

**FACTORS INFLUENCING FINANCIAL SUSTAINABILITY OF NON-
GOVERNMENTAL ORGANIZATIONS IN SAMBURU CENTRAL.**

BY

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FEBRUARY 2022.


DECLARATION.

I, the undersigned, declare that this project is my original work and has not been submitted for examination in any other institution.

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God bless you all.

DEDICATION.

I would like to dedicate this research project to my parish priest father Guillermo and my lovely dad for having allowed me to study at Strathmore University and for the unending support that they have always given me throughout my four years of study.

ABSTRACT.

Factors affecting financial sustainability on non-governmental issues have been a live topic as presented by literature and the inconsistencies in findings therein. The study sought to determine factors influencing financial sustainability of NGO in Samburu central. The target population of the study was NGOs in Samburu central. The target population was 14 local NGOs in Samburu central. Purposive sampling was used to select 5 employees from each NGO giving a sample of 70 respondents. The study was based on primary data. The data was collected through a structured and unstructured questionnaire. Content validity index (C.V.I) was used to establish whether the questionnaire measured what it was to measure. Test-retest reliability was done where Cronbach's Alpha was used to measure reliability. The data was analyzed with the use of Microsoft Excel tools. To determine the relationship between dependent and independent variables the study used regression analysis. The results were presented using pie charts, graphs, and tables.

The study's limitation was mainly limited access to data due to limited research on financial sustainability of non-governmental organizations in Samburu central. The study found that the respondents indicated that donor relationship management, income diversification and financial management affected financial sustainability of their firms. The study concludes that donor relationship management, income diversification and financial management positively affect financial sustainability of NGO in Samburu central. The study further concludes that local NGOs in Samburu central are financially unsustainable. The study recommends adoption of proper financial management practices and establishment of income generating projects. The study recommends further studies on other factors affecting financial sustainability of NGOs in Samburu central.

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OPERATIONAL DEFINITION OF TERMS

Donor relationship management: The process of cultivating relationships with new donors and stewarding current donors to maximize donor retention, engagement, and investment (Alter, 2007).

Financial management: Management of money (funds) in such a manner as to accomplish the objectives of the organization (Leon, 2011).

Financial Sustainability: Financially sustainability is an NGO's capacity to obtain revenues to sustain productive projects at a steady or growing rate to produce the expected results (Devkota, 2010).

Income diversification: The process in which multiple income sources are created by an NGO (Moore, 2010).

Non-Governmental Organization: Non-governmental Groups (NGOs) are intermediary organizations that provide financial and other types of assistance to communities and other organizations seeking to promote development (Bs & McNeills, 2009; Edwards, 2007).

CHAPTER ONE.

1.1 Background information.

Non-governmental Groups (NGOs) are intermediary organizations that provide financial and other types of assistance to communities and other organizations seeking to promote development (Bs & McNeills,2009; Edwards, 2007). NGOs can be regional, national, or international in scope. Non-governmental organizations (NGOs) are increasingly seen as valuable partners in nation-building, national development, and promoting the qualitative and quantitative development of democracy by governments. In many nations around the world, non-governmental organizations (NGOs) play a significant part in the process of social progress (Kanji & Lewis, 2013). When the United Nations was created in 1945, the phrase "non-governmental organization" was coined to distinguish commercial groups from international organizations (Gordon, 2020).

According to Prentice (2016) there are a diverse group of organizations and institutions that are wholly or partially independent of the government and primarily seek humanitarian or cooperative purposes rather than commercial one. He added that private organizations in developed countries that help with overseas development, indigenous groups organized regionally or nationally, and village member groups are all examples. Non-governmental organizations include charitable and religious organizations that gather private funds for development, provide food and family planning services, and encourage community organizing, among them are independent cooperatives, community associations, water-user societies, women's organizations, and pastoral organizations (Prentice, 2016).

The World Bank divides non-governmental organizations into two categories: operational NGOs and advocacy NGOs. Operational NGOs seek to achieve specific developmental goals such as poverty alleviation, improved health care, increased education, and literacy among others, whereas advocacy NGOs work to raise awareness about certain concerns. The activity of some non-governmental groups may fall under both categories (Gordon, 2020). A nongovernmental organization (NGO) is a group of individuals or organizations that came together to provide services or advocate for a public policy but are not linked with any government. Although some NGOs are for-profit, the great majority are not (Margaret, 2020).

The number of non-profit organizations in developing nations has grown, and they have earned local people's trust as crucial development partners (Ebenezer et al., 2020). According to the NGOs Coordination Board, Kenya's NGO membership has grown steadily from a low of 100 in the 1970s to well over 5,000 in 2008, and there are now 8,200 registered NGOs in the country as of the end of 2016. They are especially useful in countries where funds are scarce, the political situation is hostile, natural disasters have occurred because of avoidable or unavoidable environmental changes, ethnic strife is common, and the population's economic ability is so low that they are unable to obtain basic goods and services, whether social, economic, or educational (Banks & Hulme, 2012).

Around the world, and notably in most third-world nations, it is becoming increasingly evident that the state alone will not be able to eradicate poverty and secure long-term human growth (Hassan, 2015). In most developing countries' NGOs have received significant funding and increased interest in the previous two to three decades, resulting in a growth in their number. This is since, unlike governments, non-governmental organizations (NGOs) are more adaptable, quick to adapt, and quick to respond when called upon to meet people's needs (Bebbington, Hickey & Mitlin, 2014).

Furthermore, non-governmental organizations (NGOs) can provide individuals with high-quality social services and programs at a low cost, resulting in long-term development, particularly in neglected areas. As a result, non-governmental organizations (NGOs) play an increasingly important and distinctive role in the development of countries, particularly developing ones (Roseland, 2012). Non-governmental organizations (NGOs) contribute, significantly to the global well-being of society, among other things, protecting the environment, advocating for the poor and marginalized, assisting the sick and needy people, promoting education, assisting farmers, providing disaster relief, and preserving arts and culture (Islam & Morgan, 2012).

Nonetheless, the NGO sector's expanding mandate has resulted in increased openness and accountability, as well as a demand for self-financial sustainability - an area where most NGOs have fallen short (Harding, 2014). Resource constraints are a common theme in the financial management activities of non-governmental organizations (Fowler, 2013). Most of these organizations have found themselves with an ever-increasing agenda of programs and activities that require ongoing and substantial funding in recent years, but they must struggle with the fact

that their prospects for acquiring further cash are limited (Hendricks, 2012). If the issue of long-term funding for an NGO's activities and operations is not successfully addressed, the organization risks failing to meet its goal and, even worse, suffering closure due to the incapacity of its operations to continue (Kristin, 2016).

Financial sustainability has become a buzzword in the NGOs sector because of recent events such as "donor weariness" in rich countries, greater government inspection and regulation of NGOs' activities, and the recent economic recession (Islam, 2016). According to Bond (2015) an international development network of 1,400 non-governmental organizations, 85 percent of those polled said they were suffering the consequences of the financial crisis, with 58 percent reporting funding cuts. 66 percent of NGOs reported cuts in government financing, while 48 percent of NGOs that rely on foundation funds reported cuts (Kristin, 2016).

