

**DETERMINANTS OF FINANCIAL SUSTAINABILITY OF CIVIL SOCIETY
ORGANIZATIONS IN KISHI AND NYAMIRA COUNTIES, KENYA**

BY

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DECLARATION

I present this project report as my original work, based on my knowledge; no similar work presented in any learning institution for an academic award.

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As the student's supervisor, I approve the submission of this project report.

Supervisor: Dr. Peter Njuguna

Signature..... Date.....

KCA University

Kenya

DEDICATION

This research work is dedicated to my wife Winnie Kerubo for Her tireless effort throughout the research process in ensuring that the entire process is successful. To my son Leon Mbata who has always leaning on my side and understanding by absentia to Him during the entire process of the study. To God be the glory for giving me the entire moment and good health during my life of study.

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LIST OF ABBREVIATIONS AND ACRONYMS

ANOVA	-	Analysis of Variance
CSOs	-	Civil Society Organizations
GoA	-	Government of Kenya
KCA	-	Kenya College of Accountancy University
NGOs	-	Non-Governmental Organizations
SPSS	-	Statistical Package for Social Scientists

OPERATIONAL DEFINITION OF TERMS

Financial Sustainability: This is the ability of CSOs to develop a various resources base so that it could continue its institutional structure and production of benefits for the target client population after the cessation of donor financial support (Renz, David, and associates, 2010).

Finances: These are all the financial resources of a CSOs, such as, cash in hand, bank balance, accounts receivable. Any change in these resources is reflected in the firm's financial position (Boas, 2012).

Non-Governmental

Organizations (NGOs): Organizations not operated by the Government and not profit making (NGO Coordination Board Kenya, 2014).

ABSTRACT

When an organization has lack of financial sustainability, a gap is created that makes it difficult to achieve success, the study aimed at identifying determinants of financial sustainability of Civil Society Organizations in Kenya with regard to Kisii and Nyamira Counties. The research's specific objectives were to; assess how accessibility to donor funding, corporate governance, financial management, and stakeholder's relationship, determine financial sustainability of civil society organizations in Kisii and Nyamira Counties. The previous studies related to, financial sustainability of civil society organizations were reviewed which includes review of theoretical and empirical studies, and conceptual framework. Descriptive survey design was adopted for this study. The population of the research study comprised of 51 Finance Managers of 51 civil society organizations in Kisii and Nyamira Counties. The sample size of the study comprised of all population subjects and therefore, census method was used for the research study. The research study used primary data which was collected by use of self-administered data collection tool to the target respondents. Data was analyzed using SPSS as per the data collection tool. Descriptive statistics formed the basis of the research and included frequencies and percentages. The relationship between determinants of financial sustainability of CSOs and level of financial sustainability were illustrated by a linear regression equation. All the relevant diagnostic tests were performed for the coefficients and overall model. Frequency distribution charts and tables were used to present the data. The findings of the study revealed that access to donor funding, corporate governance, financial management and stakeholder's relations had a role in determining financial sustainability of civil society organizations. Inferential statistics results like unstandardized regression coefficients indicate a positive role on these factors. Regression model indicate that there is positive relationship between access to donor funding, corporate governance, financial management and stakeholders relations and financial sustainability of civil society organizations. The study findings show there was a significant positive relationship between the factors under study (access to donor funding, corporate governance, financial management and stakeholder relations) and the level of financial sustainability of civil society organizations. The findings also indicate that the factors under study influenced financial sustainability of civil society organizations positively. The study suggests recommendations that donors need to give them long term grants so that they are able to operate efficient without constraints of funds. The decision making process need to be enhanced so that there is clear and effective communication process within the organizations. The reports submitted to donors need to be worked on effectively so as to expect positive results. Civil organizations can engage the respective donors on the areas of disagreement so as to harness the working relationship between donors and civil society organizations. When civil society organizations are designing their programs, there is need to consult with all stakeholders so that their views and contributions towards these programs can be taken into account. There is need for the civil society organizations to appreciate their stakeholders with whichever kind so that they feel part and parcel of the process. The study was done on the civil society organizations within Kisii and Nyamira Counties, there is need to replicate the same to other counties so that researchers can compare results and have different views from these regions. The researcher dealt on civil society organizations may be another research can be done on other areas like faith based organizations.

CHAPTER ONE

INTRODUCTION

1.1 Background for the Study

Financial sustainability is of importance for the realization of the self-reliance of the CSOs (Kangiri, 2015). For the CSOs, financial sustainability entails the availability of resources that give them the ability to seize opportunities and react to unexpected challenges while maintaining their general operation for the foreseeable future (Bell, Masaoka & Zimmerman, 2010). According to Kamta (2001), funds are very important to the success of projects. Many CSOs fail in their plans due to facilitating factors of which funds are crucial. Kamta noted that hundreds of worthy causes fail to succeed mainly due to a lack of funds. Resource scarcity is a prevalent aspect when considering the financial management process of the CSOs. The CSOs like most of the not for profit organizations characterized by resource scarcity (Fowler, 2013). As Drucker (1990) pointed out, more often than not, these organizations find themselves with an ever-increasing need of programs and activities requiring consistent and adequate funding but have to contend with the fact that there are limited opportunities for generating additional income. If due consideration is not given to the question of sustained funding of the organization's activities and operations, then the CSO runs the risk of not achieving their mandate and as a result may end up closing up as a due to deficiency in operations sustainability, 2016). This underpins the centrality of financial sustainability in CSOs' long-term existence and operation.

According to Omeri (2015), financial sustainability is the ability of the CSOs to maintain financial capacity over a period of time. It refers to the ability to maintain financial stability over time (Bowman, 2011). This requires the CSOs as put by Renz, (2010), develop a range of resources so as to continue with its activities after donor funding withdrawal or reduction in the amount given. Financial sustainability is thus an important factor in the long-run survival and effectiveness of CSOs in Kenya.

While financial sustainability is about the capacity to attract more donors, financial sustainability also entails how efficient the available resources are utilized. Sustainability

also requires adequate internal capacity to consistently identify and handle the risks associated with funding and financial capital, so that both board members and managers are able to understand and participate.

According to Holloway (2001), being completely self-financing and being autonomous in mobilizing resources are key ingredients to the financial sustainability of the CSOs. According to Edwards and Hulme (1996), most CSOs are dependent on the external donors which may make them stooges of the donors and thus become more obliged to the donors than the communities they served(Kangiri, 2015). Many CSOs have a challenge in income generating investments, having sound financial management, identifying the funding agents which will be able to meet the stakeholders need. These problems affect the organizations negatively mostly the organizations that serve susceptible, high-need, and low-income populations such as those found in the rural setups such as Kisii because they tend to more heavily rely on grants and donations than on membership fees or service fee(Padilla, Staplefoote, & Morganti, 2012).

Major not-for-profit organizations including CSOs in the world have collapsed due to funding challenges. A major British NGO (Childhood Development & Aid (CDA)) collapsed in 2002 due to poor financial management (The Regional Environmental Center (REC), 2006). The general reserves were negative for five years with the organization relying on restricted grants –which meant that income fluctuated a great deal (falling by almost 50% between 2000 and 2001). Another major civil organization that ceased operations was a major American CSO, Academy for Educational Development (AED).

The organization experienced financial issues in December 2010 after USAID suspended its funding to AED because of corporate misconduct, funds mismanagement, and lack of internal controls (Hedgpeth & Boak, 2011). Despite spearheading major projects in the world for over 50 years, AED collapsed in less than three months after the withdrawal of funding by USAID. In 1995, reports on a survey by the Independent Development Trust appeared in the media, signaling that many NGOs in South Africa were in serious

financial difficulty and that a number had collapsed (Kihato & Rapoo, 1999; Amner & Vergnani, 1995).

Financial sustainability has a major challenge to Civil Society Organizations. Alymkulova and Seipulnik (2005) states that Civil Society Organizations in Central Asia are unable to sustain and finance their activities. They accrue the financial unsustainability of the CSOs to decreased donor funding, decreased allocations for the region, donor focus on new markets and decreased amounts for the social programs. There is need to diversify income to remain sustainable financially. Renz, (2010) reported that 52% of NGOs in USA experienced reduction in funding due to the economic down turn in the country. CSOs in the country experienced financial woes due to cuts on federal and state funds to the CSOs. Akingbohla (2004) indicated that in Canada the local CSOs face financial challenges which made some of the organizations to cease operation.

In a study on 19 Sub-Saharan African countries, USAID (2010) found that only 6.2% of the NGOs in Africa were financially sustainable. The study concluded that Civil Society Organizations provided excellent service, but lacked financial sustainability due to overdependence on external donors as the only source of funding. The low financial sustainability of the CSOs in Africa was also attributed to poor performing economies that could not generate donations to the CSOs from local sources like the government, individuals and corporates. Many of the local CSOs in Africa were found to be weak and unable to compete with international CSOs for donor funding.

The annual report for 2010 by the NGOs Co-ordination Board indicated that 41% of NGOs lacked adequate funding mechanisms to implement project activities. Several studies have been done on the sustainability of NGOs (Alymkulova & Seipulnik, 2005; Turary, 2002; Moore, 2005; USAID, 2010). Many of the scholars concur that financial sustainability remains one of the major challenges that local NGOs face and will continue to face in the next decade. A study by USAID (2010) found that only about 6.2% of the NGOs in Kenya were financially stable. This creates the need to measure the financial

sustainability and enumerate the drivers of sustainability in local CSOs and specifically in Kenya.

1.1.1 Financial Sustainability of CSOs in Kenya

The interest in financial sustainability measurement in CSOs is as a result of mounting pressure to showing the effectiveness of CSO's experienced by CSOs managers (Cairns, 2005). The main reason for organizations to have stable financial management is to ensure the accountability of these organizations in their financial management (Sherma, 2013). Ritchie and Kelodansky (2004) in their conclusion found that sustainable financial management and resource mobilization ratios are among the best recommended to examine the stability of CSOs financial management. An organization in UK known as The Charity Navigator proposed programme service ratio and resource mobilization ratios as a way of examining the stability of CSOs financial management soundness. Programme service ratio denotes to budget deficit on project development related expense which is acquired by obtaining dividing development expenditure and the total expenditure ratios. Resource mobilization expenditure ratio is one obtained by dividing fundraising expenses over the total expenditures. (Chahrity, 2007).

In this study, access to donor funding, corporate governance, financial management and stakeholder's relations are used. The requirement from external stakeholder turned out to be the most frequent motivator or reason for measuring financial sustainability in a study of 149 NGOs in Carolina (Zimmermann and Stevens 2006). Sawhill and Williamson (2004) indicate that CSOs can use financial sustainability measurement to attain control over local office efforts and get the whole organization working towards the same objectives. Otley and Pollanen (2004) reveal that budgetary participation affect financial sustainability negatively. Suberu (2010) observed that organizations to perform creditably, budget and budgeting should facilitate effective utilization of available funds, and provide a benchmark to measure and control financial sustainability.

The issue of financial sustainability of CSOs has become topical and a major focal point of assessing the credibility and operations of CSOs. Many CSOs have had challenges in

their funding support, particularly from donors for their deteriorating financial sustainability (Anlove, 2006; Banks & Hulme, 2013). For instance the perceived weak financial health of CSOs in Mongolia has seriously affected their effective operations (Hoelman, 2004). Similarly in Uganda, several donors and governments withdrew funding to CSOs citing among other problems deteriorating financial sustainability (Burger and Owens, 2010). According to Ministry of Economics of Afghanistan, 60% of donor funds were unaccounted for leading to deteriorating financial health of CSOs and resulted in closure of over 2,000 CSOs (Dennissen, 2009).

Financial sustainability is significant to the survival of NGOs, it enables them meet their daily operations costs and fund their projects after donor support is withdrawn Wachira (2016). Financially sustainable NGOs gives excellent service to the community through larger and more complex services. Financial viability is one of the key challenges to NGO sustainability in Kenya (Kanyingi & Mitullah, 2006). Majority of the NGOs depend on global funding which has resulted to financial problems in case of donation withdrawals, (Wachira, 2016). This has resulted to some of the NGOs stop their operations and leave unfinished projects. According to Kisinga (2014), the failure of NGOs is mainly due to the inadequacy of funding which makes the NGOs financially unsustainable. Financial sustainability of CSOs in Nyamira and Kisii Counties is vital in the operations and growth of CSOs in this Counties. Without adequate funding and proper financial management, they will not be able to achieve their operation objectives hence the need to establish their financial sustainability status.

1.1.2 Civil Society Organizations

CSOs sector in Sri Lanka is regarded as a vibrant sector. They increasingly gain the wider recognition as a passionate, dedicated and effective channel to reach the poor people. The poor people gather the required information for their livelihood issues primarily from informal networks fabricated by kinships, friendships, culture and locality (Schilderman, 2004). Goetschell and Hagman (2009) observed that In Sri-Lanka donors lamented about the deteriorating performance of CSOs resulting in failure to by the CSOs to create impact. Alonzo (2007) observes that because of failed corporate governance and financial

malpractices such as Enron, WorldCom, Tyco and Red Cross, one way to demonstrate accountability in CSOs is through use of strong internal control procedures. The Agency theory has been used to explain demands for monitoring controls such as the financial statement audit, audit committees, internal audit and compensation schemes (Arwinge, 2013).

In Botswana the local CSOs and NGOs play a major role by ensuring that the communities involved get the much required services they deserve from these CSOs/NGOs (Hans, 2003). Helen, (2005) found that there is flexibility in local NGOs operations compare to the way government organizations in Botswana operate. This is due to the fact that there is no bureaucracy in CSOs/NGOs compared to the government organizations. In the initial phases of Africa Comprehensive HIV/AIDS Partnership (ACHAP) activities in Botswana, they encountered various challenges from government bureaucracy to an extent of deciding to work with NGOs/CSOs rather than working with the government in implementing their projects (Ramiah & Reich, 2006).

In Kenya, civil society organizations (CSOs) have been important centers of innovation and demand for services. They help “give a voice” to people on issues that matter to them, assist rights holders, monitor governments’ and parliaments’ activities, give advice to policymakers, and hold authorities accountable for their actions. These organizations have been involved in protecting the environment, advocating for the poor and marginalized, empowering the community, promoting education, advocacy among other interventions underpins their significant contribution to the wellbeing of societies, (Banks & Hulme, 2012; Islam & Morgan, 2012). CSOs have vastly given democratic consolidation and sustainable development. Nevertheless, this growing mandate of the not-for-profit sector has also seen increased expectations of transparency and accountability and a requirement for self-financial sustainability, an area most of the not-for-profit organizations have fallen short (Harding, 2014).

