method. This involved the researcher giving the respondents the questionnaires to fill by himself or herself and picked them later at an agreed time. This gave the respondents enough time to fill the questionnaires increasing the accuracy of the responses.

3.7 Diagnostic Tests

3.7.1 Multicollinearity

Multicollinearity is caused by correlation between predictor variables. It is indicated by high correlation between indicator variables as measured by R^2 , significant F but no significant t-ratios for the predictor variables. When perfect, it causes regression coefficients to be indeterminate. Multicollinearity was measured using variance inflation factor (VIF). A $VIF < 4.0$, multicollinearity not a major problem, $VIF > 4.0$, indicated presence of multicollinearity and $VIF > 10.0$, indicated severe multicollinearity. This test checked for multicollinearity between the independent variables.

3.7.2 Serial correlation

Serial correlation occurs where errors among cross-sectional observations are correlated. Autocorrelation is where errors in previous time periods are correlated with errors in succeeding time periods. Durbin-Watson d-statistic and Durbin h-statistic was used to measure serial correlation where for d-statistic $d=0$ indicates perfect positive correlation, $d=2$ indicates no correlation and $d=4$ indicates perfect negative correlation and for h-statistic if p-value is less than the level of significance there is significant correlation.

3.7.3 Heteroscedasticity

Heteroscedasticity in errors Implies non-constant variance in errors. This can be detected by checking the p-value: if p-value $<$ level of significance, there is heteroscedasticity.

3.7.4 Normality Test

The normality test helps to determine how likely it is for a random variable underlying the data set to be normally distributed. There are several normality tests such as the Skewness and Kurtosis. Skewness is a measure of the asymmetry of the probability distribution of a random variable about its mean; it represents the amount and direction of skew. If the number is greater than +1 or lower than -1, this is an indication of a substantially skewed distribution. Kurtosis represents the height and sharpness of the central peak relative to that of a standard bell curve. If the number is greater than +1, the distribution is too peaked. When both skewness and kurtosis are zero, the pattern of responses is considered a normal distribution.

3.8 Data Processing and analysis

Data analysis using both the quantitative and qualitative data analysis methods was done for the collected data. The quantitative method was characterized by the use of both descriptive and inferential analysis. Descriptive analysis was presented in the form of tables. The descriptive analysis involved the use of frequencies and percentages. SPSS (Statistical Package for the Social Sciences) was used for data analysis and generate descriptive statistics such as mean, standard deviation among others in analyzing the data. Inferential statistics included multiple regression analysis which determined the relationship between the study variables.

The correlation analysis determined how behavior or change in one variable affects another variable. Correlation coefficient gave the strength of linear association which can be weak, strong or no correlation at all.

An ANOVA table generated from SPSS was used to determine the significance of the regression model as well as the significance of each of the predictor variables.

The regression equation was:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Whereby

Y = Financial sustainability of local NGOs

X1 = Donor relationship management

X2 = Income diversification

X3 = Financial management

X4 = Managerial skills of the senior management

$\beta_1, \beta_2, \beta_3, \beta_4$ and β_5 =Coefficients of determination

ε =error term

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.1 Introduction

This chapter discusses the analysis of the data, its presentation and discussion. Inferential and descriptive statistics were used to analyze the quantitative data. The data was presented using tables for easy grasping and interpretation.

4.2 Response rate

The study targeted all the 108 respondents of local NGOs in Turkana County. Table 4.1 shows the response rate results. However, the researcher was only able issue 90 out of the targeted 108 questionnaires.

Table 4. 1: Response Rate

Responses	Frequency	Percent
Return questionnaires	75	83.3
Unreturned questionnaires	15	16.7
Total	90	100

Out of the total ninety questionnaires that were dispersed, 75 questionnaires were fully filled and returned on time. Henceforth, the study's response rate of 83.3% was considered adequate for the study since it was more than 50% as supported by Mugenda and Mugenda (2008) who asserted that 50% response rates are acceptable for analysis, and publication, 60% are good while 70% are excellent.

4.3 Demographic Information

The results of the study on background information are aligned as per the study objectives and questions in the subsequent pages.

4.3.1 Gender

The researcher asked the respondents to disclose information about their gender. The results are as shown in table 4.2 below.

Table 4. 2: Gender

Variable	Percent (%)	Frequency
Gender		
Female	17.3	13
Male	82.7	62
Total	100.0	75

The respondents were required to indicate their gender on the questionnaires. Most of the respondents 83.33% were males while 17.67% were females. More male respondents took part in the survey compared to their female counterparts.

4.3.2 Age

The researcher asked the respondents to provide information about their age. The results are shown in table 4.3 below.

Table 4. 3: Age Distribution

Age	Percent (%)	Frequency
18-25 years	5.3	4
26-35 years	54.7	41
36-45 years	24.0	18
Above 45 years	16.0	12
Total	100.0	75

From the table above, the majority of the participants in the research were between 26-35 years old with a percentage of 54.7%. Those aged between 18-25 years formed 5.3% of the respondents. Those aged between 36-45 years were 24.0% while those aged above 45 years formed 16.0% of the respondents. Those aged above 45 years were 16%.