NGOs were created in Kenya as self-help groups in the 1960s, when Mzee Jomo Kenyatta, Kenya's first president, championed grass-root development through communal efforts in accordance with his Harambee philosophy. The notion was founded on the belief that, for Kenya to thrive, all segments of Kenyan society must work together rather than compete (Omeri, 2014). Kenya has registered many NGOs from other countries as well as Kenyan NGOs that provide a variety of social-development services in the country during the past several decades. Kenya's NGO population has grown steadily from a low of 100 in the 1970s to well over 5,000 in 2008, with 8,200 registered NGOs as of the end of 2016 (The Coordination Board for Non-Governmental Organizations, 2016).

These non-governmental organizations work in a variety of areas, including agriculture, water, education, and environmental protection, to name a few (Rono, 2012). All Kenyan and international NGOs with operations in the country are registered, facilitated, and coordinated by the NGOs Coordination Board (NGOs Coordination Board, 2016). The NGOs Coordination Board oversees Kenya's non-governmental organizations. This State Corporation was founded under Kenya's Non-Governmental Organizations Act (Cap 19) (Mbote, 2012). The Board's mission is to regulate and assist the operations of Kenya's non-governmental organizations. It is currently under the control of the Ministry of the Interior and National Government Coordination (Omeri, 2014).

1.1.2 Financial sustainability of NGOs.

The ability of a government to maintain current policies in the present and future without growing debt is referred to as financial sustainability (Bolvar, 2016). Financial sustainability, according to Bowman (2011) is when an NGO has the ability to exist and do so safely, in the sense that the NGO and its primary goal continue to function successfully even when external money is not available. As a result, a company's ability to plan long-term growth and development strategies is referred to as financial sustainability. NGOs that are financially viable can carry out their missions over time while also addressing the demands of their stakeholders, particularly those who benefit from and support them. During economic downturns, non-profit groups work hard for donations (Elliott, 2012).

These organizations must be financially viable and sustainable to achieve their aims and have a long-term impact in the communities they serve (François, 2014). In Kenya, non-governmental organizations (NGOs) play a critical part in the country's growth. They do, however, have an unclear future because they are financially unsustainable due to their reliance on variable donations from outside sources (Saungweme, 2014). Nonprofit leaders, existing and potential funders, and the communities that charities serve have all been concerned about nonprofit organizations' financial survival for a long time, on the other hand, non-profit have numerous obstacles in establishing and maintaining financial viability (Padilla et al., 2012).

Due to a shortage of funding, major non-governmental organizations around the world have been forced to close their doors. Due to inadequate financial management, a significant British NGO (Childhood Development & Aid (CDA)) was disbanded in 2002 (The Regional Environmental Center (REC), 2006). Following the global financial crisis, which resulted in a decrease in donor funds flowing from rich countries to poor ones, the financial survival of NGOs has become a global concern (Ebenezer et al., 2020). According to Shava (2020) to achieve financial sustainability, NGOs must abandon their donor-dependent mentality and pursue new entrepreneurial and strategic fundraising techniques.

According to Karanja and Karuti (2014) the majority of NGOs in Kenya are having financial difficulties, have a variable source of income, and are unable to meet the onerous award requirements. Financial sustainability has become a global concern in the wake of global financial crisis which has reduced donor funds from developed economies to developing countries, this

demonstrates the funding issues that non-governmental organizations (NGOs) confront (Ebenezer et al., 2020). Several analysts have identified three essential factors that have a substantial impact on the financial stability of modern non-governmental organizations, according to Pathfinder International (2017) financial management, income diversification and donor relationship are the three essential factors. He added that for NGOs to appropriately fund its activities considering its specified objectives, an NGO must create several sources of income while conducting due diligence on possible donors.

According to Harding (2014) NGOs' financial management methods are always challenged by resource constraints, i.e., they are not always able to create more income while constantly attempting to expand their programs and operations, necessitating extra funding. Due to a lack of other funding sources to replace the gaps left by ever-dwindling donor money, NGOs are forced to either limit the scope or quality of their activity, or shut down entirely, lack of leadership, a lack of strategic planning activities, poor financial management practices, weak organizational norms and processes, and a high level of segregation afflict NGOs in Kenya. Until recently, Kenyan non-governmental organizations (NGOs) did not regard local contributors and supporters as a potential source of income (Omeri, 2014).

As a result, the NGO sector has come to a fork in the road: how to get funds locally from a society that rejects their work, as well as a lack of trust and responsibility (Khisa, 2014). According to Mbote (2012) major difficulty for NGOs in Kenya today, is how to financially continue and support their activities. The majority of NGOs in Kenya, according to Karanja and Karuti (2014) are suffering financial difficulties, have an unreliable source of income, and are unable to meet the stringent award conditions.

In Kenya, many non-governmental organizations (NGOs) rely heavily on foreign financing. The reduction in foreign investment, combined with the Miscellaneous Amendment Bill of 2013, has exacerbated an already difficult situation (Omeri, 2014). According to associate and Renz (2010) financial sustainability refers to a non-governmental organizations (NGO) ability to develop a diverse resource base so that it can maintain its institutional structure and produce benefits for the intended client population after donor financial support ends. According to Renz (2010) "donor fatigue" in rich nations has made financial sustainability a cliché in the NGO sector because Americans now have less discretionary income and are unable to give to nonprofit organizations

at the same levels as in prior years, the recent economic downturn has had a significant influence on contribution trends, particularly among individuals.

1.1.3 Samburu central.

There are 14 registered NGOs in Samburu County (NGOs coordination board, 2021). As per the NGOs coordination board report (2019) there are 78 NGOs implemented projects in Samburu County . Most NGOs in Samburu central are facing financial sustainability problems (Lentaawa, 2021). Due to financial sustainability concerns, local NGOs in the area are risking closure due to falling donor support (Lesiyampe,2021). Samburu central is a central point in Samburu County where the management of most NGOs takes place (Kulea, 2021). It is therefore clear that financial sustainability is a problem for NGOs in Samburu central, which has created the need for the study on the factors affecting financial sustainability of NGOs in Samburu central. The study intends to investigate the issue and try coming up with solutions to solve the problem, so that NGOs in Samburu central can celebrate their sixties birthday.

1.2 Statement of the problem.

Despite their importance as development actors, non-governmental organizations' (NGOs) long-term survivability has been a major source of concern, with more than 70% of them not living to see their sixties birthday (Nestor, 2015). Local non-governmental organizations in developing nations face long-term financial issues, which forces them to close after a few months owing to a lack of resources (Wachira, 2016). Due to the high rate at which many local NGOs fail to sustain their activities over time, as well as the fact that funds are one of the most important aspects of running an NGO, financial sustainability remains a big worry (Journals, 2021).

Lack of money is one of the most pressing issues facing nonprofit organizations (NPOs), jeopardizing their mission (Bolvar, 2016). For an NGO's long-term survival and functioning, financial sustainability is critical (Milelu, 2018). According to Milelu (2018) NGOs in Kenya currently lack adequate, appropriate, and consistent funding, prompting them to delay their work. Many local non-governmental organizations (NGOs) are unable to raise cash on their own and must rely on donations. As a result, there is a great deal of reliance on donors, who constantly alter activities to meet donor goals (Nyanje, 2016). NGOs in lower-middle-income countries and emerging economies are facing challenges about their sustainability due to changing aid patterns for development (Arhin et al., 2018).