However, in the recent past, the CSOs like other not-for-profit organizations have experienced new trends of declining donor funding that has threatened their financial sustainability (The Population Council, 2008). This has been occasioned by the recent

economic downturn which has impacted organizations negatively. Many donors as a result have resort to cutbacks and subsequent declines in philanthropic giving.

Donors have instituted stiffer demands and conditions for their aid and have cut their volume (Kangiri, 2015). Kenya, whose not-for-profit organizations mainly source their funds from international donors (according to Kenya NGO Board database, 91% of the not for profit organizations sourced for their funding internationally) have been greatly affected by this development which has resulted to many organizations winding up and others cutting down on their activities(Omeri, 2015).

In the recent past, the CSOs in many developing countries including Kenya have been undergoing financial challenges that have forced some to cut down on their programs or quit operations altogether. This comes in the wake of dwindling donor funding and minimized donor support due to the harsh economic times, besides increasing competition for the little available resources by a growing number of such organizations most of whom cannot generate their own incomes. Thus, to ensure continuity, the attainment of financial sustainability is a key component of CSOs as it allows them to provide larger and more complex services. Although a variety of toolkits and research papers exist examining specific sustainability strategies, many CSOs continue to struggle to develop and maintain the resources needed to carry out their mission(Kangiri, 2015; Cheptot, Iravo, & Wandera, 2016) this has jeopardized their activities in the country leading to non-achievement of their goals.

Civil Society Organizations (CSOs) are key players in the push for universal values around human rights, labor standards, environment, and anti-corruption. They are agents of development in any given economy as they play a significant role politically, socially, and economically. Politically, this development role can be viewed from three perspectives. First, improving on governance quality; second, developing government systems which will apply the principles of accountability within the government, transparency, and openness; lastly, working towards gaining the support and loyalty of all elected officials, public servants, and CSOs to good governance. Socially, the development role can be viewed in two ways. First, improving decision making processes

within the society of their operation through the provision of education, up to date and relevant information. Secondly, providing social protection by the implementation of social protection systems through the integration of human rights. Economically, CSOs have played a major development role. CSOs have helped bridge the unemployment gap by providing employment to many individuals in developing countries. Better financial systems have been implemented with the help of CSOs helping local governments to curb misuse and stealing of resources, (Maingi, 2016).

Civil Society Organizations have vastly given in to democratic consolidation and sustainable development. The major challenges facing the world community Kenya included, as it seeks to replace untenable development patterns with environmentally efficient and sustainable development. Globalization has changed the environment in which international Civil Society Organizations (CSOs) function. Enhanced economic globalization, modern communication technology, and growing mobility are creating an increasingly unified and coordinated globe characterized by growing interdependence and new forms of cooperation that integrate beyond national and cultural borders. Similarly, globalization has built composite challenges such as climate change, environmental degradation, poverty, pandemics, and economic crises, (Maingi, 2016).

Civil Society Organizations helps the County Government in complementing the government's development agenda, Creation of awareness on rights and privileges of the public, and Promotion of good governance. CSOs in Kisii and Nyamira are diverse with activities ranging from Education, Human Rights, Women's Rights, Children's Rights, and Democracy, to Governance - Human rights and Access to Justice, Gender and Equity, Peace building and Conflict Resolution, Political and civic education. Kisii and Nyamira Counties, being rural setups, are characterized by a myriad of human rights violations due to cultural practices. A practice like female genital mutilation (FGM) is widely practiced in the region. According to the Kenya Demographic and Health Survey (KDHS) 2008-2009 report on the prevalence of FGM, while the practice is rife among the Kenya Somalis at 97%, Kisii shares the second place with Kuria at 96% prevalence with Maasai following at 93%, (KDHS, 2009). These together with other human and civil rights violations has attracted several human rights organizations to the region and the

neighboring, Migori County, Suba sub-county in particular. Hence the increased activities of the civil society organizations in the region. There are about 51 Civil Society Organizations in Kisii and Nyamira Counties majority of which have their offices in Kisii and Nyamira town. Compared with the neighboring counties of Kisumu and Migori counties the number of Civil Society Organizations in Kisii and Nyamira Counties is much smaller.

1.2 Statement of the Problem

Kenya has witnessed increased growth of the NGO sector. According to the NGO coordination board (2012) there were approximately 8,374 NGOs operating in Kenya. In 2018, the sector contributed Ksh. 120 billion to the Kenyan economy which is a significant amount in the counties economy. These CSOs have also created thousands of job opportunities which has provided livelihood to many families. Currently there are many national, regional and international CSOs in Kenya. However, the sustainability of CSOs in Kenya has been a challenge. Karanja and Karuti (2014) in their study found that majority of CSOs in Kenya face funding challenges, have an unreliable source of funding and are unable to meet the tough conditions set in accessing the funds. This shows that CSOs face financial sustainability issues

The annual report on NGO sector financial performance of 2010 highlights weak institutional management, lack of financial transparency and accountability among the concerned organizations. It indicate that only 11% of total donations in year 2017 were raised through income generating activities meaning that NGOs may not be able to pursue their objectives in the event that their donors withdraw funds. (NGO Board, 2010). Further a report on the National Validation Survey of NGOs conducted by the NGO Co-ordination Board revealed that 41% of NGOs consider financial sustainability as the biggest challenge.

A study by Omeri, (2015) observed that, financial sustainability is important for the stability and improvement of the growth of NGOs but the study did not focus on CSOs. Juma (2012) in his study found out good accountability mechanism has enhanced

sustainability of the NGOs, the study did not focus on the variables under this study. Karuti and Karanja (2014) in their study, found that accountability and financial planning are very critical in ensuring financial sustainability of NGOs, the study only considered two factors as a measure of sustainability. Similarly, Abongó and Ombaba, (2018) study resulted that appropriate sound financial management stability is fundamental for stable financial management among donor-aided projects. However, the study did not differentiate whether the financial management practices applied had an effect on the operations and sustainability of the NGOs. Ngahu and Mutinda, (2016) found that financial accountability and resource mobilization had no influence, while Murithi, (2014) in his study found out that although NGOs have reporting plans that enable accountability and transparency, the sustainability still not of high levels. The study however did not give further detail on the causes for the low financial sustainability levels. This is in agreement with Odhiambo, (2013) who found out that NGOs in Kisumu County still experience low levels of accountability.

In Kenya several studies have been carried out on financial sustainability of not for profit organizations. For instance, Milelu (2018) studied the factors affecting financial sustainability for non-governmental organizations in Nairobi, Kenya. Omeri (2015) investigated the factors influencing the financial sustainability of NGOs in Nakuru County. Wachira (2016) studied factors affecting financial sustainability of local NGOs in Kiambu County. Karanja and Karuti (2014) assessed the factors influencing financial sustainability of NGOs in Isiolo County. Kangiri (2015) strategies for financial sustainability of civil society organizations in Nairobi County. While these studies are beneficial to the researcher, none of the studies was done in Kisii and Nyamira counties hence knowledge gap. It is therefore this gap that the researcher seeks to fill by investigating the determinants of financial sustainability of civil society organizations in Kisii and Nyamira counties.

1.3 Research Objectives

The main objective of this study was to examine determinants of financial sustainability of civil society organizations in Kisii and Nyamira Counties.

1.3.1 Specific Objectives

The study's specific objectives are to:

1. Determine the effect of access to donor funding on the financial sustainability of CSOs in Kisii and Nyamira Counties.
2. Establish the effect of corporate governance on the financial sustainability of CSOs in Kisii and Nyamira Counties.
3. Examine the effect of financial management on the sustainability of CSOs in Kisii and Nyamira Counties.
4. Examine the effect of stakeholder's relations on the financial sustainability of the CSO in Kisii and Nyamira Counties.

1.4 Research Questions

1. What is the effect of donor funding accessibility on the financial sustainability of CSOs in Kisii and Nyamira Counties?
2. What effect does corporate governance have on the financial sustainability of CSOs in Kisii and Nyamira Counties?
3. How has financial management affected financial sustainability of CSOs in Kisii and Nyamira Counties?
4. To what extent has the stakeholder's relationship affected the financial sustainability of the CSO in Kisii and Nyamira Counties?

1.5 Justification of the Study

Local CSOs has an important role in the economic development of a country. Financial sustainability is a major challenge facing local CSOs in Kenya (Njoroge, 2013). This has been complicated by the withdrawals of funding by donors to the local CSOs due to failure to meet the conditions set by the donors (Ali, 2012). With limited funding to local NGOs, they may not be sustainable and may cease operations after a few years of operations.

In order to ensure their sustainability, the NGOs have to diversify their funding and ensure a proper relationship with the donors (Turary, 2002). Kisii and Nyamira Counties has about 51 registered CSOs. The CSOs have experienced difficulties in their sustainability and that of their projects. With declining donor funding, local CSOs in the

county are facing closure which may create a challenge in the provision of services provided by such CSOs (NGO Council, 2015).

1.6 Significance of the Study

This study is quite significant, and is going to be relevant to the following organization and individuals.

1.6.1 Researcher

The researcher is going to benefit a lot from the study. Being the main protagonist, the researcher is going to acquire skills in the study because he/she is fully involved in undertaking the research. The research would also act as a basis for future research in the same area of study. This clearly means that the researcher who will come later would be able to commence his/her research from where the original research is left. The researcher would be part of a vast amount of research and publication. The research work would also benefit students who would be taking the financial management course. They would be able to acquire the skills applied in financial sustainability issues as well as knowing their research by using this research as their guideline in case of any problem that they might encounter.

1.6.2 Civil Society Organizations

Various CSOs are also going to benefit from this study. This benefit is because the organization would get now solutions instead of dealing with many obstacles and challenges and hence will be able to achieve its set objectives faster and more effectively. As a rule, organizations would become powerful and very competitive. Other organizations too would be able to access this information and would be able to obtain benefits emerging from this research. This study will be important to the CSOs in formulating policies and procedures that will lead to financial sustainability hence improve their operational efficiency.

1.6.3 Government

The study will be beneficial to the government and policymakers in particular as they will be able to make informed policies that will address the problem of financial sustainability. The study will contribute to the current body of literature in the areas of

the factors affecting the financial sustainability of civil society organizations in Kisii and Nyamira Counties.

1.7 Scope of the Study

The research study will try to seek determinants of financial sustainability of CSOs in Kisii and Nyamira Counties, Kenya. The study will target Finance Managers of CSOs in Kisii County. As per the County Governments of Kisii and Nyamira records, there were 51 CSOs in Kisii and Nyamira Counties as of 31st March 2020. These will constitute the scope of the study. It will be conducted in the months of August-October 2020.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The existing literature will be reviewed in relation to determinants of financial sustainability of CSOs in Kisii and Nyamira Counties. It focuses on applicable literature evidence that is associated and consistent with the study objectives. Significant matters and real issues will be highlighted out and analytically examined so as to establish the situation at hand. This chapter highlights what other previous writers had researched on determinants of financial sustainability of CSOs in Kisii and Nyamira Counties.

2.2 Theoretical Review

2.2.1 Resource- Dependency Theory

The theory of resource dependence was proposed by Pfeffer and Salancik (1978). The theory states that firms have deficiency of resources; they struggle to obtain and retain financial resources which they acquire externally. Pfeffer and Salancik (1978) contribute that resources are catered for by exterior partners who apply certain conditions to the funded organization. These partners have some benefits as a result of their association with the organization and apply their exercise authority by controlling the resources. The more the organizations depend on external funding, the more these organizations are firmly controlled by their financiers. The challenge is for the organization to proactively and effectively manage incompatible and competing demands.

Resource dependence theory emphasizes on the importance of the decisions taken by firms in building alliances to overcome dependencies and promote the firm's legitimacy and autonomy and (Tachizawa, & Yew Wong, 2014). This theory derives resource mobilizing strategies. The theory conducts a study on how the external resources of firms or environmental issues affects an organization's behavior. It assumes that firms depend on funds, that ultimately come from the environment of the firm (Tachizawa, & Yew Wong, 2014). To an extent that is considerable, these environment has other firms; the resources a given firm needs are at times in the possession of other organizations which makes it legally independent organizations might depend on others to attain such resources. This gives the reason as to why organizations form alliances (Ketchen,

2014). This theory has been scrutinized in several reviews in a number of studies. These discuss and indicate the importance of resource dependency theory in explaining actions taken by organizations, by forming alliances and interlocks in striving to do away with dependencies and have an improvement on organizational legitimacy and autonomy. This theory concerns more than the external organizations that provide, finance, distribute and compete with the organization. However executive opinions have more weight individually than nonexecutive opinions, at times the nonexecutive are more impacting in an organization. The achievements of managers in the organization is throughout tied to stakeholder demand which makes customers the ultimate resource of dependency to an organization. This theory helps in explaining the reason various organizations depend on each another for different resources on which on their own they may not have (Gillis, Combs, & Ketchen, 2014).

Local NGOs rely more on external funders (donors), and they face finance instability, and deal with volatile demands (Moore, 2010). Accordingly, organizational behaviour is a reflection of the NGO's management of its dependence on an external resource and the ensuing demands of a donor controlling the resources. The magnitude of resource dependence often determines the financial behaviour of an NGO which in turn affects the financial sustainability of the NGOs (Scott, 2004). If an NGO fails to meet the conditions set by the external funders, the donors may withdraw the funding making the NGO face financial sustainability issues. The NGO may not be able to fund the projects due to the instability of funding flows. The theory is linked to the study because it explains the roles of the board of directors to ensure adequate cash flow management practices in CSOs.

2.2.2 Agency Theory

The theory denotes to a 'form of organizational evaluation' that address motivation problems that may additionally occur in overseas aid and become ensuing in wasteful spending. The principle of theory, which is similar to the main agent idea. As such, it has been argued that enforcement of donor agreements by the recipient is a challenge to negative selection and moral hazard.