4.3.3 Designation in the organization

The respondents were required to give information about their designation in the organization and the results were presented in table 4.4 below.

Table 4. 4: Designation in the organization

Your designation in the organization	Percent (%)	Frequency
Founder	6.7	5
CEO	2.7	2
CFO	4.0	3
Program Manger	10.7	8
Other	76.0	57
Total	100.0	75

From table above, 6.7% of the respondents held the designation of founders. The respondents that held the designation of Chief Executive Officer were 2.7%. Those that held the designation of Chief Finance Officer were 4.0%. 10.7% of the respondents were program managers and the rest, 76.0%, held other designations. It was clear that a larger percentage of the respondents were in the category of other designations while minority of the respondents was Chief Executive Officers.

4.3.4 Level of education (highest managerial skills attained)

One's ability to be informed is influenced by the level of education achieved and the skills attained. For this reason, the researcher sought to find out the highest managerial skills attained by each of the respondents. They were asked to provide information about the highest managerial skills attained and the results were depicted in table 4.5 below.

Table 4. 5: Highest Managerial skills Attained

Highest managerial skills attained	Percent (%)	Frequency
Professional certificate	10.7	8
Professional diploma	14.7	11
Bachelor's degree	24.0	18
Master's degree	22.7	17
Other	28.0	21
Total	100.0	75

From table 4.5 above, 10.7% of the respondents had achieved professional certificates. Those whose highest level of managerial skills achieved was professional diploma were 14.7%. 24.0% of the respondents had achieved the level of bachelor's degree. Master's degree graduates contributed 22.7% of the respondents and lastly, 28.0% of the respondents had attained other levels of managerial skills. A large percentage of the respondents had attained other levels of managerial skills while minority of the respondents had attained professional certificates.

4.4 Study Variables

This section represents descriptive statistics results on donor relationship management, income diversification, managerial skills of senior management and financial management systems of local NGOs in Turkana County. The determinants of the financial sustainability of donor-funded local NGOs in Turkana County are presented in a Five Point's Likert Scale. The range was between 1, 'strongly disagree' and 5, 'strongly agree'. The scores of disagreeing were taken to

represent a variable which had a mean of less than 2.5 on a continuous Likert scale. Neither disagree nor agree were taken to represent variables with a mean score between 2.5 and 3.4 on the continuous Likert scale while the score of agree and strongly agree had been taken to represent a variable which had a mean score of 3.5 to 5 on continuous Likert scale. A standard deviation greater than 2 was high and this meant the respondents had differing opinions while standard deviation less than 2 showed respondents' opinions did not differ.

4.4.1 Donor Relationship Management

How donor relationship management affects financial sustainability was the first objective of the factors that affect the financial sustainability of local donor-funded NGOs in Kenya. Respondents were required to indicate their level of agreement with the following statements on how donor relationship management affects financial sustainability of local donor-funded NGOs in Kenya. Results were as depicted in Table 4.6 below

Table 4. 6:Donor Relationship Management

	N	Minimum	Maximum	Mean	Std. Deviation
Ensures accountability of all funds from all donors	75	2.00	5.00	4.5067	.72360
My organization has good relationship with the donors	75	1.00	5.00	4.4000	.98639
Involves donors in project implementation	75	1.00	5.00	4.0667	.99095
Has a dedicated team to deal with donors	75	1.00	5.00	3.9867	1.12097
Is able to meet all strict requirements for funding by donors	75	1.00	5.00	3.9867	.95143
Has established networks with different donors for funding	75	1.00	5.00	3.9333	1.00449
Has no negative reports from donor audits		1.00	5.00	3.8800	1.03923
Has a large number of donor funded projects	75	1.00	5.00	3.8267	1.21225
Submits all donor reports on time	75	1.00	5.00	3.8133	.96833
Has regular communication with funding and project progress	75	1.00	5.00	3.7067	1.11226
Has a high number of return donors	75	1.00	5.00	3.5200	1.00485

From the research findings, most of the participants agreed that their respective local NGOs ensure accountability of all funds from all donors (M=4.5067, SD=.72360.), have good

relationship with the donors(M=4.4000, SD=.98639), involve donors in project implementation(M=4.0667, SD=.99095), have a dedicated team to deal with donors (M=3.9867, SD=1.12097) and are able to meet all strict requirements for funding by donors (M=3.9867, SD=.95143).

Further, the study revealed that NGOs have established networks with different donors for funding (M=3.9333, SD=1.00449) have no negative reports from donor audits (M=3.8800, SD=1.03923) have a large number of donor funded projects (M=3.8267, SD=1.21225), submit all donor reports on time (M=3.8133, SD=.96833) have regular communication with funding and project progress (M=3.7067, SD=1.11226) and have a high number of return donors (M=3.5200, SD=1.00485).