According to Kisinga (2014) the fundamental cause of NGOs' failure is a lack of adequate funding, which makes them financially unsustainable. According to research conducted by USAID (2010) only 6.2 percent of Kenyan non-governmental organizations (NGOs) are financially viable. This includes assessing financial sustainability and identifying sustainability drivers in local NGOs, particularly in Kenya. Wachira (2016) conducted a study on the factors that influence the financial sustainability of local NGOs in Kenya's Kiambu county, and discovered that donor relationship management, income diversification, financial management, and managerial competency all play a role in the financial sustainability of an NGO.

According to Elvis (2021) reduced donor money, fluctuating fund aims, insufficient resource allocation, and a lack of defined procedures for obtaining donor support all have an impact on NGOs' financial viability. In general, it's evident that, even though all the studies looked at the same issue of financial sustainability, they came up with various conclusions, leaving a gap in the research. The diverse outcomes could be due to the different contexts in which the studies were conducted and the different variables and theories that were employed by the researchers. As a result, the focus of this research is on the factors influencing the financial sustainability of non-governmental organizations in Samburu central.

1.3 Objectives of the Study.

1.3.1 General research objective

The general objective of the study is to determine factors influencing the financial sustainability of NGOs in Samburu central.

1.3.2 Specific research objectives

The study is guided by the following specific objectives.

- i. To determine the effect of income diversification on financial sustainability of NGOs in Samburu central.
- ii. To establish the effect of donor relationship management on financial sustainability of NGOs in Samburu central.
- iii. To determine the effect of financial management systems on financial sustainability of NGOs in Samburu central.

1.4 Research Questions.

- i. How does income diversification affect financial sustainability of NGOs in Samburu central?
- ii. How does donor relationship management affect financial sustainability of NGOs in Samburu central?
- iii. How does financial management systems affect financial sustainability of NGOs in Samburu central?

1.5 Scope of the Study.

The goal of the study is to determine the elements that influence the financial sustainability of non-governmental organizations in Samburu central. The research focuses on the effects of the factors donor relationship management, financial management system, and income diversification on the financial sustainability of NGOs in Samburu central.

1.6 Significance of the Study.

The study set out to investigate factors influencing the financial sustainability of NGOs in Samburu central.

The findings of the study will benefit different parties which include.

1. **Management of NGOs:** The conclusions of this study will assist the administration of NGOs, particularly NGOs in Samburu region, because the study addresses the subject of financial sustainability of their operations and potential solutions. As a result, the leadership of various NGOs might take the initiative to adapt the study's conclusions to their operations to address the issue of financial sustainability and even avoid it in the future.
2. **Policy makers:** The conclusions of the study may be useful to policymakers (i.e., the government) by giving information on the financial viability of the country's NGO sector. This could help to inform the development of appropriate policies and regulations to manage the sector's funding. The study findings can also benefit the NGO coordination board which is the managing body for NGO in Kenya.
3. **Researchers and Academicians:** The study will serve as a foundation for future research by various researchers who are interested in NGOs' operations. The study also

aims to add to past research on issues of factors influencing the financial sustainability of non-profit organizations.

1.7 Chapter Summary.

The chapter is made up of the study's introduction, a detailed background of the research, the problem statement, the objectives of the research, research question, significance of the study, the research scope and definitions of the important terms used in the research. The chapter that follows will review the existing literature.

CHAPTER TWO.

2.1 Introduction

The aim of this chapter is to extensively review the literature on the factors affecting financial sustainability of non-government in Samburu Central organization based on the study objectives. The chapter is organized as follows: section 2.1 gives an introduction to the chapter, 2.2 captures the theoretical review, 2.2.1 discusses resource dependency theory which is one of the theory that the study adopted, 2.2.2 discusses stakeholder's theory which is one of the theory that the study adopted, 2.2.3 discusses institutional theory which is a theory that the study adopted, 2.3 the section captures the empirical review, 2.3.1 the section captures a discussion on donor relationship management, 2.3.2 the section captures a discussion on income diversification 2.3.3 the section review literature on financial management system, 2.3.4 the section captures a discussion on financial sustainability of NGOs, 2.4 gives a summary of literature and research gaps, 2.5 the section gives a pictorial representation of the conceptual framework, 2.6 the section captures the chapter summary.

2.2 Theoretical review

According to Grant (2014) a theoretical review is the basis upon which all information for a research study is formed (metaphorically and physically). The study's goal, the problem description, the objective, the significance, and the research questions are all included.

Stakeholder theory, resource dependency theory, and institution theory will be used in this study. The theories were selected based on various studies that have been carried out by other researchers in the same area of study.

2.2.1 Resource dependency theory.

Pfeffer and Salancik are the advocates of resource dependency theory (RDT) in 1978. According to Pfeffer and Salancik (1978) external actors place pressure on an organization's resources. These actors achieve power through resource control and benefit from their interactions with the organization in different ways. The more the reliance on outside resources, the more powerful people in command become. The company's problem is figuring out how to deal with conflicting and incompatible requests in a proactive and effective manner. As Pfeffer and Salancik (1978)

point out, forming external relationships is a deliberate coping mechanism for gaining access to knowledge, guidance, and legitimacy.

According to Ibrahim, Kumi, and Yeboah (2017) collaborations are critical for providing simple access to resources, money, stakeholders, and information. The RDT is a model that defines how a thing interacts with its surroundings (Pfeffer and Salancik 1978, 2003; Eisenhardt and Santos 2005). An organization, according to Pfeffer and Salancik (1978) is also an open system that is influenced by external variables. "To understand an organization's behavior, you must first understand the context of that behavior, i.e., the organization's ecology," they write. According to the research of dependence theory, businesses are hesitant to comply with external influences by adopting alternative techniques.

Pfeffer and Salancik (2003) adds that, organizations utilize methods to avoid, adapt, absorb, dissipate, and co-opt external forces and impacts in their environment. Resource diversification, mergers and acquisitions-created partnerships, cooperation, and consideration of resource participants' desires are examples of these processes. Organizations with a lot of authority are more likely to abuse it by dominating resources, especially if they are significantly reliant on them (Mitchell, 2014). The resource dependency hypothesis states that to acquire resources, an organization, such as a corporation, must participate in interactions with other individuals and organizations in its environment (Archibab, 2017).

RDT emphasizes the relevance of external factors on organizational behavior, even if they are confined by their context, and managers can take steps to reduce environmental uncertainty and reliance (Collins, Hillman & Withers , 2009). One of the assumptions of resource dependency theory is that uncertainty obscures an organization's resource control, necessitating the deployment of dependency-reducing methods. The necessity for linkages to other systems grows as unpredictability and dependency grow (Archibalb, 2017).

NGOs rely on donors for financial support in most cases, and this dependence encourages donors to exercise greater control over resources, which may lead to donors dictating funding priorities (AbouAssi, 2013). Additionally, resource dependency has flaws in the financial sector of non-governmental organizations, since NGOs frequently develop close relationships with donors while neglecting the people they are supposed to serve (Banks, Edwards & Hulme 2015). Local non-governmental organizations (NGOs) are growing more reliant on foreign funders (donors) and are

experiencing financial volatility, and must adjust to changing needs (Moore, 2010). Moore (2010) continues by claiming that the NGO's organizational style reflects how it handles its reliance on outside funding.