In cases where beneficiaries have incentives to follow guidelines advancing on the expense of donor aid companies' goals, ethical danger is identified. The destructive selection that runs toward the essential is linked to asymmetric facts that benefit the recipient (agent) over the (fundamental) funding firm. Ethical chance is advancing in recipient countries where advertisers who are the direct recipients of the primary resource have incentives to present development programs as defining themselves in their lives when in fact they know it is not. The beneficiaries need to be sincere with what they are doing by upholding high level of transparency, so as to make the entire process straight to the financiers, particularly when the initiatives are funded by external assets (Martens, 2001).

The agency theory has a mirror effect on the stability in the financial front of a firm. Cases have been defended that managers input large amounts of financing into perilous projects, on the other hand shareholders prefer to divert their energy into maximization of expected return. Therefore, intrinsic risks and discord associated with investment decisions come up prompting managers to steer free of investment. (Anshun & Kapil, 2014). A good example on ways of reducing the agency problem is creation of a convenient correspondence with the shareholders who are the financiers through lucidity, answerability and involvement of the shareholders during the shot calling process. Innocent (2016) expostulated and further remonstrated that the satisfactory correspondence with shareholders in turn ameliorates in the long run the financial stoutness of the firm.

Therefore, the linkage between managerial proprietorship and agency costs is direct and the optimal spot for the firm is achieved in the case of manager's acquisition of shares in the company. Agency theory is consequently arrogated in this study as the study's focal point on correspondence in respect to shareholders and their managers. Ownership concentration is a course of action of lessening agency costs by shareholders enterprisingly undertaking effectual duties in monitoring (Innocent, 2016). Even though this is pivoted on the proportion of their equity stakes. The investors are significantly more actuated to ascertain and safeguard their investment, unavoidable by the managers.

Scholars have indicated that Agency theory has been utilized to determine agency relationships (Greenwood, 2003). According to Jensen and Meckling an agency relationship is “an agreement in which one or more individuals engage with others to conduct some duties on their behalf these includes assigning decision making powers to the other individual”. Although there are a number of theories and formulas used to explain top level management, the outstanding contracting approach used by agency theory is the most preferred approach. It bases its argument on separation of ownership and control in large institutions develops a power foundation for senior management (Green, 2008). This theory poses a weakness which results from objective conflicts between the agent and the principal (Saam, 2007). There exist some contracts such as behavior related and outcome related that can be utilized to fix the agency problem (Johnson and Droege, 2004). In utilizing behavior related contract, the principal directly evaluates the performance of the agent and base the reward on the information available about the actual behavior of the agent. (Certo and Dalton, 2007).

When individual actions of having the firm survive are all united by common objective, the investors will look forward to ensuring that the agents work in line to achieving their interests. Some investors might be having interests that are sustainable which can run counter to interests of managers (Aras & Crowther, 2008). Some principals might have short term interests only, in such cases managers should be informed of the potentiality of principal opportunism exercise. Agency theory points out the importance of structural incentives that managers should be responsive to long-term objectives of principals, it also highlights the board’s responsibility in ensuring that managers come up with decisions that bring sustainable values (David, 2007). The aim of agency theory is to optimize contract that resolve the agency problem (Bushee, 2001). It can also harmonize the goals between the agents and investors (Johnson & Droege, 2004). On the same note, agency theory research reveals investors whose interests conflict with other stakeholders do not promote sustainable practice. Due to sensitivity on the current earnings at the expense of the long term prospects of firms in their portfolio some investors move quickly in and out of investments. (Bushee, 2001). In such cases the principals might influence decision makers and move them away from the competitive strategic actions that are associated to sustainability (Connelly, 2010).

The ability to implement sustainability initiatives that might be unpopular with some investors gets limited when the managers face competitive interests from the investors that result to division in their allegiance. (Hoskisson, Hitt, & Grossman, 2002). Experts suggest that short-term investors are the worst kind of investors since they are self-opportunistic and functioning at the expense of practice sustainability (Christensen and Anthony, 2007). According to the research done on the conflicting interests of the investors, the role of managers is to promote those interests that go in hand with the firm's long term prospects (Arthurs, Hoskisson, Busenitz & Johnson, 2008)

On the same line, managers are supposed to commit themselves to explicit sustainability of their organizations mission statements. A number of theorists, researchers, and observers argue that evolution in the contemporary financial environment has caused disagreements between stakeholders and their agents. As a result the shareholder interests no longer gets to be accorded preference (Hoskisson, 2002). Others contest that since corporations have no "owners in a meaningful sense", then the economic agency is an efficient form of organization (Ambec & Lanoie, 2008). The correct perspective might lie between the two points of view. Shareholders have the power to dismiss directors from office. Since the managers' remuneration is often related to the size and profitability of the company, they will always work on their best level to improve the company's financial performance.

Brecht, (2002) recently challenged agency theory argued that some incentive systems that were commonly applied were originally established to mitigate agency problems were not effective in aligning the relationships between agents and principals due to their wrong assumption that stock prices and earnings can't be manipulated. Frey (2003) argued that agency theory primarily builds exclusively on motivation that is extrinsic. Challenges of agency are at the center of the literature of corporate governance, and financial management form a critical element in corporate governance.

Agency theory emphasizes on the beauty of structuring rewards so that managers are answerable to the long-term goals of the principals, it also emphasizes on the duty of boards in directing managers in implementing decisions that provide long term value (David, 2007). On the other hand, the theory focuses on the optimal contract for fixing

the agency problem (Bushee, 2001) or to bind together the interests between agents and principals (Johnson & Droege, 2004). The agency theory research also indicates that principals who have interests that are not in line with other stakeholders do not promote long term practice. There are investors who move quickly in and out of investment activities and are considerate to current earnings at the expense of the sustainable earnings of organizations in their portfolio (Bushee, 2001). These individuals also have the power to influence decision-makers and are likely to sway them away from strategic actions that are competitive and linked to sustainability (Connelly, 2010). When manager face conflicting interests of principals, their focus is divided and their ability to execute sustainable projects that may not ogre well with other investors is reduced (Hoskisson, Hitt, & Grossman, 2002).

Other scholars have indicated that short-term investors are present the worst type of principals since themselves are opportunistic, they function at the expense of long term practice (Christensen and Anthony, 2007). Of late research on the conflicting objectives of investors (Arthurs, Hoskisson, Busenitz & Johnson, 2008) pointed out promotion of interests which coincide with the organizations long term prospects as the responsibility of managers. This indicates that managers should focus their commitments towards explicit sustainability in the mission of the organizations they lead. Some observers and researchers have contended that evolution in the current financial situation is creating conflicts between stakeholders and agents in which the agents no longer consider shareholder interests as a preference (Hoskisson, 2002). Others are of the opinion of economic agency being an efficient form of firm, since corporations do not have “owners in a meaningful sense” (Ambec & Lanoie, 2008). The supported view lies somewhere in between two points of or opinion. Investors hold the authority to do away with directors from holding the office. Managers are to perform their best in improving the financial gains of their organizations because their compensation is often associated with the size or returns of the organization. Though, Brecht, (2002) recently posed a challenge to this theory where he argued that some incentive systems commonly used were originally designed to minimize agency problems but are not effective in aligning the relationship between agents and principals as a result the incorrect imagination that stock prices and earnings are not manipulated. Frey, (2003) argued that the theory was building

exclusively and primarily on extrinsic desires. These problems and challenges of agency are at the middle of corporate governance literature as well as financial management and they form a critical aspect in corporate governance.

It is paramount to avoid conflict between the management and stakeholders in an efficient operation. In case there is a difference there is need to iron them out so that they do not become a detriment to the achievement of the organization mission and vision. All stakeholders need to coordinate well in their operations so that they work towards common goal of promoting stakeholders wealth, Frey (2003).

Milner (2008) uses the agent-major model to explain home problems at international donor locations. He argued that once the principals feel that agent may not contribute to their needs in overseas characteristics through the budget allocated for development initiatives in the foreign locations, the company attempts to ease the scenario by guiding aid through bilateral firms. Wooden (2008) contended that recipients in donor nations have misconceptions about the real benefits of the useful resource of their authorities channeled to organizations that are perceived to have incentives to distort their impact to donor nations whereas bilateral companies have limited incentives to support countries. There is relevancy of this theory to the study because it explains the principal –agent relationship between Board of directors and managers of CSOs and possible conflicts that may arise thereof thus resulting to good governance.

2.2.3 Power Relations Theory

The power relations theory was created by DiMaggio and Powell in 1983. The theory adds to the progressions that are going on in NGOs because of their deviated power relationship with their subsidizing accomplices. DiMaggio and Powell (1983) recommend that the more needy an association is on its creating accomplices, the more this prompts more noteworthy correspondences between associations, (Wachira, 2016).

When there is no proper coordination's between the authorities, there will be always a tag of war and this will affect the performance of the organizations. In any organization set-up, there is need to have a clear chain of command so as to avoid any unnecessary conflict within the operations. Power is given and not taken and therefore there is need

for everyone to know his/her role so as to avoid anything that may jeopardize the operation of the organization. A good organization structure may help to solve some of these problems if well taken care of, (Wachira, 2016).

Wallace, Bornstein, and Chapman (2006) contend that pressure and consistence are essential ideas in understanding the linkages between neighborhood NGOs and their remote accomplices. Benefactor accomplices give access to money related assets and along these lines are in a place of influence. These accomplices think of conditions required for getting an award and there are consistently concerns if nearby NGOs lose this financing (Markowitz and Tice, 2002). Since donors have control over the issued funds, they are at freedom to stop their monetary gift (Wallace, 2006). This implies the neighborhood NGOs in Kenya need to obey conditions set by the contributors to keep getting subsidizing. Inability to stick to donor conditions may prompt the NGOs losing the gift making them incapable to do their task exercises subsequently become monetarily precarious, (Wachira, 2016). This theory is related to this study because it provides the need to have good relationship between CSOs and donors so as to ensure adequate funding mechanisms of organizations either through self-generated incomes or through sustained external funds from donors and other well-wishers.

2.2.4 Stakeholder Theory

Stakeholder's theory was at first evolved by R. Edward Freeman in the book *Vital Administration*. Freeman, Wicks, and Parmar, (2004) opines that the Firm is a relationship of partners working inside the bigger frameworks of the hosting society which gives an important legitimate market foundation for Association's exercises. Reason for the company is to give its partners wealth or opportunity by translating their interests into goods and projects. This view is upheld by Blair (1995). This theory expresses that administration should settle on choices that consider the enthusiasm of the considerable number of partners in the Firm.

The partner idea recommends that the primary point of a business is to make partners an incentive for its ventures. To succeed and be feasible after some time, administrators must keep the interests of clients, providers, representatives, networks, and investors

adjusted and going a similar way. In the customary perspective on an association, the investors are the genuine proprietors of the association, and the firm has an authoritative commitment to put their requirements first, to include an incentive for their ventures (Phillips, 2007). Theory pays credence that is to both external and internal stakeholders; managers, employees and owners it is also for governments and groups with special interests. Participation from the community enhances cohesion in the society as they recognize working value in partnership with others and firms. It adds to economic values to both through mobilization of contributions of volunteers to deliver regeneration as well as development of skills that enhances opportunity of employment to increase community wealth it also provides residents with opportunity to network and promote cohesion.

Stakeholders are Community members in projects in their community this makes it important to include them in activities of the projects from the beginning. Stakeholder's theory indicates that all legitimate individuals or groups involved in the community activities of an organization, they do so gain benefits, and that interest of priority of all stakeholders that are legitimate is not evident in its self (Donaldson, and Preston, 1995).

In any case, stakeholders theory calls attention to that there are other concerned gatherings included, including administrative establishments, political gatherings, worker's organizations and affiliations, networks, contributors, providers, inward representatives, and clients. Contenders are some of the time calculated as partners because of their ability to influence the association and its different partners. The idea of what is a partner is exceptionally tested, with many definitions existing in the scholastic writing (Miles, 2011).

The theory evaluates a broader gathering of beneficiaries rather than focusing on investors and in the challenge of this investigation the theory educates the network, contributors, and government. Partners in the breeze influence venture industry put gigantic aggregates of capital into development ventures with desires for getting an incentive for their cash from the last item. At the end of the day, customers and partners' have elevated standards. Further, the breeze usage process involves and expends tremendous figures as far as funds, materials, human capital, and innovation. The

financial advantages that are gotten from a productive breeze segment that is conveying are various both to the speculators, designers, and the nation when all is said in done.

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The Significant commitment to advancement extends to a great extent relies upon the network's unconstrained cooperation in it. Besides, to make any improvement program a triumph, association of cross-segment of individuals into it is a fundamental precondition. Most African social orders generally and socially individuals, especially socially illuminated class and female society are non-participatory, (Wild and Marshall 1999; Bagaka, 2008). The socially edified class is self-trotted and consistently attempts to stay away from contribution in the current participatory practices instead of deduction it as a superfluous problem. The female people then again, generally and strictly connected with themselves into family works and consistently attempt to communicate reluctance to be associated with nearby advancement ventures. Such kind of disposition has become a piece of the custom. This theory is related to this study because it provides an explanation of the roles of stake holders in CSOs to ensure adequate funding mechanisms of organizations either through self-generated incomes or through sustained external funds from donors and other well-wishers.

2.3 Empirical Review

2.3.1 Accessibility to Donor Funding

Finance securing has repeatedly been a major challenge for NGOs in the execution of expansion projects. Gaining access to donor funds was cited as an significant detail in

NGOs commissioning projects in the communities beginning with task instruction / design, engaging in due diligence on the feasibility of the initiatives, and providing assistance to any profit-generating investment NGOs that might involve. Without the availability of donor money, many projects would be neither implemented nor lower cost. Entry to funding has remained one of the primary challenges in ensuring sustainability of donor supported projects (Donor Report, 2012). Donors have increased their support for tasks in developed nations in recent intervals, but there is still no specific information on the guidelines they adopt when disbursing certain funds that endanger the realization of the projects they finance (Nunnenkamp, 2009).

Big NGOs at the same time act as the center man between donors and NGOs, have a designated person overseeing donor finance. This person is responsible for overseeing both donor lending and grants. Most of these advances granted are obtained with the assistance of NGOs who are endeavoring to pay off, and the maximum of these advances are best given to the communities for the purpose of creating tasks that are perceived to be life-converting (Nunnenkamp, 2009).