4.4.2 Income Diversification

To find out the effects of income diversification on the financial sustainability of local donor-funded NGOs in Kenya was the second objective. Respondents were required to indicate their agreement level with the statement on how income diversification affects the financial sustainability of local donor-funded NGOs in Kenya. The results were as shown in table 4.7 below.

Table 4. 7:Income Diversification

	N	Minimum	Maximum	Mean	Std. Deviation
Relies purely on donor funding	75	1.00	5.00	3.3333	1.25562
Does service for fees e.g., Consultancies	75	1.00	5.00	3.5733	1.33734
Income diversifications does not affect financial sustainability of my organization	75	1.00	5.00	3.5867	1.19790
Has investment income	75	1.00	5.00	3.7067	1.27102
Has ways of meeting cost sharing requirements of external donors	75	1.00	5.00	3.7200	.86306
Relies largely on donor funding	75	1.00	5.00	3.8267	1.34941
Has ways of meeting overhead costs and other expenses not met by donors	75	2.00	5.00	3.8267	.90604
Has income generating activities	75	1.00	5.00	3.9067	1.02895
Income diversifications affect financial sustainability of my organization	75	1.00	5.00	3.9333	1.15470

From the study, the respondents revealed that their respective local NGOs relied purely on donor funding (M=3.3333, SD=1.2556) do service for fees e.g., Consultancies (M=3.5733,

SD=1.33734) income diversification does not affect financial sustainability of their organization (M=3.5867, SD=1.1979), have investment income (M=3.7067, SD=1.27102) Has ways of meeting cost sharing requirements of external donors (M=3.7200, SD=.8630)

Further, the research revealed that the local NGOs rely largely on donor funding (M=3.8267, SD=1.34941), have ways of meeting overhead costs and other expenses not met by donors (M=3.8267, SD=.90604) have income generating activities (M=3.9067, SD=1.02895) and that income diversifications affect financial sustainability of the organization (M=3.9333, SD=1.15470).

4.4.3 Managerial Skills of Senior Management

The third objective was to establish the effects of managerial skills of senior management on the financial sustainability of donor-funded NGOs in Kenya. Respondents were required to indicate their level of agreement with the following statement on how managerial skills of senior management affect the financial sustainability of donor-funded NGOs in Kenya. The findings of the study were as presented in Table 4.8 below.

Table 4. 8: Managerial skills of senior management

	N	Minimum	Maximum	Mean	Std. Deviation
Each program has a program manager	75	1.00	5.00	3.8133	1.27017
The senior management is highly qualified	75	1.00	5.00	3.8533	1.15891
There are trainings to improve the skills of the senior management	75	1.00	5.00	4.1867	.91080
There are staff welfare programs to discourage staff turnover and improve staff morale	75	1.00	5.00	3.6133	1.22908
Senior management staff are promoted from within	75	1.00	5.00	3.9200	1.30239
Senior management are hired from outside to bring in new ideas and experiences	75	2.00	5.00	3.3514	1.24342
All programs are managed by one program manager		1.00	5.00	3.7200	1.26875

From the research findings, most of the respondents agreed that in their respective local NGOs, each program has a program manager (M=3.8133, SD=1.27017), the senior management is highly qualified (M=3.8533, SD=1.15891) and there are trainings to improve the skills of the senior management (M=4.1867, SD=.91080).

Further, the study revealed that, there are staff welfare programs to discourage staff turnover and improve staff morale (M=3.6133, SD=1.22908), senior management staff are promoted from within (M=3.9200, SD=1.30239), senior management are hired from outside to bring in new ideas and experiences (M=3.3514, SD=1.24342) and that all programs are managed by one program manager (M=3.7200, SD=1.26875).

4.4.4 Financial Management Systems

The last objective was to establish the effects of financial management systems the financial sustainability of local donor-funded NGOs in Kenya. Respondents were required to indicate their level of agreement with the following statement on how financial management systems affect the financial sustainability of donor-funded NGOs in Kenya. The findings of the study were as presented in Table 4.9 below.

Table 4. 9:Financial management systems

	N	Minimum	Maximum	Mean	Std. Deviation
Has regular statutory audits	75	1.00	5.00	3.6533	1.30998
Has a computerized accounting system	75	1.00	5.00	3.4933	1.37912
Has a budget on which the activities and projects are based	75	1.00	5.00	4.0267	.99964
Maintains up-to-date accounting records	75	1.00	5.00	4.2000	.95860
Prepares financial statements annually	75	1.00	5.00	4.1333	1.01786
Has internal control policies and are strictly adhered to	75	1.00	5.00	3.8800	1.10233

From the research findings, majority of the respondents agreed that their respective NGOs have regular statutory audits (M=3.6533, SD=1.30998) have computerized accounting systems (M=3.4933, SD=1.37912), have a budget on which the activities and projects are based (M=4.0267, SD=.99964) and maintain up-to-date accounting records (M=4.2000, SD=.9586).

It was also revealed that, the local NGOs prepare financial statements annually (M=4.1333, SD=1.01786) and have internal control policies and are strictly adhered to (M=3.8800, SD=1.10233).