In the same way that NGOs, like any other organization, require resources to function daily, the study is related to the above theory in that resources are limited and must be used to their full potential to prevent wastage. NGO funding comes from a variety of sources, including the government, internal donors, and external funders, making them reliant on them. It is beneficial for NGOs to get a consistent flow of funds from these parties to achieve their goals and hence become financially sustainable. NGOs, on the other hand, must seek alternative sources of income to avoid becoming unduly reliant on donors and to continue operating even if they depart.

2.2.2 Stakeholder's theory.

The stakeholder idea was suggested by R. Edward Freeman in 1984. The idea promotes a perspective of capitalism that emphasizes the intricate interactions that exist between a company's customers, suppliers, employees, investors, communities, and other stakeholders. According to the concept, a firm should deliver value to all stakeholders, not only shareholders. Other parties who are influenced or interested in how a corporation does business are recognized by the theory. The stakeholder's hypothesis starts with a global focus and evolves to the commercial goal of meeting ethical obligations (Wang et al., 2016).

The theory investigates everyone who could be impacted by the organization's actions. Its studies include a wide range of themes, including what are the organization's real claims? What rights do these people have in relation to the actions of the organization? What are these parties' responsibilities and obligations during business hours? As a result, Stakeholders Theory asserts that people who reside near a corporation have the right and responsibility to engage in shaping its operations (Albuquerque et al., 2018).

According to Freeman, (1984); Jones, (1995); Walsh, (2005) organizations will have a greater chance of dealing effectively with these three difficulties if they use the interaction between a business and the organizations and people that can affect or are affected by it as a unit of study. To begin, a business can be regarded from the standpoint of stakeholders as a system of interactions among organizations with an interest in the company's operations.

In a highly complex and chaotic world, stakeholder theory provides a realistic, cost-effective, and ethical means to govern enterprises (Harrison et al., 2015).

NGOs, like any other organization, have stakeholders whom they work with and whose interest need to be safeguarded. Donors, employees, and the public are examples of non-governmental stakeholders. To avoid conflicts of interest among the many stakeholders, the management of NGOs must ensure that all stakeholders' requirements are addressed. The executive's job, according to Freeman (1984) is to manage and build these ties to maximize value for stakeholders.

2.2.3 Institutional theory.

Scott coined the phrase "institutional theory" in 2004. The idea is around the roles of social, political, and economic systems in business operations and legitimacy. According to Scott (2004) institutions set the rules of the game and the available techniques to function by preventing, regulating, or encouraging specific behavioral patterns. The theory is made up of cultural-cognitive, normative, and regulative elements that, when combined with linked activities and resources, provide social existence with stability and meaning. Symbolic systems, relational systems, processes, and facts are examples of carriers that transfer institutions.

The idea also explains how norms and regulations are used to meet and attain society expectations. Organizations are required to pay attention not only to consensus and conformity, but also to conflict and change in social structures, despite the professed purpose of maintaining social stability and order (Scott, 2004). This notion lays out a set of guidelines for building, nurturing, and maintaining social expectations, resulting in a beneficial relationship between the organization and the community. Institutional theory looks at how "organizational structures, norms, practices, and patterns of social relationships are linked to the broader social and cultural milieu" (Anagnostopolous et al., 2010).

The above theory is related to the study in that NGOs can learn, develop, and change their institution model from evolutionary to deterministic by institutionalizing their activities in service of the community. By doing so they are able to deal with the organization's uncertainty problem consequently. Donors are more likely to question an NGO's capacity to achieve its goals, putting its long-term existence in jeopardy.

2.3 Empirical review

Financial sustainability of any organization is vital to its success. The goal of this research is to investigate the factors that influence non-profit organizations' financial sustainability in Samburu central. The study looks at empirical studies that are related to the research's themes and analyzes the numerous gaps that support the study's completion.

2.3.1 Donor relationship management.

Simone (2013) discovered that donors who see sponsored organization communications as informed, courteous, prompt, appealing, and convenient are more likely to stay loyal for longer, ensuring sustained support, in a review on developing links to keep contributors. According to Rhoden (2014) donors should be able to choose not only the pattern of communication, what they want to receive, but also the content of that information. Some NGOs provide donors the option of choosing how frequently they want to hear from the group and whether they want to know how their donations were spent. These donor relationship management tactics are intended to boost donor satisfaction with communication quality and, as a result, donor loyalty (Harir, 2015).

According to Moreno (2017) good communication and close coordination between NGOs and donor organizations are critical aspects in building strong donor relationships and providing the groundwork for long-term collaborations. Donor organizations can gain a better understanding of an NGO's processes and activities through meaningful collaborations and frequent communication, which strengthens their sense of ownership of the programs being implemented and increases their motivation to continue supporting the NGO's initiatives (Banks & Hulme, 2012). One of the most important strategies for strengthening donor relationships is to keep donors updated about the development of supported initiatives. One approach for NGOs to do this is to guarantee that they provide funders with regular and detailed updates on how their funds have been used and the benefits that have accrued to the target population (Harding, 2014).

According to Rono (2012) the value of donor visibility efforts in donor relationship management, cannot be emphasized. One of the most defining characteristics of long-term non-governmental organizations is that they carry out initiatives and activities that their donors can relate to. A long-term non-governmental group will strive to participate in activities that address the community's "felt needs" (Banks & Hulme, 2012). According to Mutinda and Ngahu (2016) donor visibility

initiatives, as well as donor relationship management features, have a significant impact on the financial sustainability of NGOs in Nakuru County, Kenya.

If donors' perceptions of influence on the cause aren't improved, they may see other causes as more deserving of their support, reducing their support for the organization in question. This can be prevented by informing funders about the importance of their commitment to the cause on which an NGO is working on a regular and effective basis (Gyamfi, 2010). Many non-governmental organizations (NGOs) struggle to communicate who they are, what they do, and what they have achieved. Because of their incapacity to communicate, the organization's visibility is low, and they are unable to effectively market its initiatives, which has an impact on their ability to mobilize resources (Besel, Klak & Williams, 2011). Non-governmental organizations frequently miss out on funding opportunities because donors and stakeholders are unaware of their existence in each area, sector, or country, as well as the activities and goals they want to accomplish (Conradie, 2012).

It is nearly impossible for an NGO to maintain a long-term connection with its supporters without accountability and transparency (Simone, 2013). Donors want to know that their money is going to the right place, and NGOs can only accomplish so if they can produce reliable reports on their activities and expenditures on a regular basis (Bowman, 2011). Transparency in donor relationship management systems has the greatest impact on the NGOs financial sustainability (Beyene, 2014).

According to Rono (2012) there is nothing a funder values more than an NGO being entirely accountable in its operations and doing things transparently, because it demonstrates that it can be trusted with the judicious use of the donors' contributions to the stated cause. NGOs are being driven to "follow the money" because of increased competition and a scarcity of resources and being able to demonstrate the highest levels of accountability and transparency remains one of the approaches for NGOs to obtain much-needed financing (Roseland, 2012). As a result, donor money is linked to NGOs' accountability and transparency objectives, emphasizing the need of transparency and accountability in sustaining positive donor relationships (Saungweme, 2014).