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Most donors were recognized as setting a cap on the grant finances allocated to NGOs and ensuring that funds allocated to a specific project cannot be used on any other undertaking until they have been consulted and authorized. Donations have been placed to face more problems than developments, making it impossible for non-governmental organizations to access them. Some donors also give donations to NGOs with requirements directly related to the purchase of products and services that can be purchased efficiently from foreign donors (Donor Working Organization, 2004).

Ronno (2009) in his study on financial sustainability of Non-Governmental Organizations projects in Nairobi County using descriptive statistics stated that several projects rely on donor funding bringing out ineffective usage of organizations surplus in a most appropriate manner. They also argued there is need for all NGOs to have effective internal operating systems and organization structures that enhance good relationship with the stakeholders and ensure the established projects funded by donors are effectively implemented. This person is responsible for overseeing both donor lending and grants. Most of these advances granted are obtained with the assistance of NGOs who are endeavoring to pay off, and the maximum of these advances are best given to the communities for the purpose of creating tasks that are perceived to be life-converting (Nunnenkamp, 2009). They went ahead and suggested that, there is need to engage the community and all stakeholders while implementing the projects so that they feel as part of the implementation process which will end up in enhancing the organization operations. There is need to have well defined internal policies and process as way of soliciting more funds from the financiers (Khahn and Hare, 2007).

2.3.2 Corporate Governance Practices

Wasike (2012) gave an explanation that, desirable corporate governance is necessary on the way to entice investors and guarantee them that their ventures will be safe and well controlled and in a clear and responsible process, create aggressive enterprises, improve the responsibility and overall performance of those bestowed to control organizations and promote efficient and effective use of constrained sources. From the study, the size of the board has an impact on the factor of corporate governance, and a large board might not work effectively, and lean boards are good in comparison to bigger boards due to the fact huge boards can be affected with management problems. Further, larger boards are probably gentle in making selections due to operating costs rather than lean board.

As explained by Guay, (2004), under situations of "good" corporate governance, managers are the one responsible for the organization board of director's performance, whose job is to ensure the wealth of stakeholders. Under inconvenient management, there should be breakdown in the system. Management may mishandle the operations which are not benefiting the shareholders, the board of management may not adequately

monitor operational activities, shareholders may not be keenly attentive to the performance of their organization. Guay, (2004) suggest that NGOs use SRI in certain cases to influence people or institutions that are in key corporate governance positions.

Muriithi (2014) stated that sustainability of NGOs is influenced positively by a number of management factors and management capabilities. These included proper governance structures, top management that understands the purpose of the organization and take the lead in its achievement, a leadership with all the required qualification, skills, competence and experience, a management that adopts staff policies that motivate and retains employees within the organization. Leadership approaches adopted also helped the organization to meet its objectives (Muriithi, 2014). The study used descriptive study design.

Okorley and Nkrumah (2012) in their study on the organizational factors which influence sustainability of local NGOs in Ghana using cross-sectional survey design, found that corporate governance is a major factor to financial sustainability of local NGOs. Njoroge (2013) investigated factors influencing sustainability of NGOs in Kenya. The study established a positive relationship between corporate governance and financial sustainability of NGOs.

A study by Strine (2010) established the importance of having corporate governance structures processes and mechanisms in a firm. The study was conducted based on a sample drawn from commercial firms using descriptive research methodology established that firms directed and managed in a way that enhances long-term shareholder value through accountability of managers, enhances financial performance. Currently financial sectors have seen the importance of having good corporate governance practices such as board evaluation and board diversity (Kolk & Pinkse, 2010).

2.3.3 Financial Management

According to Kabdiyeva (2013), an organization practices good management when it has an effective internal control systems that make sure public interest is catered for and protected. Financial controls are at the centre of any good financial management system

and they ensure that funds are being expended as anticipated within an organization's financial plans (Hassan, 2015). In the case of non-governmental organizations, as is the case with other organizations, where deviations from the financial plans are detected, corrective action is instituted to protect the misappropriation of donor funds (Moreno, 2017). According to Mutinda and Ngahu (2016), the value of the financial controls, like financial management tools, lies in their ability to track every expenditure and revealing areas of weakness in the financial management system which can result in loss of funds. Given the high sensitivity of donor funding especially to misappropriations which could lead donors to end their contributions to a given NGO, it is incumbent upon the managers of NGOs to ensure that their organizations' financial management systems incorporate strong financial controls capable of deterring any loss of funds. In a study on the sustainability of non-profit organizations, Weerawardena, (2010) identified strong financial controls as one of the key elements of a good financial management system in the NGOs.

Financial control in non-governmental organizations concerns making sure funds are available whilst required and that they may be obtained and used inside the most effective and efficient manner to the benefit of the company making the place of economic controls in the financial management machine even greater vast (Islam, 2016). According to Kameri-Mbote (2012), the goal of NGOs managers should be to promote the levels of assets at their disposal and application of economic controls is one of the mechanisms of making sure that to be had NGOs assets are correctly and efficaciously applied at the same time as bearing in mind the dangers that would genuinely be skilled inside the destiny because of a scarcity of such price range. Kristin (2016) conducted a research study on financial sustainability of non-earnings and found out that economic units were used by various NGOs to strategically control and position their price range to take care of the sudden risks of monetary shortages or withdrawals of donors. When economic management gear are used efficiently they could help an employer to deliver on its venture and make sure good control of assets (Lecy, 2012).

Financial management in non-governmental organizations is about ensuring that financial resources are available when needed and that they are obtained and used in the most productive and successful manner to the advantage of the organization making the position of financial controls in the financial management system even more important (Islam, 2016). According to Kameri-Mbote (2012), financial managers of NGOs goal should be to promote the levels of resources at their disposal and application of financial controls is one of the mechanisms of ensuring that allocated resources are used properly taking into account the uncertainties that may be faced in future due to shortage of funds. Kristin (2016) performed a research study on non-profit financial sustainability and observed that numerous NGOs used their donations to tactically control and position their funds so as to ensure their safety in case donors break ties with them in financing their projects. When financial management tools are used effectively they assist in delivering organization mission and guarantee good management of resources (Lecy, 2012).

Waiganjo, Ng'ethe and Mugambi (2012) pointed out a strong positive relationship between financial management and financial sustainability of the NGOs. Ali (2012) concurred with Waiganjo et al, (2013) by indicating that financial management is a major factor that affect financial sustainability of the non-governmental organizations.

Keeping a financial plan grants the CSOs to display where the funds they are obtaining is being pumped into the organization. Effective financial planning allows CSOs to keep focus on the organization's goal and enlarge their organization. A well thought out financial resources planning framework allows the CSOs to maintain its resources chronologically upright and stout, by being aware ahead of time what sum would be needed for certain undertakings (Sontag-Padilla, 2012). According to Elliott (2012), having a financial resources plan empowers an CSO to optimally input its finite financial reach to the wanted cause that may successively stimulate donors to proceed in presenting their succor in the understanding that the financing would be sunk into optimal usage. Financial resources planning is utterly critical to the CSOs' boards as it is providence for the yard stick with which the boards are enabled to review the productivity of the CSO for a prescribed financial length (Pratt & Hailey, 2012). Dardane (2010) indicated that

maintaining an updated, painstaking financial resource plan rockets the chances of the CSO acquiring the ratification of the board for the financial reach requested in successive return enables the CSO to realize the aims and objectives set up for the upcoming year. The finance officer appended his vantage point of intense knowledge of the daily operatives of the CSO would perform an important role in financial resource planning with a focal point on the organization's continual goals and aims (Simone, 2013). Swotting by Rhoden (2014) and Beyene (2014) realized a notable positive correspondence in financial resource planning, as a financial control practice, and the financial viability of civil society organizations – underpinning the substantiality of financial resources planning to the foreseeable future well-being of contemporary CSOs.

Onsongo, (2012) studied about the strategies adopted by NGOs to achieve financial sustainability in Kenya. The study used descriptive study design and established that, sound financial management systems were one of the key strategies that significantly influenced the financial sustainability of local NGOs. In his study of financing, local non-governmental organizations in Ghana, Gyamfi (2010) found that the NGOs sustainability in the country is influenced positively by sound financial management systems as they promoted accountability and transparency in the use of donor funds. Bell, (2010) point out that, a sound financial management system provides an opportunity for an NGO to evaluate its expenditure patterns, helping it to control its spending in line with set program targets. Omeri (2015) agreed with the findings by Okorley and Nkrumah (2012), arguing that financiers today only give funds to those NGOs that demonstrate good financial accounting systems that were backed by effective internal controls as a way of enforcing accountability. Good management processes and accountability are necessary requirements in ensuring there is value for money given by donors while opening the prospects for long-term engagement with the donors (Islam & Morgan, 2012).

Bhowman (2007) in his study explored the role played by investment entities in enhancing the wealth of stakeholders in these organizations. His study further explored that when Non-Governmental organizations are stable financially they operate optimally and they are able to accumulate wealth. The non-governmental organizations with

shortage of resources tend to do fewer investments because they tend to spend more on operations costs rather than concentrating in major investment.

Corè, (2007) in his study found that where there is misunderstanding between stakeholders and agencies there is always shortage on income from non-governmental organizations. Where there is no efficiency in operations the cost tend to go high which affect the organizations income negatively. Fishman and Hobbard (2006) in their study examined a non-governmental organizations governance based model which was based on two assumptions: organizations tend to be very cautious with their investment plans so as to reduce on investment, but in some cases management tend to divert this attention and misuse the income generated thus leaving the organizations without anything to save. They just end up in enriching themselves rather than prioritizing on organizations investments. There is need for close monitoring on these organizations and if possible from external entities so that their operations can be properly audited and monitored. The study used descriptive study design.

2.3.4 Stakeholders Relationship

The Civil Society Organizations do convey projects and each project manager needs to recognize project accomplices and distinguish their requirements and desires for the undertaking (Brilliant, 2010). For project success, there is a need to have successful correspondence between partners. A stakeholder is somebody that is associated with your venture or has a personal stake in its prosperity or failure. Distinguishing who are your partners is significant and the procedure starts by creating shared connections. Hence, partners ought to see how the task capacities, including the venture extension, achievements, and objectives (World Bank, 2013).

According to the World Bank (2013), there are five major types of stakeholders, Project managers, Project teams, Functional management, Sponsors, and Customers. Within the stakeholders, you have both internal and external classifications. Internal stakeholders are those directly affected by the project, such as employees. External stakeholders are not a part of the business, such as vendors or suppliers, but have an interest in its outcome (Wami, 2012).

Primary stakeholders have a major interest in the success of a project because they are directly affected by the outcome. Customers and end-users are primary stakeholders as well as some project sponsors, project managers, and team members. They should design normal gatherings to audit timetables, tending to any troubles that may emerge, and guarantee that the task supervisor stays on the course. Undertaking supports distribute and give assets and accounts to finance the project venture. The task support ought to have an away from of what's normal under the extension, timetable, and assets required for the project venture. The achievement of an undertaking is generally reliant on the task accomplice's administration and sponsorship. The administration given by the project venture accomplices assists with distinguishing cost invades and gives choices to stay on a careful spending plan (UN, 2010).

The job of auxiliary undertaking partners is additionally significant in venture achievement. Despite the fact that their job isn't essential, they help with authoritative procedures, budgetary, and legitimate issues. Correspondence among essential and auxiliary partners will guarantee that everybody is moving in the direction of a similar objective. Absence of correspondence can cause venture falling. Task administrators are essential partners since they are legitimately associated with every day running of the undertaking. They have the ability to run the task by administering duty of work execution, sorting out, and arranging; adequately guaranteeing that all phases of the venture are completed precisely and proficiently. Merchants, providers, and improvement accomplices are outer partners since they flexibly the necessary assets for an undertaking's prosperity, they should impart consistently on objectives, achievements, and expectations (UNDP, 2012).

Baroudi, Olson, and Ives (2006) did an empirical study of the impact of stakeholders' involvement on project success in Nigeria and Kenya using descriptive study design, they argue that stakeholder involvement in project identification, for example, development, resources identification, resources providence, and M&E is generally considered an important mechanism for improving system quality and ensuring successful infrastructural project implementation.

In respect to the ever-changing complexion of stakeholder relationships, a stakeholder scrutiny would never be terminal or ultimate, rather fluctuates as is dictated by the assessed time frame and the impetus of the analysis. These elements may become the framework for those to be taken up in the analysis process and how (Bryson, 2006). The identification and analysis of stakeholders is always left to managerial actors, who therefore attribute limpidity to subjectively preferred stakeholders and disparate between the interests of these amass. In respect to this subjectivity and assumption-based analysis, it may be of utmost necessity to perform a validation of the individual interests of stakeholders by surveys and interviews of interest groups (Mainardes, Alves & Raposo 2012; Tashman & Raelin 2013).

A report by the World Bank (2013) duped Devolution without Disruption—Pathways to a Successful New Kenya shows that inroads construction in Kenya, for example, have had a number of stakeholders like the Africa development banks, world bank and many more who have been providing funds, giving direction for monitoring and to some extent help in monitoring and evaluation of the projects. World Bank (2013) reports that major stakeholders cannot be ignored in infrastructure development since the projects require trained people for resource identification, financing, and resources allocation.

In a Ghanaian study on organizational factors which influenced sustainability of local NGOs, Okorley and Nkrumah (2012) identified close collaboration with the donor organizations on areas of funds use as one of the aspects that NGOs should pay close attention to. Moreno (2017) carried out a research on factors influencing financial sustainability of NGOs in Columbia and proposed that, clear communication and close collaborations between the NGOs and the donor organizations are critical elements in building strong relationships with the donors and which form the basis for long-term engagements. This sentiment was shared by Iwu, Kapondoro, Twum-Darko and Tengeh (2015) who opined that through meaningful collaborations and constant communications, donor organizations are able to understand the processes and activities of an NGO which

increases their sense of ownership of the programs being executed in turn enhancing their desire to continually support the NGO in its endeavours (Banks & Hulme, 2012).

2.3.5 Financial Sustainability

The interest in financial sustainability measurement in CSOs is due to the evolving pressure on showing effectiveness which is experienced by CSOs managers (Cairns, 2005). The main reason for organizations to have stable financial management is to ensure the accountability of these organizations in their financial management (Sherma, 2013). Ritchie and Kelodansky (2004) in their conclusion found that sustainable financial management and resource mobilization ratios are among the best recommended to examine the stability of CSOs financial management. An organization in UK known as The Charity Navigator proposed programme service ratio and resource mobilization ratios as a way of examining the stability of CSOs financial management soundness. Programme service ratio denotes to budget deficit on project development related expense which is acquired by obtaining dividing development expenditure and the total expenditure ratios. Resource mobilization expenditure ratio is one obtained by dividing fundraising expenses over the total expenditures. (Chahrity, 2007).