4.4.5 Financial sustainability of local NGOs

The dependent variable in this study was financial sustainability of local NGOs in Kenya. The respondents were requested to indicate their level of agreement on various statements pertaining the financial sustainability of donor-funded NGOs in Kenya. The findings were as shown in Table 4.10 below.

Table 4. 10: Financial sustainability of local NGOs

	N	Minimum	Maximum	Mean	Std. Deviation
Has a high level of unpaid debts to suppliers	75	1.00	5.00	3.0533	1.41319
Has a high value of unrestricted funds	75	1.00	5.00	3.2800	1.43847
Has inadequate funds to implement the budgeted programs	75	1.00	5.00	3.4133	1.15189
Has a high ratio of administrative expenses to total expenses	75	1.00	5.00	3.4667	1.36890
Has a high-cost recovery rate	75	1.00	5.00	3.6667	1.28750
Has relatively equal reliance on revenue generated from donative income, earned income, and investment income	75	2.00	5.00	3.7600	1.16061

Majority of the respondents of the study revealed that their respective local NGOs have a high level of unpaid debts to suppliers (M=3.0533, SD=1.41319) have a high value of unrestricted funds (M=3.2800, SD=1.43847) and have inadequate funds to implement the budgeted programs (M=3.4133, SD=1.15189).

Further, the participants revealed that, their NGOs have a high ratio of administrative expenses to total expenses (M=3.466, SD=1.36890), have a high-cost recovery rate (M=, SD=1.28750) and have relatively equal reliance on revenue generated from donative income, earned income, and investment income (M=3.7600, SD=1.16061).

4.5 Diagnostic Tests

4.5.1 Reliability statistics

The research tool's dependability was assessed using the internal consistency metric Cronbach's alpha. In this study, a Cronbach alpha value of 0.70 and higher was regarded to be a satisfactory reliability. The results were shown in table 4.11 below

Table 4. 11: Reliability Statistics

Cronbach's Alpha	N of Items
.911	44

The overall Cronbach's alpha value as displayed in Table 11, was 0.911, indicating high levels of reliability and internal consistency, and was therefore considered appropriate for the study.

The researcher performed diagnostic tests then engaged an ordinary least square regression model to evaluate his hypothesis. The tests performed included normality, autocorrelation and heteroskedasticity.

4.5.2 Test of Normality

A linear regression model undertakes that the data follows a normal distribution curve. The researcher did the Kolmogorov-Smirnov test to determine the normality of the variable. In the test, the null hypothesis was that the data is normally distributed whole the alternative hypothesis was that the data was normally distributed. A significance value greater than 0.05 indicated that the data was normally distributed since the null hypothesis could not be rejected. The results of the Kolmogorov-Smirnov are shown in table 4.12 below.

Table 4. 12: Normality test

Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	S	d	S	S	d	S
	tatistic	f	ig.	tatistic	f	ig.
Donor relationship management	.17	57	.04	.95	75	.16
Income diversification	.17	57	.44	.96	75	.20
Managerial skills of top management	.17	57	.00	.96	75	.00
Financial management systems	.17	57	.58	.95	75	.09
a. Lilliefors Significance Correction						

According to the results obtained, all the independent variables, donor relationship management with 0.16, income diversification 0.20, managerial skills of top management 0.00 and financial management systems 0.09 were statistically insignificant since they all had significant levels of less than 0,005. For this reason, all the variables were regularly distributed.

4.5.3 Autocorrelations

The Durbin Watson statistic was used to evaluate autocorrelations. The results were as shown in table 4.13 below

Table 4. 13:Autocorrelations

Model	Durbin-Watson
1	1.653

These results indicate that Durbin Watson statistic is 1.653, which lies between the recommended threshold of 1.5 and 2.5. There was therefore absence of autocorrelation.

	Durbin-Watson
Sig. F Change	
0	1.653

4.5.4: Multicollinearity

Multicollinearity happens when the correlation between the independent variable is greater 0.8. In this case, the regression model's standard errors are inflated, subsequent inaccurate coefficients for the regression model variables. These values do not predict the relationship between the independent and the dependent variables. The Variance Inflation Factor (VIF) technique was hired to test for multicollinearity. VIF values of less than 10 were considered acceptable.

Table 14 below shows the VIF results. Donor relationship management has a VIF of 1.981, income diversification has a VIF value of 2.538 managerial skills of top management has a VIF of 2.637 and lastly financial management systems has a VIF of 1.368. All the values were less than 10 hence the variables lacked multicollinearity.

Table 4. 14:Multicollinearity

Coefficients^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Donorrelationship	0.505	1.981
	incomediversifaication	0.394	2.538
	managerialskills	0.379	2.637
	soundfinancial	0.731	1.368
a. Dependent Variable: financialstability			

4.5.5 Heteroscedasticity Test

Heteroscedasticity implies non-constant variance in errors. Violation of homoscedasticity inhibits evaluation of prediction errors and leads to confidence intervals that are very narrow and inconclusive. In this study, heteroscedasticity was evaluated using the Breusch-Pagan test. Homoscedasticity usually occurs when the p-value is greater than the significance level of 0.05. This implies that there was homoscedasticity in the regression.