2.3.2 Income diversification.

Lewis (2011) defines income diversification for LNGOs as obtaining funds from a variety of sources. These sources include the public, the business community, governments, and external funders are among them. The LNGO can only use donor funds for the stated purpose (Lewis, 2011). In research on the issues faced by NGOs in mobilizing operation funding at UNEP Harir (2015) found that UNEP sourced a substantial percentage of its money from outside, making it unnecessarily reliant on voluntary donations, which have been on the wane in recent years. Harir (2015) adds that rivalry for donor support from other NGOs, conditional donor conditions, and donor-related bureaucracy are all issues with UNEP financing. According to one of the ideas, UNEP should analyze its internal capacity to generate resources to reduce its reliance on external funding.

Saungweme (2014) undertook a mixed methods study in Zimbabwe to investigate factors influencing the financial sustainability of local non-governmental organizations and found that the majority of local NGOs in Zimbabwe were operating on limited budgets because of decreasing donor support. According to Rhoden (2014) NGOs should use income diversification strategies to achieve long-term financial sustainability. In research on the possibility of NGOs to become sustainable through the creation of social entrepreneurs in the United Kingdom, highlighted diminishing donor financing as the most significant obstacle for today's NGOs in the United Kingdom.

NGOs should be proactive in discovering new revenue streams to stay afloat in the long run. In a study on how to fund local non-governmental organizations, Gyamfi (2010) discovered that revenue diversification had a favorable impact on how Ghana's non-governmental organizations were funded. Bowman (2011), Khisa (2012), Harding (2014), and Omeri (2015) all found similar results, demonstrating a link between income diversification and non-governmental organizations' long-term financial sustainability.

2.3.3 Financial management system.

According to Lewis (2011) good financial management practices include reviewing and acting on financial issues that affect an LONGO's overall direction and ability to meet current and future

objectives. Finance the LNNGO's long-term goals and limit the financial effect of risks are two significant concerns that good financial management works on (Lewis, 2011). According to Lewis and Kanji (2013) one of the most important responsibilities of financial management systems in both NGOs and profit-making enterprises is financial planning. Nonprofits can use financial planning to focus on both short- and long-term strategic goals, which are typically linked to funding availability and timing. If an organization does not engage in efficient financial planning, it is probable that it will not be able to attain its full potential (Harir, 2015).

Donors to non-governmental organizations want to know where their money is going and that it is being put to good use, and the only way to do so is to plan well (Roseland, 2012). NGOs can demonstrate how the funds they receive are used within the organization if they have a financial strategy in place. Effective financial planning allows non-profits to stay focused on their goal while increasing their operations. A well-thought-out financial strategy helps the NGO keep its finances up to date and steady by determining exactly how much is needed for certain items ahead of time (Padilla et al., 2012).

Because of his vantage point of substantial knowledge of the organization's day-to-day activities, the finance manager may actively participate in financial planning with an emphasis on the organization's long-term goals and objectives (Simone, 2013). According to Beyene (2014) and Rhoden (2014) financial planning, as a financial management practice, has a significant positive relationship with the financial sustainability of non-governmental organizations underscoring the importance of financial planning to the future well-being of modern-day NGOs. According to Harding (2014) financial reporting is an important part of a good NGO donor relationship for long-term engagement and donor loyalty, which will help NGOs gain access to donor funds.

According to Kanji and Lewis (2013) good financial management and organizational frameworks helped persuade donors that NGOs could effectively use the funds allocated to them because of solid financial controls. NGOs with strong financial management systems, attract more contributors and offer funders confidence that their money would be put to good use (Simone, 2013). Financial controls are useful as financial management instruments because they track every expenditure and indicate areas of weakness in the financial management system that could lead to money loss (Mutinda and Ngahu, 2016).

Due to a lack of financial management, financial planning is more challenging for NGOs. As a result, the board should endeavor to enlist the assistance of accounting or financial experts, either as paid employees or as volunteers (Kristin, 2016). According to Omeri (2015) CEOs should also learn how to interpret financial paperwork, create financial plans, and manage corporate money in general. According to Muriithi (2014) non-governmental organization managers are usually too busy to stop and plan, especially because many non-governmental organizations have a small staff and most managers are hands-on, involved in a variety of areas and tasks, leaving little time for effective financial planning. Financial planning and strategy require attention, and often NGOs' management rushes through financial plans without devoting the time and effort required, resulting in insufficient financial planning (Khisa, 2014).

In his study factors influencing the implementation of NGO projects in Nakuru County Nyanje (2016) discovered that many local NGOs lacked sound financial management practices and kept their financial records in ad hoc ways, leaving financiers with a lot of work confronting accounting issues while attempting to settle accounts. The existence of financial records of all donor funding received, the number of donor events to which local NGOs were invited, the allocation of funding for long-term projects by a donor, and the recurring provision of funding by a donor all indicated a strong link with donors (Mitlin et al., 2014). In a study on non-profit financial sustainability, Kristin (2016) found that many NGOs used financial instruments to strategically manage and position their resources to withstand future unanticipated risks such as cash shortages or donor withdrawals. Corrective action is conducted by non-governmental organizations, like other organizations, when financial plan flaws are discovered to prevent donor funds from being misappropriated (Moreno, 2017).

2.3.4 Financial sustainability of NGOs.

Sustainability refers to an organization's ability to operate for an extended period. Financial sustainability is defined differently by for-profit and nonprofit organizations, depending on the organization's corporate form, revenue structure, and ultimate mission (defined as organizations that use surplus revenues to achieve their goals rather than distributing them as profit or dividends). Financial capacity refers to the resources that allow for-profit and nonprofit organizations to take advantage of opportunities and respond to unanticipated risks while continuing to operate regularly (Bowman, 2011).

Financial capacity refers to the resources that allow for-profit and nonprofit companies to seize opportunities and respond to unexpected hazards while continuing to operate normally (Bowman, 2011). Bowman (2011) adds that financial sustainability refers to the ability to maintain financial capacity throughout time. According to Lewis (2011) financial sustainability is determined by net income (revenue above expenses), liquidity (cash on hand to make payments), and solvency (the relationship between assets and debt/liabilities).

According to Bowman (2011) regardless of whether the organization is for-profit or nonprofit, developing financial capability and financial sustainability is critical to its success. Because many charities work in high-need areas where services must be always continuous and available, their ability to remain financially sustainable over time may be crucial. According to Bowman (2011) an organization that is long-term viable but short-term unsustainable will be constantly cash strapped. On the other hand, a company that is viable in the short term but not in the long run may have sufficient cash on hand, but the value of its assets will depreciate over time due to inflation. As a result, unless capital campaigns inject fresh assets on a regular basis, service quantity and quality will dwindle (p. 94).

It is vital to determine and know the organization's long-term goals to grasp the differences in challenges connected to financial sustainability between for-profit and nonprofit organizations. Nonprofits may get most of their funding from charitable donations or tax appropriations, and they gauge their efficiency and effectiveness by how well they accomplish their ultimate strategic aim, which is to fulfill their social mission and as a result, the public worth of the asset has increased (Hackler and Saxton, 2007; Moore, 2000). According to Saungweme (2014) strong financial management practices had the greatest impact on the financial sustainability of local nonprofit organizations, followed by income diversification, personal income generating, and good donor relationship management. He also determined that the survival ratios for self-sufficiency were extremely low, with a maximum of 22 days. According to Ali (2012) the majority of NGOs in Kenya are financially unsustainable.