In this study, access to donor funding, corporate governance, financial management and stakeholder's relations are used. Zimmermann and Stevens (2006) carried out a study of 149 NGOs in South Carolina whose findings showed the requirement that comes from external stakeholders was the most frequent reason and motivator for measuring financial sustainability. Sawhill and Williamson (2004) indicate that CSOs can use financial sustainability measurement to achieve control for local office efforts and have the whole organization to work towards the same objectives. Otley and Pollanen (2004) reveal that budgetary participation affect financial sustainability negatively. Suberu (2010) observed that organizations to perform creditably, budget and budgeting should facilitate effective utilization of available funds, and provide a benchmark to measure and control financial sustainability.

The issue of financial sustainability of CSOs has become topical and a major focal point of assessing the credibility and operations of CSOs. Many CSOs have had challenges in their funding support, particularly from donors for their deteriorating financial sustainability (Anlove, 2006; Banks & Hulme, 2013). For instance the perceived weak financial health of CSOs in Mongolia has seriously affected their effective operations (Hoelman, 2004). Similarly in Uganda, several donors and governments withdrew funding to CSOs citing among other problems deteriorating financial sustainability (Burger and Owens, 2010). According to Ministry of Economics of Afghanistan, 60% of donor funds were unaccounted for leading to deteriorating financial health of CSOs and resulted in closure of over 2,000 CSOs (Dennissen, 2009).

Financial sustainability is significant to the survival of NGOs, it enables them meet their daily operations costs and fund their projects after donor support is withdrawn Wachira (2016). financially sustainable NGOs gives excellent service to the community through larger and more complex services. Financial viability is one of the key challenges to NGO sustainability in Kenya (Kanyingi & Mitullah, 2006). Majority of the NGOs depend on global funding which has resulted to financial problems in case of donation withdrawals, (Wachira, 2016). This has resulted to some of the NGOs stop their operations and leave unfinished projects. According to Kisinga (2014), the failure of NGOs is mainly due to the inadequacy of funding which makes the NGOs financially unsustainable.

Keeping a financial plan grants the CSOs to display where the funds they are obtaining is being pumped into the organization. Effective financial planning allows CSOs to keep focus on the organization's goal and enlarge their organization. A well thought out financial resources planning framework allows the CSOs to maintain its resources chronologically upright and stout, by being aware ahead of time what sum would beneeded for certain undertakings(Sontag-Padilla, 2012). According to Elliott (2012), having a financial resources plan empowers an CSO to optimallyinput its finite financial reach to the wanted cause that may successivelystimulate donors to proceed inpresenting their succor in the understanding that the financing would be sunk into optimal usage.

Financial resources planning is utterly critical to the CSOs' boards as it is providence for the yard stick with which the boards are enabled to review the productivity of the CSO for a prescribed financial length (Pratt & Hailey, 2012). Dardane (2010) indicated that maintaining an updated, painstaking financial resource plan rockets the chances of the CSO acquiring the ratification of the board for the financial reach requested in successive return enables the CSO to realize the aims and objectives set up for the upcoming year. The finance officer appended his vantage point of intense knowledge of the daily operatives of the CSO would perform an important role in financial resource planning with a focal point on the organization's continual goals and aims (Simone, 2013). Swotting by Rhoden (2014) and Beyene (2014) realized a notable positive correspondence in financial resource planning, as a financial control practice, and the financial viability of civil society organizations – underpinning the substantially of financial resources planning to the foreseeable future well-being of contemporary CSOs.

2.4 Summary of the Literature Review

The review has evidently shown what other studies have performed regarding the factors affecting the financial sustainability of CSOs. However, from previous studies done, it is unclear how the understanding gained through the implementation of the donor finances, particularly on the final stages of these projects is reinvested back to improve on the executed projects. There is no clear understanding on how project financiers should conduct themselves to allow them meet their financial obligations like meeting operations costs, paying suppliers and that is what this study aims at investigating.

2.5 Conceptual Framework

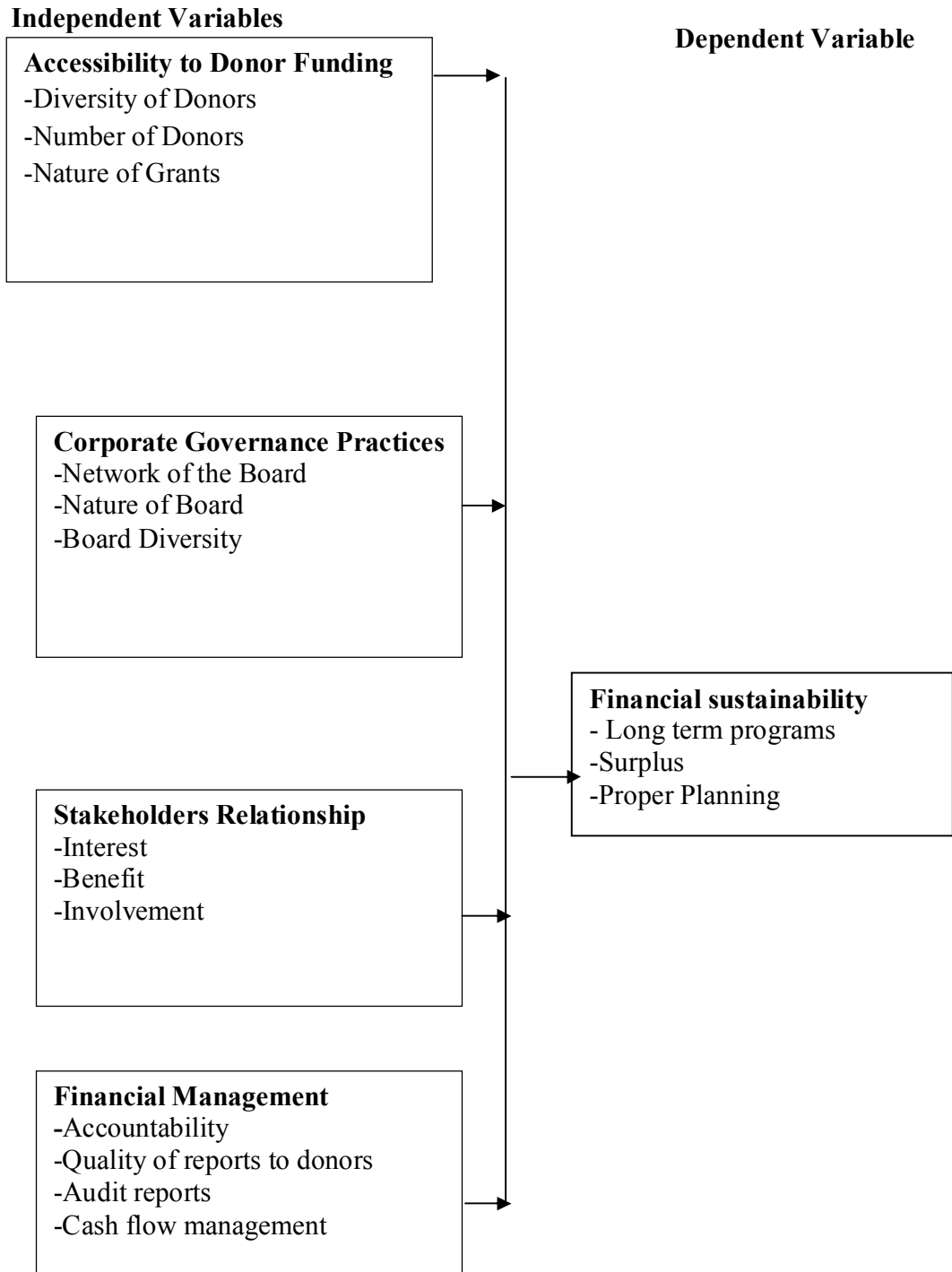


Figure: 2.1. Conceptual Framework

Source: Own Conceptualization, 2020

Finance securing has repeatedly been a major challenge for NGOs in the execution of expansion projects. Gaining access to donor funds was cited as an significant detail in NGOs commissioning projects in the communities beginning with task instruction / design, engaging in due diligence on the feasibility of the initiatives, and providing assistance to any profit-generating investment NGOs that might involve. Without the availability of donor money, many projects would be neither implemented nor lower cost. Entry to funding has remained one of the primary challenges in ensuring sustainability of donor supported projects.

Under situations of "good" corporate governance, managers are held accountable for the performance of a company by a board of directors, whose job is to represent the interests of shareholders. Under "bad" or "poor" corporate governance, there is a breakdown in the system. Managers may take actions that are not in the best interests of the shareholders, the board of directors does not adequately monitor management's activities, shareholders do not pay close enough attention to the company's performance, or some combination of the three.

Financial management in non-governmental organizations is about ensuring that financial resources are available when needed and that they are obtained and used in the most productive and successful manner to the advantage of the organization making the position of financial controls in the financial management system even more important.

Primary stakeholders have a major interest in the success of a project because they are directly affected by the outcome. Customers and end-users are primary stakeholders as well as some project sponsors, project managers, and team members. They should design normal gatherings to audit timetables, tending to any troubles that may emerge, and guarantee that the task supervisor stays on the course. Undertaking supports distribute and give assets and accounts to finance the project venture. The task support ought to have an away from of what's normal under the extension, timetable, and assets required for the project venture.

2.6 Operationalization of Variables

Table 2.1: Operationalization of Variables

Type of Variable	Variable	Indicators	Scales	Question No.	Collection Tool	Type of Analysis
Independent	Accessibility to Donor Funding	Diversity of donors Number of donors Nature of grants	Ordinal	Questions on Part 2	Questionnaire	Descriptive
	Corporate Governance	Network of the board Nature of board Board diversity	Ordinal	Questions on Part 3	Questionnaire	Descriptive
	Financial Management	Accountability Quality of reports to donors Audit report Cash flow management	Ordinal	Questions on Part 4	Questionnaire	Descriptive
	Stakeholders Relationship	Interest Benefit Involvement	Ordinal	Questions on Part 5	Questionnaire	Descriptive
	Dependent	Financial Sustainability	Long term programs Adequacy of resources	Ordinal	Questions on Part 6	Questionnaire

Source: Research Study, 2020

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter summarizes a general methodology structure that was applied in every of the following areas during data collection and analysis: study design, target population, sampling and sampling procedures, data collection and analytical procedures.

3.2 Research Design

Research design, according to Orodho, (2003) is a method used to provide solutions to research problems. The researcher used descriptive research design. It was also conducted to demonstrate relationships between variables and may involve interactions with people or surveys. Cooper and Schindler, (2006) further explain that a descriptive research design is one of the best since it is accurate and current facts are exhibited through data collection in human contexts. Gray (2004) argues that descriptive design gives an accurate outline of persons, events, or circumstances by describing existing conditions and attitudes through interpretation. The study therefore considered descriptive research design to be the most appropriate in establishing determinants of financial sustainability of civil society organizations in Kenya, Kisii and Nyamira Counties.

3.3 Target Population

Mugenda and Mugenda, (2013) indicated the targeted population as a whole set of objects, cases or individuals with similar noticeable features. Welman and Mitchell, (2005) further define the target population as a full set of cases from which a sample is taken. The study targeted all Civil Society Organization's Finance Managers in Kisii and Nyamira Counties. The population of interest was all 51 Finance Managers of Civil Society Organizations within Kisii and Nyamira Counties as shown in table 3.1.

Table 3.1 Target Population

County	Number of Respondents
Kisii	32
Nyamira	19
Total	51

Source: Research Study 2020

3.4 Sampling Frame

The sampling frame defines the list of all sample selected population elements (Cooper and Schindler, 2006). It should not be out of date at the time of use and is exhaustive and acceptable. It is a complete and correct list of the target population only. The frame indicated the number of items to be included in the sample. These included Civil Society Organization's Finance Managers.

3.5 Sample Size and Sampling Technique

Sampling in research is about getting a smaller size of research elements from a given target population. According to Cooper and Schindler (2006), a sample size of about thirty respondents shall be used for the purpose of generalizing the study. Since the entire population of CSOs in Kisii and Nyamira Counties to be studied is sufficiently small, the researcher will use the census method. The study was carried out through a census survey because of the cross-sectional nature of the data to be collected. A census survey involves the collection of data from all units of the population. The method enhances confidence in the results that rose from the analysis of data as regards to the entire population.

3.6 Data Collection Instruments

Data collection will be by use of self-administered questionnaires to the target respondents. The researcher designed a questionnaire to gather extensive data and incorporates a five point Likert rating scale. This enabled the researcher to assess respondents towards establishing determinants of financial sustainability of civil society organizations within Kisii and Nyamira Counties by asking the respondents how strongly they agreed or disagreed with series of statements / determinants. The questionnaires contained both open and closed ended questions. Using questionnaires in the research

enables direct response and feedback from the respondents that can be collected within a short period of time and in an easier manner.

3.7 Data Collection Procedure

Data collection kicked off by acquiring data collection authorization letter from Kenya College of Accountancy University before embarking to the field. Appointments with respondents will be sought in order to get permission to carry out the study at their areas of operations. After permission is granted, administration of the questionnaires will begin and it will take duration of two weeks' time. This was accomplished by securing two research assistants who were carefully selected on the basis of their ability to interact well with the respondents and their ability to understand issues. They were taken through each question in the questionnaire for the purpose of clarification on the issues that they do not understand. There was no prior booking of appointments before administering questionnaires.

3.8 Pilot Testing

Mugenda and Mugenda (2013) argue that piloting refers to pre-testing of a data collection tool by giving it to a certain sample which is related to the actual sample to be used in the analysis by the researcher. Piloting was performed to determine the accuracy of the objects, the authenticity and the instruments reliability. The pilot testing was carried out to the employees who did not form part of the study. A random selection of 5 employees was done for pilot testing from Kisumu County.