Table 4. 15: Breusch-Pagan test for Heteroscedasticity

Chi-Square	Df	Sig.
.644	1	.422
a. Dependent variable: financial stability		
b. Tests the null hypothesis that the variance of the errors does not depend on the values of the independent variables.		
c. Predicted values from design: Intercept + Donor relationship + income diversification + managerial skills + sound financial management		

4.5.6 Correlation Analysis

To evaluate the relationship between the study variables, a correlation analysis was performed. The Pearson correlation coefficient was used to determine the link between the variables included in the study. According to Kumar (2011), correlation analysis indicates the direction and degree of the link between variables and ranges from -1 to +1. The correlation analysis results are shown in Table 16 below.

Table 4. 16: Correlations

		FS	DR	ID	MS	FM
FS	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	75				
DR	Pearson Correlation	.178**	1			
	Sig. (2-tailed)	0.127				
	N	75	7			
			5			
ID	Pearson Correlation	0.531	.653**	1		
	Sig. (2-tailed)	0.000	0			
	N	75	75	75		
MS	Pearson Correlation	.400**	.620	.706	1	
	Sig. (2-tailed)	0.000	0.000	0.00		
				0		
	N	75	75	75	75	
FM	Pearson Correlation	.175**	.338	0.17	.451	1
				9	**	
	Sig. (2-tailed)	0.132	0.003	0.12	0.00	
				5	0	
	N	75	75	75	75	75
** Correlation is significant at the 0.01 level (2-tailed).						

According to the finding in table 4.16 above, the donor relationship management held a positive in significant relationship with financial sustainability of donor-funded local NGOs in Kenya. ($R=0.178=0.127, 0.005$). This suggests that an increase in donor relationship management results in considerable increase in financial sustainability of donor-funded local NGOs in Kenya.

The finding also show that income diversification held a positive significant relationship effect with financial sustainability of donor-funded local NGOs in Kenya. ($r=0.531=0.000, 0.005$). This implies that an increase in income diversification results to an increase in financial sustainability of donor-funded local NGOs in Kenya.

Managerial skills of senior management were also observed to have favorable and positive substantial effect on financial sustainability of donor-funded local NGOs in Kenya ($R=0.400,0.000 0.005$). This assertion suggests that higher managerial skills of senior management will increase financial sustainability of donor-funded local NGOs in Kenya.

Sound financial management systems/practices were discovered to have a favorable and positive insignificant impact on financial sustainability of donor-funded local NGOs in Kenya ($r=0.175,0.132 0.005$). This implies that increased sound financial management systems lead to increase in financial sustainability of donor-funded local NGOs in Kenya.

4.6: Model Fitting

A multiple regression analysis was steered to test the stimulus among predictor variables. The statistical package for social sciences (SPSS V 25) was used in this study to code, enter and

compute the measurements of the multiple regressions. The model summary is presented in the Table 4.17 below.

Table 4. 17:Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.598 ^a	.357	.321	.80697
a. Predictors: (Constant), Donor relationship management, income diversification, managerial skills of senior management, sound financial management systems/practices.				

The study used coefficient of determination to assess the model fitness. The adjusted R^2 is the percent of the variance in the dependent explained uniquely or jointly by the independent variables. The model had an average adjusted coefficient of determination (R^2) of 0.357 and which implied that 35.7% variations on financial sustainability are explained by the independent variables under study (donor relationship management, income diversification, managerial skills of senior management, sound financial management systems/practices).

Thus, 64.3% is accounted for by other factors not considered in the study and the error term. The correlation coefficient ($r=0.598$) value indicates a joint strong correlation among the variables.

The ANOVA technique was used to further test the significance of the model.

Table 4. 18:Anova

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	25.341	4	6.33	9.72	.000 ^b
	Residual	45.584	70	.651		
	Total	70.924	74			
a. Dependent Variable: financial sustainability						
a. Predictors: (Constant), Donor relationship management, income diversification, managerial skills of senior management, sound financial management systems/practices						

From the ANOVA statics, the study recognized the regression model had a significance level of 0.00% which is an indication that the data was supreme for making a conclusion on the population parameters as the value of significance (p-value) was less than 0.005.

Table 4. 19: Coefficients

Coefficients ^a						
Model	Unstandardized Coefficients	Standardized Coefficients		t	Sig.	
		B	Std. Error			Beta
(Constant)	1.549	.692		2.237	.028	
Donor relationship	-.583	.213	-.370	-2.742	.008	
Income diversification	.847	.186	.693	4.542	.000	
Managerial skills	.090	.186	.075	.485	.629	
Sound financial	.189	.148	.143	1.272	.207	

a. Dependent Variable: financial sustainability

As per the SPSS generated output as presented in table above, the equation ($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$) becomes:

Equation 1:Regression Equation

$$Y = 1.549 - 0.583X_1 + 0.847X_2 + 0.090X_3 + 0.189X_4 + \varepsilon$$

Where;

Y= Financial sustainability

X₁ = Donor relationship management

X₂= Income diversification

X₃= Managerial skills of senior management

X₄= Sound financial management systems/practices

The regression of coefficient result in table 4.19 above as regards donor relationship management, the results show that $\beta_1 = -0.583$ and p-value = 0.008. Since p-value is less than 0.05 at the $\alpha = 0.05$ level of significance, there exist enough evidence to conclude that donor relationship management is a useful predictor of the determinants of the financial sustainability of local donor-funded NGOs in Kenya.