2.4 Summary of literature and research gaps

According to Elvis (2021) reduced donor money, fluctuating fund aims, insufficient resource allocation, and a lack of defined procedures for obtaining donor support all have an impact on NGOs' financial sustainability. Nestor (2015) investigated the factors that determine the

sustainability of street kid rehabilitation programs run by non-governmental organizations: The source of funding has a significant impact on the long-term viability of these initiatives, and it is critical that they continue to exist to celebrate their sixth birthday. Stakeholder participation was critical in the implementation of these programs. To ensure long-term survival, stakeholders supply funds/other resources, develop, and manage these efforts. It has also made it easy for local communities to support development initiatives associated with these programs, as well as encouraging residents to take responsibility.

Janet (2018) did a study in Nairobi County, Kenya, to determine the characteristics that influence nongovernmental organization sustainability, and discovered that human resources, community participation, and financial development all contribute to NGOs' long-term viability. As reflected by a total score of 4.5601, most respondents agreed on several elements of human resources. Furthermore, most respondents believe that community engagement characteristics such as collaboration with other nonprofits, corporations, governments, and the local community will enhance the organization's sustainability, as demonstrated by the aggregate score of 4.3665.

Overall, it's clear that, even though all the studies focused on the same topic of financial sustainability, they reached different findings, creating a gap in the study. The various outcomes could be attributed to the various circumstances in which the studies were conducted, and the various variables used by the researchers. As a result, the focus of my research is on the factors influencing non-governmental organizations' financial sustainability, in Samburu central.

Summary of literature reviewed.

Author(s) and year.	Country.	Theory(s)	Variables of the study.	Findings.
Elvin, Shava (2021)	Zimbabwe	Resource dependency theory.	Resource mobilization and allocation. Funding downsizing. Poor budgeting techniques.	The study revealed that reduced funding from the donor community, changing priorities of funders, poor resource allocation and lack of transparent structures to attract donor funding impact on the financial sustainability of NGOs
Adjei Andy Ebenezer Alhassan Musah	Ghana	Resource based theory	sound financial management practices, income diversification, own	The results show that NGOs in Ghana are not financially

<p>Ibrahim Anyass Ahmed. (2020)</p>			<p>income generation, good donor relationship and the use of ERPs and Cloud Accounting by NGOs.</p>	<p>sustainable and as such need income generating measures that will help them to be financially reliable. The results also show that sound financial management practices, own income generation by NGOs, diversification of income and good donor relationship are the key determinants of financial sustainability of NGOs in Ghana.</p>
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<p>Mimoza K. Stanovci Hasan Metin, Bejtush Ademi. (2019)</p>	<p>Kosovo</p>	<p>Contingency approach.</p>	<p>Leadership and strategic planning. Revenue generation.</p>	<p>The results of multivariate analysis indicate that environmental uncertainty and having a clearly outlined strategy have a positive effect on monetary performance in NGOs and civil society in general.</p>
<p>Janet Wambui Gitonga. (2018)</p>	<p>Kenya.</p>		<p>Human resource, community engagement, and fund development</p>	<p>The study showed that human resources, community engagement and fund development influence sustainability of NGOs positively. The study showed</p>

				<p>that most respondents agreed with the various aspects on human resources as shown by an aggregate score of 4.5601. Additionally, majority of respondents agree that community engagement aspects of collaborating with another NGO, corporates, governments, and local community will improve sustainability of the organization as shown by the</p>
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				aggregate score of 4.3665.
Ezekiel Mileli. (2018)	Kenya		Donor Relationship Management. Income Diversification. Financial Management Systems.	The study results showed that the respondents did agree that income diversification increased their organizations' ability to fund their projects based on their own priorities, it allowed their organizations to reject funding from sources that were not fit for their organizations' agenda and values, it enabled their organizations to meet their overhead

				costs and any other expenses not catered for by the donors funding and it helped reduce the risk of their organizations closing down in case of withdrawal of donors.
Lilian wangechi Wachira. (2016)	Kenya	Resource-dependency Theory. Institutional theory. Power relations theory.	Donor relationship, Income diversification Financial management. Management competence.	Respondents indicated that donor relationship management, income diversification, financial management and management competence affected financial

				sustainability of their firms.
Christopher R. Prentice. (2016)	USA	Accounting-based approach.	Environmental Variables. Accounting Variables. Revenue Variables. Control Variables	Findings show that human services nonprofits with greater net income have higher levels of financial health, unless their net income comprises a large share of their overall total assets. These findings are noteworthy because they indicate that both revenue and assets are necessary for financial health.
Frankline Olum Nestor. (2015)	Kenya.	Funding. Stakeholder Involvement.	Conventional Approach.	The study concluded that funding has a great impact on

		Capacity Development of NGO Management. Partners Policy. Accountability.	Organization Development Approach.	sustainability of these programs; funding source played a key role in ensuring the programs exist to celebrate their sixth birthday. Stakeholders' participation was critical in the implementation of these programs, Stakeholders ensure sustainability of these projects through contribution of funds/other resources, through designing and in management, it has
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				also facilitated participation of local communities in supporting development initiatives related to these programs while on the other hand encouraging residents to take ownerships of their own programs.
Omeri, Kerine Lindah. (2014)	Kenya	Resource Based View.	Diversification of sources of funding for NGOs. Competence levels of NGOs personnel. Strategic financial planning in NGOs	The findings revealed that the diversifying sources of funds, Competence levels of the staff, Strategic financial planning was affecting the financial

					sustainability of NGO.
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2.5 Conceptual framework.

Independent variables

Donor relationship management.
Donor funding.
Numbers of donor funded project.

Income diversification.
Number of sources of funds.
Amount of own funding.

Financial management system.
Number of successful audits.
Amount of reserve funds.
Financial reports to donors.

Dependent variable

Financial sustainability of NGOs in Samburu west.
Self-sufficiency ratio.
Adequacy of resources ratio.

2.6 Chapter summary

The chapter encompasses a theoretical review, Empirical review using resource dependency theory, stakeholder theory and institution theory and empirical review of factors affecting financial sustainability of NGOs in Samburu central which include, donor relationship, income diversification and financial management. The subsequent chapter presents the methodology adopted by the researcher for data collection, analysis, and interpretation of study results.

CHAPTER THREE.

3.1 Introduction

The chapter captures the methodology that was used to collect and analyze the data on financial sustainability of non-governmental organizations in Samburu Central. The chapter is organized as follows: 3.1 introduces the chapter, 3.2 discusses the research design, 3.3 captures population & sampling, 3.3.1 discusses the target population, 3.3.2 captures the sample size, 3.4 captures data collection methods, 3.4.1 captures data collection procedure, 3.5 discusses data analysis, 3.6 captures research quality, 3.6.1 discusses the validity of research instrument, 3.6.2 captures construction of questionnaires, 3.6.3 captures the reliability of research instrument, 3.6.4 captures operationalization of study variable, 3.7 the section captures ethical issues in research, 3.8 the section gives the chapter summary.