3.8.1 Validity of the Research Instruments

Suitability of a questionnaire is referred to as validity. It indicates to an extent in which the outcomes from the data analysis represent the research area under study. Orodho, (2003) says that an effective data collection instrument should exactly amount to what is intended to result to. The study used content related validity in determining the validity of the data collection instrument. It will also be established through consulting a research expert, who will be the assigned project supervisor from the university. Validity test was carried out to establish the appropriateness, precision and significance of the data

collection tool. The questionnaire was reviewed so as to produce the intended results and enhance the effectiveness of the data collection tool.

3.8.2 Reliability of the Research Instruments

Reliability refers to a situation where data collection tool gives reliable results or data after several repetitive trials, (Mugenda & Mugenda 2013). It is the consistency that data collection instrument shows when used repeatedly under similar prevailing circumstances. It is done to find the consistency with which research questions will generate responses. The reliability of the data collection tool was evaluated through Cronbach's Alpha which measures the internal consistency. For each objective consistency will be developed to assess if each scale generates similar results should the same study be carried out in the future. Parameters would be considered reliable if their reliability values are greater than the threshold suggested above 0.5 (Mugenda & Mugenda, 2013). A correlation coefficient of about 0.7 is high enough to mark the questionnaire as accurate for the analysis according to Gray (2004). Based on the affirmation of these two scholars, the study considers a correlation coefficient of 0.5 and above.

3.9 Data Analysis and Presentation

3.9.1 Data Analysis

The data collected will be reviewed, organized, edited, and computer-coded and then analyzed using version 20 of SPSS. Using both descriptive and inferential statistics, the data will be analyzed. According to Krathwohl (2003), descriptive statistics are data analyzes that help to explain, view, or summarize data in a most suitable way that allows for easier analysis of the data. Inferential statistics enables accurate and well-versed conclusions that can be comprehensive about a population. The analysis involved frequencies and percentages, means and standard deviations, and regression analysis. Before analyzing the data, a five-point Likert scale will be factored in while coding the data collection tool.

3.9.2 Diagnostic Test

Diagnostic test are statistical procedures rolled out to test the validity of the regression analysis in a particular statistical environment. The tests are used in assessing the statistical assumptions of the multilinear regression through examining how the variable are based on either statistical outlier or largely effective towards the model predictions. The assumption that was tested in this study were, normality, heteroscedasticity and multicollinearity. Normality was tested using skewness and kurtosis heteroscedasticity, was tested using Durbin-Watson test while multicollinearity was tested using variable inflation factor (VIF).

3.9.3 Analytical Model

The relationship between determinants of financial sustainability of CSOs in Kisii and Nyamira Counties was demonstrated by the following linear regression model;

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Where:

Y = Financial Sustainability

α = constant (intercept)

β = Slope (gradient) showing the frequency at which the dependent variable varies in the independent variable for each function.

X_1 = Access to Donor Funding

X_2 = Corporate Governance

X_3 = Financial Management

X_4 = Stakeholders Relationship

ϵ = Error term

3.9.4 Tests of Significance

To test for statistical significance in the determinants of financial sustainability of Civil Society Organizations in Kisii and Nyamira Counties, F statistic and R^2 statistics will be used. The test of significance will be done at the individual variable level and then

compared for all the variables under study. The research study used a 95 percent confidence level. At a 95 percent confidence level, a significance level of 5 percent, ($p = 0.05$) will be used since it is the generally accepted conventional level in social sciences research. This will mean that 95 times out of 100, we can be sure that there is a true or significant correlation between two variables and there is only a 5% chance that the relationship does not truly exist.

Analysis of variance (ANOVA) was used to test the impact of independent variables on the dependent variable. The ANOVA tests the model's acceptability and how it fits. Analysis of variance shows regression display information about the disparity encountered by the model and the residual information about the variation that is not accounted for by the model. In ANOVA, if significance value $F > 0.05$, then it means that the model is not acceptable and variation illustrated by the model is by chance. However, if a significance value of $F < 0.05$, then it means that the model is acceptable and variation showed in the model is not just by chance. All the variables under study had a significance value of $F < 0.05$ hence they were all accepted.

3.9.5 Data Presentation

The Data was presented by use of frequency distribution figures and tables. This facilitated the description and explanation of the study findings. Linear regression model was utilized to test the association between independent variables and dependent variables under study.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

The chapter represents the research findings and discussions per the research methods discussed in the previous chapter. The research findings are discussed as per the study objectives.

Response Rate

The study had a target of 51 respondents but managed to obtain 48 respondents thus representing 94% response rate. A rate that was considered satisfactory in making conclusions for the study. Mugenda and Mugenda (2013) observed that a 50% response rate is adequate, 60% good and above, while 70% rated very good. This collaborates with Bailey (2000) assertion that a response rate of 50% is adequate, while a response rate greater than 70% is very good.

The recorded high rate of response can be attributed to the data collection formula, in which the study pre-notified all potential participants of the intended survey, utilized a self-administered questionnaire where the respondents completed and these were picked shortly after and made follow up calls to clarify queries as well as prompt the respondents to fill the questionnaires.

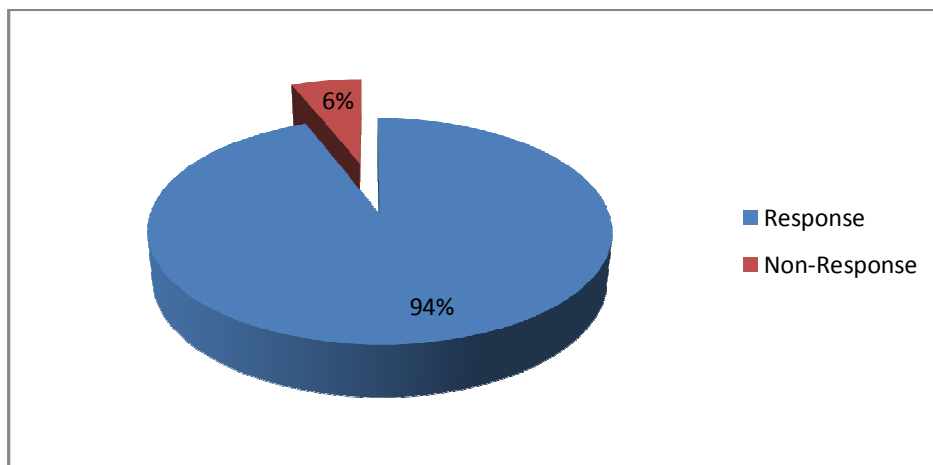


Figure 4.1: Response Rate

Source: Research Study 2020

4.2 Results of the Pilot Study

In this study to ensure the reliability of the instrument Cronbach's Alpha was used. Cronbach Alpha value is widely used to verify the reliability of the construct. Therefore, Cronbach Alpha was used to test the reliability of the proposed constructs. The findings indicated that Access to donor funding had a coefficient of 0.756; Corporate governance had a coefficient of 0.783; Financial management had a coefficient of 0.821, Stakeholders relations had a coefficient of 0.861 while financial sustainability had a coefficient of 0.897. All constructs depicted that the value of Cronbach's Alpha are above the suggested value of 0.5 thus the study was reliable (Nunnally & Bernstein, 2009; Nunnally, 2004). On the basis of reliability test it was supposed that the scales used in this study is reliable to capture the constructs as shown in the Table 4.1.

Table 4.1: Reliability Analysis

Financial Sustainability Factors	Cronbach's Alpha	Comments
Access to Donor Funding	.756	Accepted
Corporate Governance	.783	Accepted
Financial Management	.821	Accepted
Stakeholders Relations	.861	Accepted
Financial Sustainability	.897	Accepted

Source: Research Study, 2020

4.3 General Information

The study sought to establish the demographic data of the respondents. A general analysis was done on demographic data got from the respondents which included; gender, age and education level.

4.1.1 Gender of Respondents

Respondents were required to indicate their gender. The findings revealed that majority (74%) of the respondents were male and the remaining 26% of them were female as shown in Table 4.2.

Table 4.2: Gender of Respondents

Gender	Frequency	Percentage
Male	34	74
Female	12	26
Total	48	100

Source Research Study 2020

4.1.2 Education Level

Respondents were required to indicate their highest level of education. From the descriptive statistics shown in Table 4.3, majority (60%) of the respondents indicated that they had attained bachelor degree as their highest level of education, 27% indicated that they had attained Master's degree as their highest level of education while 13% indicated that they had attained college diploma as their highest level of education. The findings therefore reveal that majority of the respondents had attained education to enable them carry their duties effectively.

Table 4.3: Education Level

Education Level	Frequency	Percentage
College Diploma	6	13
Bachelor's Degree	29	60
Master's Degree	13	27
Total	48	100

Source: Research Study 2020

4.1.3 Age of Respondents

Respondents were required to indicate their age brackets. Out of those who responded, 33% of the respondents were in the age bracket of 31-40 years of age, 29% were in the age bracket of 41-50 years of age, while 21% were in the age bracket of 51-60 years of age. In addition, 11% of the respondents were in the age bracket of 21-30 years while those who were in age bracket of more than 60 years of age were 6% as shown in Table 4.4. The findings revealed that majority of the respondents have enough energy to perform their duties effectively.

Table 4.4: Age Bracket of Respondents

Age Bracket	Frequency	Percentage
21-30yrs	5	11
31-40yrs	16	33
41-50yrs	14	29
51-60yrs	10	21
Over 60yrs	3	6
Total	25	100

Source: Research Study 2020

4.2 Descriptive Findings as per the Objectives

4.2.1 Accessibility to Donor Funding

Respondents were required to indicate the extent to which they agreed to various statements on accessibility to donor funding in relation to financial sustainability of civil society organizations. Items that were measured on a five point Likert-Type scale ranging from 1 being “Low Extent” to 5 being “Very Great Extent”. Means of between 3.4783- 4.2174 and standard deviations of between 0.59974- 0.98406 were registered. The study findings revealed that majority of the respondents agreed that there is well coordination of their civil society organizations with donors to a great extent (4.2174). They also agreed that there are multiple donors who fund their civil society organizations

(4.1739). The research findings pointed out that the donations received by civil society organizations are not of long-term nature to a moderate extent (3.7138). The findings are as presented in Table 4.5.

Table 4.5: Accessibility to Donor Funding

Statement	Mean	Std. Deviation
There is well coordination with Donors	4.2174	.59974
There are multiple donors	4.1739	.65033
There are diverse donors	3.7286	.93764
We have an effective donor network	3.7138	.94058
We have effective donor relation	3.8261	.98406
There are long term grants	3.4783	.94722
The donor funding process is clear	3.5217	.79026

Source: Research Study 2020

The results are in line with the previous studies discussed in the literature review. Ronno (2009) in his study on financial sustainability of Non-Governmental Organizations projects in Nairobi County which stated that several projects rely on donor funding bringing out ineffective usage of organizations surplus in a most appropriate manner. In addition, he researched that these projects ended up in denying the opportunity to benefit from required services. Khan and Hare (2007) associated donor-funded projects sustainability to the upcoming of efficient institutional systems, acquiring of sophisticated operation system, and disposal of adequate finances to implement the projects effectively. They further argued there is need for all NGOs to have effective internal operating systems and organization structures that enhance good relationship with the stakeholders and ensure the established projects funded by donors are effectively implemented. This person is responsible for overseeing both donor lending and

grants. Most of these advances granted are obtained with the assistance of NGOs who are endeavoring to pay off, and the maximum of these advances are best given to the communities for the purpose of creating tasks that are perceived to be life-converting (Nunnenkamp, 2009). They went ahead and suggested that, there is need to engage the community and all stakeholders while implementing the projects so that they feel as part of the implementation process which will end up in enhancing the organization operations. There is need to have well defined internal policies and process as way of soliciting more funds from the financiers (Khahn and Hare, 2007).

Most donors were recognized as setting a cap on the grant finances allocated to NGOs and ensuring that funds allocated to a specific project cannot be used on any other undertaking until they have been consulted and authorized. Donations have been placed to face more problems than developments, making it impossible for non-governmental organizations to access them. Some donors also give donations to NGOs with requirements directly related to the purchase of products and services that can be purchased efficiently from foreign donors (Donor Working Organization, 2004).

4.2.2 Corporate Governance

Respondents were further required to indicate the extent to which they agreed to various statements on the corporate governance in relation to financial sustainability of civil society organizations. Items that were measured on a five point Likert-Type scale ranging from 1 being “Low Extent” to 5 being “Very Great Extent”. Means of between 3.7391-4.6957 and standard deviations of between 0.47047- 0.81002 were registered. The study findings revealed that majority of the respondents agreed that their civil society organizations has a well networked Board of Management to a great extent (4.6957). They further agreed that there is diversity in their board of management within their civil society organizations (4.2174). It was evident from the research findings that the decision making within their organizations is not effective as they may have wished to a moderate extent (3.7391). The findings are as presented in Table 4.6.

Table 4.6: Corporate Governance

Statement	Mean	Std. Deviation
There is a well networked board	4.6957	.47047
There is board involvement in resource mobilization	3.7794	.64917
There is effective decision making	3.7391	.81002
There is diversity within the board	4.2174	.59974
There is enough technical capacity	3.7826	.67126
There is risk identification mechanism in place	4.1739	.65033

Source: Research Study 2020

The results are in line with the previous studies discussed in the literature review. Wasike (2012) gave an explanation that, desirable corporate governance is necessary on the way to entice investors and guarantee them that their ventures will be safe and well controlled and in a clear and responsible process, create aggressive enterprises, improve the responsibility and overall performance of those bestowed to control organizations and promote efficient and effective use of constrained sources. From the study, the size of the board has an impact on the factor of corporate governance, and a large board might not work effectively, and lean boards are good in comparison to bigger boards due to the fact huge boards can be affected with management problems. Further, larger boards are probably gentle in making selections due to operating costs rather than lean board.

As explained by Guay, (2004), under situations of "good" corporate governance, managers are the one responsible for the organization board of director's performance, whose job is to ensure the wealth of stakeholders. Under inconvenient management, there should be breakdown in the system. Management may mishandle the operations which are not benefiting the shareholders, the board of management may not adequately monitor operational activities, shareholders may not be keenly attentive to the performance of their organization. Guay, (2004) suggest that NGOs use SRI in certain cases to influence people or institutions that are in key corporate governance positions.