Income diversification was equally tested and from these result $\beta_2 = 0.847$ and the p-value of 0.000 is less than 0.05 at $\alpha = 0.05$ level of significance, therefore there exist enough evidence to conclude that income diversification is a useful predictor of the determinants of financial sustainability of donor-funded local NGOs in Kenya.

Managerial skills of senior management was equally tested and from these result $\beta_3 = 0.090$, p-value = 0.629 which is greater 0.05 $\alpha = 0.05$ level of significance, therefore there exist enough evidence to conclude that the managerial skills of senior management is not useful predictor of the determinants of financial sustainability of donor-funded local NGOs in Kenya.

Sound financial management systems/practices, the results shows that $\beta_4=0.189$ and p-value =0.207 at $\alpha=0.05$ level of significance, therefore there exist enough evidence to conclude that sound financial management systems/practices is not a useful predictor of the determinants of financial sustainability of donor-funded local NGOs in Kenya.

Equation 2: Final Regression Equation

$$Y = 1.549 - 0.583X_1 + 0.847X_2 + \varepsilon$$

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter gives a summary of the major findings, a conclusion on the relationship between the study variables and recommendations on policy and other areas for further research, in relation to the objectives of this study.

5.2 Summary

This part summarizes the research findings in line with the research objectives.

5.2.1 Donor Relationship Management

This objective sought to establish the effect of donor relationship management on the financial sustainability of donor-funded local NGOs in Kenya. The results of the research revealed that donor relationship management had a favorable and significant impact on the financial sustainability of donor-funded local NGOs in Kenya, meaning that, donor relationship management did impact the financial sustainability of local donor-funded NGOs in Kenya. These study findings differ with those of Saungweme (2014), who showed that there was a positive but weak relationship between good donor relationships and financial sustainability since strategic financial management systems and income generating activities proved to have a stronger effect on the financial sustainability of NGOs as compared to donor relationship management.

The research findings are consistent with those of Ibrahim (2012), who conducted a study on the relationship between financial sustainability and donor relationship management for NGOs in Kenya. The study was conducted on the management team of Sisters Maternity Home

(SIMAHO). It was found that financial sustainability of NGOs had a positive relationship between donor relationship management and strategic financial management.

A significant number of the respondents agreed that organizations ensure accountability of all funds from all donors and that the company has no negative reports from donor audits.

5.2.2 Income Diversification

This objective sought to establish the effect of income diversification on the financial sustainability of donor-funded local NGOs in Kenya. The research results showed that income diversification had a positive and substantial effect on the financial sustainability of donor-funded local NGOs in Kenya. This suggests that increased income diversification will lead to an increase in the financial sustainability of donor-funded local NGOs in Kenya. These findings are in line with those of Omeri (2015), who designed a descriptive research design that targeted NGOs in Nakuru County. The dependent variable of the study was financial sustainability of NGOs while the independent variables were income diversification, strategic financial planning, and competence levels of NGOs. The researcher found that there existed a positive and significant relationship between income diversification and financial sustainability of local NGOs in Nakuru County.

These research findings also agree with those of Saungweme (2014) who sought to find out whether the local NGOs were sustainable and if yes, the factors that affected that sustainability. He conducted his research on 52 local NGOs in Zimbabwe where his dependent variable was financial sustainability and his independent variables were sound financial management practices, income diversification, own income generation and good donor relationship management. The research found income diversification to be in the second place of factors that affect financial sustainability among the four variables.

A significant number of the respondents agreed that organizations have ways of meeting cost sharing requirements of external donors and that they have ways of meeting overhead costs and other expenses not met by donors.

5.2.3 Managerial skills of senior management

This objective sought to establish the impact of managerial skills of senior management on the financial sustainability of donor-funded local NGOs in Kenya. From the research results, it was clear that managerial skills of senior management had a positive but insignificant effect on the financial sustainability of donor-funded local NGOs in Kenya. This suggests that higher managerial skills among senior management will lead to an increase in the financial sustainability of donor-funded local NGOs in Kenya. These results are in line with those of Njoroge (2013) who used the independent variables of strategic financial management, donor relationship management, own income generation and income diversification and the dependent variable of financial sustainability. The study established that there was a positive relationship between management competence and the financial sustainability of NGOs.

These findings also agree with those of Nkurumah (2012) who found a positive contribution of good management to the financial sustainability of local NGOs, since management could oversee projects and program implementation hence it ensured the NGOs' financial sustainability.