3.2 Research design.

According to Saunders (2019) research design is the mechanism through which data is collected. A proper research design is required for a successful research study. This is a strategy used by a researcher before beginning data collecting to ensure that the study goal is addressed in a reliable manner. The goal of research design is to convert a research problem into data that can be analyzed to produce meaningful answers to research questions for the least amount of money possible (Asenahabi, 2019). The process of integrating conceptual research concerns with relevant and viable empirical research is known as research design. It's a type of research that comes with detailed instructions on how to conduct it (Creswell, 2014). A descriptive survey approach enables one to document the characteristics of a single person or group of people (Kothari, 2009). This study will employ a descriptive survey methodology, which allows a researcher to collect data from many people at once. The goal of the study was to gather information from respondents on the Factors affecting NGO financial sustainability of NGOs in Samburu central.

3.3 Population and sampling.

3.3.1 Target Population.

The study's findings can be applied to a larger group of people, and the population refers to the entire group of people with whom the researcher is interested (Creswell, 2012). The researcher focused on the 14 NGOs in Samburu County. According to the NGO coordination board there are

14 NGOs registered in Samburu County, due to the small and manageable population the study employed a census sample design. The study used purposive sampling to select 5 employees from each NGO. The unit of analysis was the employee of an NGO in Samburu central. A sample of 70 respondents were involved in the study.

3.3.2 Sample Size.

Sampling is the process of selecting a smaller group of people to tell us essentially what a larger population would tell us if we asked everyone the same questions. The study employed a census sample design, with a sample size of the 14 NGOs in Samburu central. Kothari (2010) defines census as "a thorough enumeration of all items in the population" since the target population is manageable and the respondents are placed within a conveniently accessible region. Because the target population is manageable and the respondents are placed within a conveniently accessible region, a census sample design was adopted.

3.4 Data collection methods.

A Study Instrument is a tool for gathering, measuring, and analyzing data linked to a researcher's research objectives (Dudovskiy, 2011). Primary data was collected for this investigation. There were both open-ended and closed-ended questions on the form. Closed ended questions provide responders several options to pick from. Open-ended questions elicit the respondent's thoughts, opinions, and attitudes that might otherwise go unnoticed by the researcher. The respondents' degrees of agreement to the items presented in the questionnaire were quantified using a five-point Likert scale ranging from one to five (where 1= strongly disagree, 2-disagree, 3-neutral, 4-agree, and 5= strongly agree). Likert (1932) developed the concept by tapping into the cognitive and emotive components of attitudes by asking people to rate how much they agree with a series of assertions about a topic. The data was collected by the researcher. This was helpful for giving questionnaires to a sampling group since it assured that respondents were contacted without being influenced by other factors.

3.4.1 Data Collection Procedures.

The researcher received a letter of introduction from the university to present to the respondents during data collection for this research study. The researcher will examine the management of the 14 NGOs in Samburu central with the support of research assistants, for faster collection of data.

The completed questionnaires are verified for accuracy and completeness after each respondent has had enough time to produce satisfactory replies to the questions.

3.5 Data analysis.

Descriptive analysis is a sort of data analysis that assists in the construction of patterns that meet all the data's needs by constructively describing, presenting, or summarizing data points. A descriptive analysis was used in this investigation. The descriptive data for this study was entered into a Microsoft Excel database for analysis. As descriptive statistics, frequencies and percentages were used. The researcher employed regression analysis to accomplish that, with the results presented in pie charts, graphs, and tables. A regression model has the benefit of showing if the independent variables have a meaningful impact on the dependent variable.

To answer the research objectives/research questions the researcher distributed the questionnaires to different NGOs in Samburu central. The questionnaire was subdivided into five sections of question, each section contains a set of questions in relation to each objective. The first section captures basic information about the respondent while the rest of the sections capture the four objectives of the study.

The regression model will be as specified below;

$$Y = \beta_0 + \beta_1 ID + \beta_2 DRM + \beta_3 FMS + \epsilon$$

Where;

Y = dependent variable (Financial sustainability of NGOs),

β_0 = Constant,

$\beta_1 - \beta_3$ = Coefficients of the independent variables,

ID = Income diversification,

DRM = Donor relationship management,

FMS = Financial management systems, and

ϵ represents the Error term

3.6 Operationalization of study variables

Types of variables.	Variables.	Indicators.	Supporting theories.	Scale	Supporting literature
Independent variables.	Donor relationship management.	Donor funding. Numbers of donor funded project.	Institutional theory.	Ordinal.	Wachira (2016), Milelu (2018), Ali (2011), Lindah (2014), Ebenezer (2020).
	Income diversification.	Number of sources of funds. Amount of own funding.	Resource dependency theory.	Ordinal.	Wachira (2016), Milelu (2018), Ali (2011), Lindah (2014), Ebenezer (2020).
	Financial management system.	Number of successful audits. Amount of reserve funds. Financial reports to donors.	Stakeholder theory. Resource dependency theory.	Ordinal.	Wachira (2016), Milelu (2018), Ali (2011), Lindah (2014), Ebenezer (2020).

Dependent variables.	Financial sustainability of non-governmental organization, in Samburu central.	Self-sufficiency ratio. Adequacy of resources ratio.	Stakeholder theory. Institutional theory. Resource dependency theory.	Ordinal.	Wachira (2016), Milelu (2018), Ali (2011), Lindah (2014), Ebenezer (2020).
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3.7 Research quality (validity, reliability, and objectivity of the research).

3.7.1 Validity of Research Instrument.

The degree to which the tools employed to measure what is supposed to be measured are accurate is referred to as measuring instrument validity. Cronbach's Alpha was used to measure the internal consistency of the research instrument. This involved administering the questionnaire to the respondents and after some time the same question was administered again. A Cronbach Alpha value of below 0.60 means that the instrument has a low reliability and it's unacceptable. If Cronbach Alpha is within the range of 0.60 to 0.80, it means that the value of Cronbach Alpha is moderate and acceptable, if the value of Cronbach is above 0.80 to 1.00, then the value of Cronbach Alpha is very good. Also, to guarantee that the collecting instrument is legitimate, the supervisor went over the questionnaire to check if they are in line with the objective of the study and if the response can answer them (Daud et al., 2018).

3.7.2 Construction of questionnaires.

A questionnaire is a research tool that consists of a series of questions designed to collect data from respondents. Questionnaires are like written interviews in that they collect information. The research used questionnaires to collect data from the responded. To collect data, the questionnaire employed both open and closed questions, the questions were structured in such a way that they captured basic information about the respondent and the objectives of the study. Each objective has a set of questions.

Questions 1-5 captured a basic information of the respondent i.e.; gender, age, level of education, the period he or she has worked for the organization and the period that the organization has been in existence. This set of questions were basically asked to get a background of both the respondent and the organization.

Questions 6-13 are meant to answer donor relationship management objectives. The questions capture areas ranging from; relationship between the donors and the NGO and its effect on financial sustainability, keeping in touch with the donors and effects on its financial sustainability, implementation of different projects regarding the expectations of the donors, reporting to the donors for transparency and accountability and networking with other donors to create an alliance with them. The questions were asked to get sufficient information on the relationship that exists between the organization and the donors and whether donor relationship management has an impact on the financial sustainability of non-governmental organizations.

Questions 14-19 are meant to answer financial management objectives. The questions capture areas ranging from; use of effective and efficient financial reporting, review of the budget and other financial plans, if operations are done according to the budgetary allocation, use of structures for financial reporting that allow accountability, auditing of the project by external auditors and the extent to which financial management affect financial sustainability. The questions were asked to fully understand whether the organization has good financial management of its funds, does it apply the right tools that enhance financial management and whether financial management of the organization does affect its financial sustainability.