Muriithi (2014) stated that sustainability of NGOs is influenced positively by a number of management factors and management capabilities. These included proper governance structures, top management that understands the purpose of the organization and take the lead in its achievement, a leadership with all the required qualification, skills, competence and experience, a management that adopts staff policies that motivate and retains employees within the organization. Leadership approaches adopted also helped the organization to meet its objectives (Muriithi, 2014).

4.2.3 Financial Management

Respondents were further required to indicate the extent to which they agreed to various statements on financial management in relation to financial sustainability of civil society organizations. Items that were measured on a five point Likert-Type scale ranging from 1 being “Low Extent” to 5 being “Very Great Extent”. Means of between 3.4729 –4.6957 and standard deviations of between 0.47047- 0.98406 were registered. The study findings revealed that majority of the respondents agreed that there are checks and balances within their organizations to a great extent (4.6957). They also agreed that audit reports are readily available when needed within their civil society organizations (4.6087). It was evident from the research findings that some of the respondents were of the opinion that there is positive feedback on reports submitted to donors to a moderate extent (3.4729). The findings are as presented in Table 4.7.

Table 4.7: Financial Management

Statement	Mean	SD
There is an effective financial management	3.8261	.98406
There is positive feedback on reports submitted to donors	3.4729	.63337
There are checks and balances	4.6957	.47047
Audited reports are readily available	4.6087	.49965
There is transparency in financial management	4.3724	.49931
There is no delay in funds allocation	4.5217	.51075

Source: Research Study 2020

The results are in line with the previous studies discussed in the literature review. According to Kabdiyeva (2013), an organization practices good management when it has an effective internal control systems that make sure public interest is catered for and protected. Financial controls are at the centre of any good financial management system and they ensure that funds are being expended as anticipated within an organization's financial plans (Hassan, 2015). In the case of non-governmental organizations, as is the case with other organizations, where deviations from the financial plans are detected, corrective action is instituted to protect the misappropriation of donor funds (Moreno, 2017). According to Mutinda and Ngahu (2016), the value of the financial controls, like financial management tools, lies in their ability to track every expenditure and revealing areas of weakness in the financial management system which can result in loss of funds. Given the high sensitivity of donor funding especially to misappropriations which could lead donors to end their contributions to a given NGO, it is incumbent upon the managers of NGOs to ensure that their organizations' financial management systems incorporate strong financial controls capable of deterring any loss of funds. In a study on the sustainability of non-profit organizations, Weerawardena, (2010) identified strong financial controls as one of the key elements of a good financial management system in the NGOs.

Onsongo, (2012) studied about the strategies adopted by NGOs to achieve financial sustainability in Kenya. The study established that, sound financial management systems were one of the key strategies that significantly influenced the financial sustainability of local NGOs. In his study of financing, local non-governmental organizations in Ghana, Gyamfi (2010) found that the sustainability of CSOs in the country is influenced positively by sound financial management systems as they promoted accountability and transparency in the use of donor funds. Bell, (2010) point out that, a sound financial management system provides an opportunity for an NGO to evaluate its expenditure patterns, helping it to control its spending in line with set program targets. Omeri (2015) agreed with the findings by Okorley and Nkrumah (2012), arguing that financiers today only give funds to those NGOs that demonstrate good financial accounting systems that were backed by effective internal controls as a way of enforcing accountability. Good management processes and accountability are necessary requirements in ensuring there is

value for money given by donors while opening the prospects for long-term engagement with the donors (Islam & Morgan, 2012).

4.2.4 Stakeholders Relations

Respondents were further required to indicate the extent to which they agreed to various statements on stakeholders relations in relation to financial sustainability of civil society organizations. Items that were measured on a five point Likert-Type scale ranging from 1 being “Low Extent” to 5 being “Very Great Extent”. Means of between 3.5071 – 4.9734 and standard deviations of between 0.80396- 0.94052 were registered. The study findings revealed that majority of the respondents agreed that stakeholders are happy with the level of financial sustainability within their organizationsto a great extent (4.9734). They also agreed that there is proper interaction with stakeholdersto a greater extent (4.9643). It was evident from the research findings that some of the respondents were of the opinion that there is no full consultations with stakeholders in program designingto a moderate extent (3.5071). The findings are as presented in Table 4.8.

Table 4.8: Stakeholders Relations

Statement	Mean	SD
The is proper interaction with the stakeholders	4.9643	.90287
There are full consultations with stakeholders in program designing	3.5071	.92768
Stakeholders enjoy benefits from the CSOs	3.7138	.94052
There is a mutual relationship between stakeholders and CSOs	4.2592	.84396
Stakeholders are happy with the level of financial sustainability	4.9734	.92278
Stakeholders normally get feedback on time	4.1652	.80396

Source: Research Study 2020

The results are in line with the previous studies discussed in the literature review. Baroudi, Olson, and Ives (2006) did an empirical study of the impact of stakeholders’ involvement on project success in Nigeria and Kenya. They argue that stakeholder involvement in project identification, for example, development, resources identification, resources providence, and M&E is generally considered an important mechanism for improving system quality and ensuring successful infrastructural project implementation.

A report by the World Bank (2013) *duped Devolution without Disruption—Pathways to a Successful New Kenya* shows that inroads construction in Kenya, for example, have had a number of stakeholders like the Africa development banks, world bank and many more who have been providing funds, giving direction for monitoring and to some extent help in monitoring and evaluation of the projects. World Bank (2013) reports that major stakeholders cannot be ignored it infrastructure development since the projects require trained people for resource identification, financing, and resources allocation.

A study carried out in Ghana on organizational factors that influence the sustainability of local NGOs, Okorley and Nkrumah (2012) identified close collaboration with the donor organizations on areas of funds use as one of the aspects that NGOs should pay close attention to. Moreno (2017) carried out a research on factors influencing financial sustainability of NGOs in Columbia and proposed that, clear communication and close collaborations between the NGOs and the donor organizations are critical elements in building strong relationships with the donors and which form the basis for long-term engagements. This sentiment was shared by Iwu, Kapondoro, Twum-Darko and Tengeh (2015) who opined that through meaningful collaborations and constant communications, donor organizations are able to understand the processes and activities of an NGO which increases their sense of ownership of the programs being executed in turn enhancing their desire to continually support the NGO in its endeavours (Banks & Hulme, 2012).

4.2.5 Financial Sustainability

Respondents were finally required to indicate the extent to which they agreed to various statements on financial sustainability of civil society organizations. Items that were measured on a five point Likert-Type scale ranging from 1 being “Low Extent” to 5 being “Very Great Extent”. Means of between 2.4559 – 4.6522 and standard deviations of between 0.48698- 0.97600 were registered. The study findings revealed that majority of the respondents agreed their organizations are able to meet their financial cost to a great extent (4.6552). They also agreed that good governance in their organizations influence financial suitability to a great extent (4.2174). On the contrary, it was clear from the research findings that majority of the respondents were of the opinion that there is no

long term grants in their organization to a moderate extent (2.4559). The findings are as presented in Table 4.9.

Table 4.9: Financial Sustainability

Statement	Mean	SD
There is long term grants in our organization	2.4559	.54374
Our organization is able to meet the operation costs	4.6522	.48698
Good governance influence financial sustainability	4.2174	.90235
There is a surplus in our Organization	3.8696	.97600
Good stakeholders relationship influence financial sustainability	3.7353	.76968
Good financial management influence financial sustainability	3.7794	.64917

Source: Research Study 2020

The results are in line with the previous studies discussed in the literature review. Financial sustainability is significant to the survival of NGOs, it enables them meet their daily operations costs and fund their projects after donor support is withdrawn Wachira (2016). Financially sustainable NGOs gives excellent service to the community through larger and more complex services. Financial viability is one of the key challenges to NGO sustainability in Kenya (Kanyingi& Mitullah, 2006). Majority of the NGOs depend on global funding which has resulted to financial problems in case of donation withdrawals, (Wachira, 2016). This has resulted to some of the NGOs stop their operations and leave unfinished projects. According to Kisinga (2014), the failure of NGOs is mainly due to the inadequacy of funding which makes the NGOs financially unsustainable.

Financial control in non-governmental organizations concerns making sure funds are available whilst required and that they may be obtained and used inside the most effective and efficient manner to the benefit of the company making the place of economic controls in the financial management machine even greater vast (Islam, 2016). According to Kameri-Mbote (2012), the goal of NGOs managers should be to promote the levels of assets at their disposal and application of economic controls is one of the mechanisms of making sure that to be had NGOs assets are correctly and efficaciously applied at the same time as bearing in mind the dangers that would genuinely be skilled inside the

destiny because of a scarcity of such price range. Kristin (2016) conducted a research study on financial sustainability of non-earnings and found out that economic units were used by various NGOs to strategically control and position their price range to take care of the sudden risks of monetary shortages or withdrawals of donors. When economic management gear are used efficiently they could help an employer to deliver on its venture and make sure good control of assets (Lecy, 2012).

4.3 Diagnostic Test

4.3.1 Test for Normality

The study used skewness and kurtosis to test for normality. The statistic value for kurtosis and skewness was used to make a confirmation whether the data under study is normally distributed. The standard practice is that the skewness and kurtosis scores that is not within the range of +3 and -3 shows that the population from which the variable was obtained is not normally distributed. The skewness and kurtosis value shows that all the variables are within the range of +3 and -3. The data is therefore considered to be obtained from a normally distributed population. The results are as shown in Table 4.10.

Table 4.10: Test for Normality

	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
Y= Financial Sustainability	.843	.184	1.325	.356
X1= Access to Donor Funding	.234	.184	-.159	.356
X2= Corporate Governance	.178	.184	-.196	.356
X3= Financial Management	.168	.184	-.524	.356
X4= Stakeholders Relationship	.456	.184	2.314	.356
Valid N (Listwise)				

Source: Research Study, 2020

4.3.2 Test for Heteroscedasticity

This takes place when the error term of variance is different across the observed data. According to the research, the assumption done is that if the value is >0.05 , then there should very minimal problem of heteroscedasticity. Based on the results, the values obtained >0.05 , hence there is no big difference existing in the variation of dependent variables that were tested. The results are as shown in Table 4.11.

Table 4.11: Test for Heteroscedasticity

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
.918	.843	.805	.51038	1.242

Source: Research Study, 2020

Test	Chi-square calculated $\chi^2 = nR^2$	Chi-square tabulated, $\alpha = 0.05$ $\chi^2_{\alpha}(p)$, where $p = k+1$
White test	9.975	17.03

Table 4.12: Chi-Square

Source: Research Study, 2020

The calculated value for Chi-square was small which shows there was no problem of heteroscedasticity and therefore the data can be said to be homoscedasticity. The results are as shown in table 4.12.

4.3.3 Test for Multicollinearity

Multicollinearity test was done by use of variable inflation factors (VIF). The variable inflation factors determine whether there is collinearity between dependent and

independent variables under study. According to the standard practice, variables with VIF factors above 10 are said to contain collinearity, in which case the variables that contain multicollinearity are dropped from the model. According to the results shown in Table 4.13 all the VIF values are below 10 and we therefore conclude that there is no presence of multicollinearity.

Table 4.13: Test for Multicollinearity

	Collinearity Statistics	VIF
	Tolerance	
Access to Donor Funding	.501	2.121
Corporate Governance	.625	1.632
Financial Management	.635	1.548
Stakeholders Relations	.491	2.214
Financial Sustainability	.325	2.803

Source: Research Study, 2020

4.4 Regression Analysis

4.4.1 Regression Model

The multiple linear regression analysis models the relationship between the dependent variable which was financial sustainability of civil society organizations and the independent variables which was access to donor funding, corporate governance, financial management and stakeholders relations. Table 4.14 shows the results of regression coefficients which reveal that a positive effect was reported for all the financial sustainability aspects under study.

Table 4.14: Coefficients

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	.903	.510		1.184	.011
Access to donor funding	.035	.028	.018	1.021	.031
Corporate governance	.016	.021	.013	1.115	.015
Financial management	.020	.390	.020	1.181	.042
Stakeholders relations	.353	.175	.319	1.016	.029

Source: Research Study 2020

The equation for the regression model is expressed as:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

$$Y = 0.903 + 0.035X_1 + 0.016X_2 + 0.020X_3 + 0.353X_4 + 0.510$$

Where

β is a correlation coefficient

Y= Financial Sustainability

X₁= Access to donor funding

X₂= Corporate governance

X₃= Financial management

X₄= Stakeholders relations

4.4.2 Significance of Regression Coefficients

From this study it was clear that at 95% confidence level, the variables produce statistically significant values for this study (high t-values, $p < 0.05$). A positive effect is reported for all the aspects under study hence influencing financial sustainability of CSOs

positively. The results of the regression equation shows that for a 1- point increase in the independent variables, level of financial sustainability of civil society organizations is predicted to increase by 0.903, given that all the other factors are held constant. The findings therefore revealed that, access to donor funding, corporate governance, financial management and stakeholders relations has role in financial sustainability of CSOs.

4.4.3 Coefficient of Multiple Determination

The coefficient of determination (R^2) and correlation coefficient (R) shows the degree of association between level of financial sustainability and aspects under study. The research findings indicated that the coefficient of determination (the percentage variation in the dependent variable being explained by the changes in the independent variables) R^2 equals 0.843, that is, financial sustainability level explains 84.3% of observed change in financial sustainability aspects under study. The P- value of 0.011 (Less than 0.05) implies that the regression model is significant at the 95% significance level. From this study it is evident that at 95% confidence level, the variables produce statistically significant values and can be relied on to explain level of financial sustainability of civil society organizations. The findings are as shown in Table 4.15. The findings revealed that there is positive relationship between aspects under study (access to donor funding, corporate governance, financial management and stakeholder's relations) and financial sustainability of CSOs.

Table 4.15: Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
.918	.843	.805	.51038	1.242	0.011

Source: Research Study 2020

4.4.4 Overall Significance of Regression Model (ANOVA)

Table 4.16 shows the results of ANOVA test which revealed that the combined independent variables have significant role on financial sustainability of civil society organizations. This can be explained by high F values (1.242) and low p values (0.011) which is less than 5% level of significance. The R square value of, $R^2 = 0.805$, also indicates that the independent variables in the multiple linear regression model could explain for approximately 80.5% of the variations in the financial sustainability of CSOs. The study therefore establishes that access to donor funding, corporate governance, financial management and stakeholder's relations significantly has role in the financial sustainability of CSOs. All the variables were therefore significant. This means that all these were factors and are a notable difference in the financial sustainability of CSOs. However there are other factors other than the ones examined in the study that constitutes the remaining 19.5% which could not be explained by the study.