Majority of the respondents agreed that there are trainings to improve the skills of the senior management and that the senior management is highly qualified.

5.2.4 Financial Management Systems

This objective sought to establish the impact of sound financial management systems on the financial sustainability of donor-funded local NGOs in Kenya. The results of the study showed that, sound financial management systems had a favorable but insignificant impact on the financial sustainability of donor-funded local NGOs in Kenya. This meant that sound financial management systems did not promote to the financial sustainability of local donor-funded NGOs in Kenya. The study results are not in line with the findings of Wachira (2016) who conducted research to determine the factors affecting local NGOs' financial sustainability in Kiambu County. The respondents of the study indicated that donor relationship management, income diversification, financial management and management competence affected the financial sustainability of local NGOs in Kiambu County.

Further, the results of this study disagree with those of Wandera and Sang (2017) that concluded that independent variables like budgetary control, financial reporting efficacy, income source diversification and donor relationship management had a favorable positive relationship with the dependent variable of project sustainability.

Majority of the respondents agreed that organizations have a budget on which the activities and projects are based and maintains up-to-date accounting records.

5.3 Conclusions

The study concludes that good donor relationship management increases the chances of continuous funding by donors which ultimately lead to financial sustainability of the local NGO. In other words, the research study can conclude that donor relationship management affects the

financial sustainability of local donor-funded NGOs since it involves maintaining a good relationship with the funders.

Income diversification has a positive effect on the financial sustainability of donor funded NGOs Kenya according to the research results. Local donor-funded NGOs in Kenya should therefore diversify their sources of income.

The study also concludes that even though NGOs should ensure that they have well experienced and skilled senior management staff, this does not necessarily lead to financial sustainability of the local NGO as the relationship was insignificant in determining the financial sustainability of these local NGOs.

Finally, the study concluded that financial management is not a key variable in determining the financial sustainability the local NGOs in Kenya. This means that even though sound financial management practices are important in any organization, they are not always done for the purpose of ensuring financial sustainability.

5.4 Policy Recommendations

Based on the conclusions presented in this study, Non-Governmental Organizations operating in Kenya should consider the following precepts to ensure efficiency in their core activities and to achieve financial sustainability:

1. Income diversification: This policy trajectory may include some of the core economic activities in the region to supplement donor-funding

2. Donor-relationship management schemes: Implementing effective strategies to build and sustain social capital between members of the NGO and potential donors is necessary for specific entities to retain their “going concern”

5.6 Recommendations for Future Research

This study sought to find out the factors that affect the financial sustainability of donor-funded Local NGOs in Kenya. However, the study does not exhaust all potential predictor variables determining the potential success of NGOs in the research setting. For this reason, the study recommends a further study on the factors affecting local-based non-governmental institutions and community-based organizations in Kenya. Additionally, financial sustainability and local NGOs can be conducted in other geographical areas such as in Machakos County, to find out if the research findings will be consistent with the findings presented in this study; thus, inferring the generalizability of the study results.

On the other hand, there are significant considerations to be made for international NGOs and the factors associated with financial sustainability. The study, in this case, will seek to find out if there will be similar or conflicting findings with respective explanations. Future research can be directed to deep insights on some of the similarities and differences between local NGOs and larger NGOs with a global presence, operating as a singular entity. The assertions presented can offer perspectives on growth of local NGOs to cover larger geographical settings.

5.7 Limitations of the study

The study above presents several limitations. One limitation is that the research grappled with significant financial constraints associated with the vast size of the research setting. In addition,

there were significant issues in extracting primary information, as specific institutional impediments delayed or obstructed the research process. Even though the researcher in this case elucidated the purpose of the research as precepts for academic purposes, the trivialization of organizational structure and cultural precepts could have an adverse impact on future research.

On the other hand, the research methodology presents a unique limitation to the research. The research study adopts a descriptive methodology, meaning that there is a significant issue with the potential repeatability of research, because some of the research data may be difficult to test and verify. Nonetheless, an effective use of a mixed-methods approach has trivialized some of the inherent weaknesses of the descriptive research methodology.

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APPENDICES

Appendix I: Questionnaire

INTRODUCTION

Dear respondent,

I am carrying out a study to assess the factors affecting the financial sustainability of donor-funded local non-government organizations in Turkana County, Kenya. This is purely an academic study and the information collected will not be used for any other purpose other than this study. You do not have to indicate your name. We assure you that your response will be treated confidentially.

Thank you for your cooperation.

SECTION 1: RESPONDENT'S BACKGROUND

Please tick ONE appropriate box below

1.1	Gender of Respondent: <input type="checkbox"/> Female <input type="checkbox"/> Male <input type="checkbox"/> Prefer Not to say
1.2	Age of Respondent: <input type="checkbox"/> From 18-25 <input type="checkbox"/> From 26-35 <input type="checkbox"/> From 36-45 <input type="checkbox"/> Above 45
1.3	Your designation in the organization: <input type="checkbox"/> Founder <input type="checkbox"/> CEO <input type="checkbox"/> CFO <input type="checkbox"/> Program Manager <input type="checkbox"/> Other
1.4	Highest managerial skills attained: <input type="checkbox"/> Professional certificate <input type="checkbox"/> Professional diploma <input type="checkbox"/> Bachelor's degree <input type="checkbox"/> Master's Degree <input type="checkbox"/> Other

SECTION 2: DONOR RELATIONSHIP MANAGEMENT

Using a scale of 1 to 5, rate your level of agreement with each statement with respect to your organization. 1= Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly Agree.