Table 4.16: Analysis of Variance (ANOVA)

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	.852	2	.213	1.242	.011
Residual	20.35	49	.171		
Total	22.64	51			

Source: Research Study 2020

The results are in line with the reviewed literature. In a Ghanaian study on organizational factors influencing sustainability of local non-governmental organizations, Okorley and Nkrumah (2012) identified close collaboration with the donor organizations on areas of funds use as one of the aspects that NGOs should pay close attention to. Moreno (2017) carried out a research on factors influencing financial sustainability of NGOs in Columbia and proposed that, clear communication and close collaborations between the NGOs and the donor organizations are critical elements in building strong relationships with the donors and which form the basis for long-term engagements. This sentiment was shared by Iwu, Kapondoro, Twum-Darko and Tengeh (2015) who opined that through

meaningful collaborations and constant communications, donor organizations are able to understand the processes and activities of an NGO which increases their sense of ownership of the programs being executed in turn enhancing their desire to continually support the NGO in its endeavours (Banks & Hulme, 2012).

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter summarizes the findings of the study done with specific reference to the objectives and research questions of the study were used as units of analysis. Conclusions were made and recommendations as per the research objectives and research findings. There was also suggestions for further study.

5.2 Summary of Findings

The study sought to evaluate the determinants of financial sustainability of civil society organization. Specifically, the study considered access to donor funding, corporate governance, financial management and stakeholders relations. The research findings revealed that the factors under study had a positive effect on financial sustainability of CSOs.

5.2.1 Access to Donor Funding

The findings of the study revealed that access to donor funding has a role in determining financial sustainability of civil society organizations. The study findings revealed that majority of the respondents agreed that there is well coordination of their civil society organizations with donors to a great extent (4.2174). They also agreed that there are multiple donors who fund their civil society organizations (4.1739). It was evident that the donations received by civil society organizations are not of long-term nature to a moderate extent (3.7138). Results of the inferential statistics such as unstandardized regression coefficients show a positive role on financial sustainability level. This further indicates that access to donor funding had a significant effect on financial sustainability level of civil society organizations as indicated by the low p values. Regression model shows that there is positive relationship between accessibility to donor funding and financial sustainability of civil society organizations.

5.2.2 Corporate Governance

The findings of the study revealed that corporate governance has a role in determining financial sustainability of civil society organizations. The study findings revealed that majority of the respondents agreed that their civil society organizations has a well networked Board of Management to a great extent (4.6957). They also agreed that there is diversity in their board of management within their civil society organizations (4.2174). It was evident that the decision making within their organizations is not effective as they may have wished to a moderate extent (3.7391). Results of the inferential statistics such as unstandardized regression coefficients show a positive role on financial sustainability level of civil society organizations as revealed by the low p values. Regression model shows that there is positive relationship between corporate governance and financial sustainability of civil society organizations.

5.2.3 Financial Management

The findings of the study revealed that financial management positively has a role in determining financial sustainability of civil society organizations. The study findings revealed that majority of the respondents agreed that there are checks and balances within their organizations to a great extent (4.6957). They agreed that audit reports are readily available when needed within their civil society organizations (4.6087). It was evident that some of the respondents were of the opinion that there is positive feedback on reports submitted to donors to a moderate extent (3.4729). Results of the inferential statistics such as unstandardized regression coefficients show a positive role on financial sustainability level of civil society organizations as indicated by the low p values. Regression model shows that there is positive relationship between financial management and financial sustainability of civil society organizations.

5.2.4 Stakeholders Relations

The findings of the study revealed that stakeholder's relations has a role in determining financial sustainability of civil society organizations. The study findings revealed that majority of the respondents agreed that stakeholders are happy with the level of financial sustainability within their organizations to a great extent (4.9734). They also agreed that

there is proper interaction with stakeholders to a greater extent (4.9643). It was evident that some of the respondents were of the opinion that there is no full consultations with stakeholders in program designing to a moderate extent (3.5071). Results of the inferential statistics such as unstandardized regression coefficients show a positive role on financial sustainability of civil society organizations as revealed by the low p values. Regression model shows positive relationship between stakeholder's relations and financial sustainability of civil society organizations.

5.2.5 Financial Sustainability

The study findings revealed that majority of the respondents agreed that financial sustainability has contributed to the performance of their organizations to a great extent. The study findings revealed that majority of the respondents agreed their organizations are able to meet their financial cost to a great extent (4.6552). They also agreed that good governance in their organizations influence financial suitability to a great extent (4.2174). On the contrary, it was evident that majority of the respondents were of the opinion that there is no long term grants in their organization to a moderate extent (2.4559). The findings revealed that there is positive relationship between aspects under study (access to donor funding, corporate governance, financial management and stakeholder relations) and level of financial sustainability within civil society organizations.

5.3 Conclusion

The findings of the study showered that there was a positive significant relationship between the factors under study (access to donor funding, corporate governance, financial management and stakeholder relations) and the level of financial sustainability of civil society organizations. The findings also indicate that the factors under study influenced financial sustainability of civil society organizations positively. Same conclusions can be made about the study when considering the research findings and answers to the research questions.

Accessibility to donor funding has a role in determining financial sustainability of civil society organizations. Well coordination with donors has immensely contributed to this

positive aspect as well as effective donor relationship. Most of the organizations as per the study has clear donor funding process as well as diversity in donor accessibility.

Corporate governance has positive role in determining the financial sustainability of civil society organizations. From the study we can conclude that a well-coordinated board network has fundamentally contributed to this positive relationship between corporate governance and financial sustainability of civil society organizations. Diversity within the board as well as availability of risk identification mechanism within the civil society organization has resulted to positive relationship between corporate governance and financial sustainability of civil society organizations.

Financial management has positive role in determining the financial sustainability of civil society organizations. Effective checks and balances within civil society organizations is a major contributor to financial sustainability of civil society organizations. Majority of these organizations has readily available audited reports. Lack of delay in funds allocation has resulted to effective and efficient operations within the organizations hence resulted to positive contributions towards financial sustainability of civil society organizations.

Stakeholders relations has positive role in determining the financial sustainability of civil society organizations. This has brought satisfaction to the stakeholders who feel happy with the financial status of their organizations. Majority of civil society organizations as per the study results have a good interaction with their stakeholders and there is proper feedback mechanism within their organizations.

5.4 Recommendations

5.4.1 Access to Donor Funding

The study suggests recommendations that donors need to give them long term grants so that they are able to operate efficient without constraints of funds. The donor funding process within civil society organizations need to be clear so that organizations can be able to know the necessary requirements for fund application.

5.4.2 Corporate Governance

The decision making process need to be enhanced so that there is clear and effective communication process within the organizations. There is need to enhance on technical capacity within civil society organizations and also involve board members in resource mobilizations so that they can also give their decision and network support on the same.

5.4.3 Financial Management

The reports submitted to donors need to be worked on effectively so as to expect positive results. Civil organizations can engage the respective donors on the areas of disagreement so as to harness the working relationship between donors and civil society organizations. The way civil society organizations management their finances need to be enhanced so as to have effective financial management system in place.

5.4.4 Stakeholders Relations

When civil society organizations are designing their programs, there is need to consult with all stakeholders so that their views and contributions towards these programs can be taken into account. There is need for the civil society organizations to appreciate their stakeholders with whichever kind so that thy feel part and parcel of the process. The feedback mechanism between stakeholders and civil society organizations need to be enhance so that whenever there is any enquiry from stakeholders they get feedback on time.

5.4.5 Policy Recommendations

The Government need to come with a policy which will ensure that all CSOs ha clear policies and procedures of seeking for donations and that willensure good relationship between CSOs and donors. To ensure good financial management, the government need to come up with apolicy which will compel all CSOs/NGOs submit audited financial reports after every financial year. This will ensure accountability and future growth of CSOs.

5.5 Recommendations for Further Research

The study was done on the civil society organizations within Kisii and Nyamira Counties, there is need to replicate the same to other counties so that researchers can compare results and have different views from these regions. The researcher dealt on civil society

organizations may be another research can be done on other areas like faith based organizations.

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APPENDICES

APPENDIX ONE: QUESTIONNAIRE

My name is Danface KaraniNyangaua student in KCA taking a course in Master of Science Degree in Commerce. The questionnaire is purposively to help in mining data relating to factors affecting the financial sustainability of Civil Society Organizations in Kisii and Nyamira Counties. You are kindly requested to complete it.

Thank you for your anticipated kind response.

Instructions: Kindly put a tick (✓) on your choices.

Part 1

Personal information

1. Kindly indicate your gender

Female () Male ()

2. Kindly indicate your age bracket

a) 21-30 ()

b) 31-40 ()

c) 41-50 ()

d) 51-60 ()

e) Over 60 ()

3. Kindly indicate your education level

a) PhD ()

b) Master's Degree ()

c) Bachelor's Degree ()

d) Diploma ()

e) Certificate ()

Part 2

Accessibility to Donor Funding

Specify the level to which the following accessibility to donor funding statements affects the financial sustainability of CSOs in Kisumu and Nyamira Counties on a scale of 1-5 where; 5 represent Very-great-extent-, 4 represent Great-extent-, 3 represent Moderate-extent-, 2 represents low -extent-, while 1 represent Very- low-extent-

Statements	5	4	3	3	1
There is well coordination with Donors					
There are multiple donors					
There are diverse donors					
We have an effective donor network					
We have effective donor relation					
There are long term grants					
The donor funding process is clear					

In your own opinion briefly explain how issues of access to donor funding can be improved to enhance financial sustainability

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Part 3

Corporate Governance

Specify the level to which the following Corporate Governance statements affect the financial sustainability of CSOs in Kisii and Nyamira Counties.

Statements	5	4	3	2	1
There is a well networked board					
There is board involvement in resource mobilization					
There is effective decision making					
There is diversity within the board					
There is enough technical capacity					
There is risk identification mechanism in place					

Kindly give any other information which may assist in enhancing financial sustainability

.....
.....
.....
.....

Part 4

Financial Management

Specify the level to which the following financial management statements affect the financial sustainability of CSOs in Kisii and Nyamira Counties.

Statements	5	4	3	2	1
There is an effective financial management					
There is positive feedback on reports submitted to donors					
There are checks and balances					
Audited reports are readily available					
There is transparency in financial management					
There is no delay in funds allocation					

Kindly give any other information which may assist in enhancing financial sustainability

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.....

Part 5

Stakeholder Relationship

Specify the level to which the following stakeholder relationship statements affect the financial sustainability of CSOs in Kisii and Nyamira Counties.

Statements	5	4	3	2	1
The is proper interaction with the stakeholders					
There are full consultations with stakeholders in program designing					
Stakeholders enjoy benefits from the CSOs					
There is a mutual relationship between stakeholders and CSOs					
Stakeholders are happy with the level of financial sustainability					
Stakeholders normally get feedback on time					

Kindly give any other information which may assist in enhancing financial sustainability

.....

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.....

Part 6

Financial Sustainability

Specify the level to which you agree with the following statements on the financial sustainability of CSOs in Kisii and Nyamira counties.

Statements	5	4	3	2	1
There is a surplus in our Organization					
Our organization is able to meet the operation costs					
There is Long term grants in our organization					
Good governance influence financial sustainability					
Good stakeholders relationship influence financial sustainability					
Good financial management influence financial sustainability					

Kindly give any other information which may assist in enhancing financial sustainability

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.....

.....

Thank You

APPENDIX TWO: LIST OF CIVIL SOCIETY ORGANIZATIONS

	ORGANIZATION	COUNTY
1	AKINA TIES	KISII
2	ANCHORS FOR CHANGE	KISII
3	ARMSHIELD INTERNATIONAL	KISII
4	ASSOCIATION OF CHARITABLE CHILDREN INSTITUTE	KISII
5	BEN GENDER CENTRE	KISII
6	BIKEBIKE	NYAMIRA
7	CATHOLIC RELIEF SERVICE	KISII
8	CECOME	KISII
9	CENTRE ORGANIZATION FOR DEMOCRACY	KISII
10	COMPLIT KENYA	NYAMIRA
11	DAUWOYE	KISII
12	EKEBUNDU	NYAMIRA
13	ENTING'ANA YOUTH	NYAMIRA
14	ERONGE FOUNDATION	NYAMIRA
15	FRIENDS	NYAMIRA
16	FULDA	KISII
17	GESICHA WOMEN	NYAMIRA
18	GUSII YOUTH BUNGE	KISII
19	GUSWO	KISII
20	HURUMA SAVE TIME	NYAMIRA
21	HOPE FOR LIFE	KISII
22	IMARIKA EMPOWERMENT	KISII
23	INFORM ACTION	KISII
24	INTERNATIONAL SOLIDALITY FOUNDATION	KISII
25	KENYUNI AGRO PROCESSING	KISII
26	KIANYABOMO	NYAMIRA
27	KISII ALLIANCE INITIATIVE	KISII
28	KISTRECH INTERNATIONAL	KISII
29	MANGA HEALTH	NYAMIRA
30	MWAKWAMBOKA WOMEN	NYAMIRA
31	MWANYAGETINGE	KISII
32	MWENDO OVC	KISII
33	NYAGACHI BODABODA	NYAMIRA
34	NYAMIRA NORTH WOMEN	NYAMIRA
35	NYAMIRA POST TEST	NYAMIRA
36	PAG WOMEN GUIDE	KISII
37	POST TEST C 4 Y	NYAMIRA
38	REACH WOMEN AND YOUTH	KISII
39	RIIBOTI WOMEN	NYAMIRA
40	SPEAK INTERNATIONAL	KISII

	ORGANIZATION	COUNTY
41	SUPPORT EMPOWERMENT INITIATIVE	KISII
42	THE EAGLES FOR LIFE	KISII
43	TIMIZA	KISII
44	TUSOME	KISII
45	TWaweza	KISII
46	UDADA	KISII
47	UMOJA	NYAMIRA
48	VISION JIPANGE	KISII
49	YOUNG WOMEN CATHOLIC ASSOCIATION	KISII
50	YOUNG WOMEN DEMOCRATS	NYAMIRA
51	ZINDUKA MASHINANI	NYAMIRA