	My organization:	1	2	3	4	5
2.1	Has good relations with the donors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.2	Is able to meet all strict requirements for funding by donors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.3	Has regular communication with the donors on funding and project progress	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.4	Ensures accountability of all funds from the donors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.5	Has a high number of return donors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.6	Involves donors in project implementation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.7	Has established networks with different donors for funding	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.8	Has a dedicated team to deal with donors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.9	Has a large number of donors funded projects	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.10	Submits all donor reports on time	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.11	Has no negative reports from donor audits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SECTION 3: INCOME DIVERSIFICATION

Using a scale of 1 to 5, rate your level of agreement with each statement with respect to your organization. 1= Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly Agree.

	My organization:	1	2	3	4	5
3.1	Relies purely on donor funding	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.2	Relies largely on donor funding	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.3	Has income generating activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.4	Does service for fees e.g., Consultancies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.5	Income diversifications affect financial sustainability of my organization	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.6	Income diversification does not affect financial sustainability of my organization	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.7	Has ways of meeting cost sharing requirements of external donors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.8	Has ways of meeting overhead costs and other expenses not met by donors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.9	Has investment income	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SECTION 4: MANAGERIAL SKILLS FOR THE SENIOR MANAGEMENT TEAM

Using a scale of 1 to 5, rate your level of agreement with each statement with respect to your organization. 1= Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly Agree.

		1	2	3	4	5
4.1	Each program has a program manager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.2	The senior management is highly qualified	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.3	There are trainings to improve the skills of the senior management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.4	There are staff welfare programs to discourage staff turnover and improve staff morale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.5	Senior management staff are promoted from within	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.6	Senior management are hired from outside to bring in new ideas and experiences	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.7	All programs are managed by one program manager					

SECTION 5: SOUND FINANCIAL MANAGEMENT PRACTICES/SYSTEMS

Using a scale of 1 to 5, rate your level of agreement with each statement with respect to your organization. 1= Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly Agree.

	My organization:	1	2	3	4	5
5.1	Has regular statutory audits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.2	Has a computerized accounting system	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.3	Has a budget on which the activities and projects are based	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.4	Maintains up-to-date accounting records	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.5	Prepares financial statements annually	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.6	Ensures compliance with NGO board and all other regulating bodies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.7	Has internal control policies and are strictly adhered to	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SECTION 6: FINANCIAL SUSTAINABILITY

Using a scale of 1 to 5, rate your level of agreement with each statement with respect to your organization. 1= Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly Agree.

	My organization:	1	2	3	4	5
6.1	Has inadequate funds to implement the budgeted programs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.2	Has a high level of unpaid debts to suppliers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.3	Has a high ratio of administrative expenses to total expenses	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.4	Has a high value of unrestricted funds	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.5	Has a high-cost recovery rate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.6	Has relatively equal reliance on revenue generated from donative income, earned income, and investment income	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Thank you for your time.

Appendix II: List of Organizations

Orgs/CBO Name	Comment
Turkana Bio Aloe Organization	Did Not Respond
Turkana Women Advocacy Development	Responded
Turkana Pastoralist Development Organization	Responded
Friends of Lake Turkana	Responded
Lotus Kenya Action for Development Organization	Did Not Respond
Turkana Christian Development Mission	Responded
Refugee Education and Advocacy for Development	Did Not Respond
Rural Agency for Development	Responded
Kitenikinae Community Based Organization	Did Not Respond
Kalapata Development Agency	Did Not Respond
Kalapata Development Organization	Did Not Respond
Children of The Kingdom	Responded
Turkana Ministry of Fellowship Mission	Responded
Blessed Community Empowerment Organization	Responded
Sustainable Approaches for Community Empowerment	Responded

Kakuma Youth Group/WHITSEEL	Responded
Kalobeyei Community Fund Group	Did Not Respond
KASANA	Did Not Respond
COHERE	Did Not Respond
LOGIRA SHGs	Responded
DEEP POCKET SHGs	Responded
TUINUANE SHGs	Responded
LOGIRAPO SHGs	Responded
KAAPEI SHGs	Did Not Respond
NAKALALE SHGs	Responded
ECHAMI AITO SGHs	Responded
NADIR KONYEN	Responded
Fresh Produce SGHs	Responded
Kambi Mpya A SGHs	Responded
Nanam Ward Association	Responded
TUKEI Youth Group	Responded

ETORUBE Youth Group	Responded
NAPUCHO SGHs	Did Not Respond
NATOROGE	Responded
APEESE ERE	Responded
ATTA NAYECE Media Group	Responded