Questions 20-25 are meant to answer income diversification objectives. The questions capture areas ranging from; decline of donor funding in the organization, other sources of funds that the NGO has, ability of the organization to meet expenses and other cost not catered for by the donors, doing income generating activities, ability of the organization to starts other projects from proceeds of income diversification, ability of the organization to continue operations with the proceed from income diversification even when donors withdraw and the extent to which income diversification affect financial sustainability. The questions were meant to measure to what extent the organization can support itself with its own capital in the event the donors withdraw from financing their programs hence their financial sustainability and to identify other sources of income that the organization might have.

Questions 26-30 are meant to answer financial sustainability which is the dependent variable of the study. The questions capture areas ranging from; financial sustainability of the organization, inadequate funding from the donors, incurring unnecessary expenses that are not captured in the budget, does the organization have a strategic plan on which activities are based and the ratio that the organization used to measure financial sustainability of the organization. The questions were meant to know if the organization is financially sustainable.

3.7.3 Reliability of Research Instrument

The term "reliability" relates to the idea that the results of a study can be repeated by a different researcher on a different occasion and getting the same results (Kumbai, 2019). According to Edwards (2017) a pilot study is a small-scale research project conducted before the final full-scale study. To assess the reliability of the questionnaire a pilot study of 5 employees in the finance department of local NGOs in Samburu north was conducted. Local NGOs in Samburu north were preferred since they are like the population of the study.

3.8 Ethical issues in research

Respondents got an introductory letter detailing the study's goal and assuring them that the study is strictly academic. By advising respondents that they can withdraw at any time, the respondents' personal right to choose whether to participate in this study was honored. This survey was conducted by trained research assistants who ensured a high degree of professionalism, particularly among respondents with less education and those who wish to opt out. Any respondent who wishes to see the results of the study were allowed to do so.

3.9 Chapter Summary

The methodology of the study was covered in detail in the present chapter. The study's population was 14 NGOs in Samburu central, and the researcher collected data using a descriptive research approach. In this study, census sampling was used. Questionnaires were used to collect data, which were administered by the researcher. Validity was determined using a test-retest technique, while reliability was determined using Cronbach's Alpha and by the supervisor. The research data was evaluated quantitatively with Microsoft excel tool. Regression analysis was used to investigate the relationship between the study variables. The findings and conclusions of the study are discussed in the following chapter.

CHAPTER FOUR.

Research Findings

4.1 Introduction

The chapter captures the findings obtained from the study. The chapter presents the background information of the respondents and the findings of the analysis based on the objectives of the study. The chapter is organized as follows: 4.1 introduces the chapter , 4.2 captures the response rate, 4.3 captures the reliability analysis and a table on reliability analysis, 4.4 captures a demographic information and a table on the gender of the respondent, 4.5 Captures total response on factors Influencing Financial Sustainability, 4.5.1 Captures total response on donor relationship management and financial sustainability , 4.5.2 Captures total response on income diversification and financial sustainability, 4.5.3 Captures total response on financial management and financial sustainability, 4.6 Captures financial sustainability, 4.7 Captures regression analysis, 4.8 Captures diagnostic tests and 4.9 Gives a summary of the chapter.

Table 4.2: Response Rate

The research sample was made up of 70 staff working for an NGO in Samburu central. These were the respondents. The 70-questionnaire given to them were all filled completely and returned as shown in table 4.2. This response rate was considered satisfactory to make conclusions from the study. Based on the assertion, the response rate was excellent. According to Mugenda and Mugenda (2003), 50% response rate is adequate for analysis, 60% is good while 70% and above is excellent.

Questionnaire	Frequency	Percentage
Filled and returned	100	100
Unreturned	0	0
Total Issued	100	100.0

4.3 Reliability Analysis

A pilot study was undertaken to pre-test data collection instruments for validity and reliability. The pilot study involved a sample of 10 employees of NGOs in Samburu north. Reliability of the questionnaire was evaluated through Cronbach's Alpha which measures the internal consistency

and establishes if items within a scale measure the same construct. The index alpha measured the average of measurable items and its correlation. Cronbach's Alpha was established for every variable which formed a scale as shown below.

Table 4.3: Reliability Analysis

Variable	Cronbach's Alpha	Number of Items
Donor relationship management	0.784	9
Income diversification	0.753	5
Financial management	0.739	8
Average	0.759	

The table shows that donor relationship management had the highest reliability ($\alpha = 0.784$), followed by income diversification ($\alpha = 0.753$), and financial management ($\alpha = 0.739$). This illustrates that all the three variables were reliable as their reliability values exceeded the prescribed threshold of 0.7 (Field, 2009). The results of the reliability test also revealed that all the three variables were reliable as the average index of 0.759 exceeded the adopted threshold of 0.7. This was an indication that donor relationship management, income diversification, and financial management have relatively high internal consistency and measure the same construct.

4.4 Demographic information

The study sought to determine some demographic information about the respondents. The respondents were requested to indicate their gender, age category, level of education, the period they have worked for the organization, and the period their organizations had been in operation. The results are as presented in the subsequent subsections.

Table 4.4: Gender of the respondents

The study sought to determine the gender of the respondents. From the study findings, the majority of the respondents are male as shown by 62.75% whereas 37.14% were female. These findings indicated that both genders were fairly involved in the study and as a result did not suffer from gender biasness.

Gender	Frequency	Percentage
Male	44	62.86
Female	26	37.14
Total	70	100

Table 4.5: Age of the respondents

The respondents were requested to indicate their age category. Most of the respondent were aged between 36 to 45 years as indicated by a percentage of 35.71, 46 to 55 years as indicated by a percentage of 28.57%, 25 to 35 years as indicated by a percentage of 18.57%, 56 and above years as indicated by 8.57 and below 25 years as indicated by a percentage of 8.57%. These findings showed that the respondents were from different age brackets showing that the data collected was diverse in terms of their life experience.

Age bracket	Frequency	Percent
Below 25 years	6	8.57
25-35 years	13	18.57
36-45 years	25	35.71
46-55 years	20	28.57
56 years and above	6	8.57
Total	70	100.0

Table 4.6: Respondent's education level

The respondents were requested to indicate their level of education they possess. Majority were graduates with their first degree as indicated by 61.43%, 35.71% of the respondents had a diploma, 14.29% had a masters and 2.86% had other qualifications like certified public accountant and certified secretaries. This showed that the respondent had a sound education background and would provide incredible information.

Education level	Frequency	Percent
Diploma	25	35.71
Graduate	43	61.43
Masters	10	14.29
PHD's		
Other professional qualifications	2	2.86
Total	70	100.0

Table 4.7: Period worked for the organization.

The respondents were requested to indicate the period they have worked for the organization. 51.43% of the respondents had been employed between 1 and 5 years, 22.86% of the respondent indicated that they have been working for the organization for less than 1 year, 14.29% of the respondent indicated that they worked for over 10 years in the organization and 11.43% of the respondent indicated that they worked for the organization for 6 to 10 years. This showed that the respondents were able to give sufficient information about the organization.

Period worked	Frequency	Percent
Less than 1 year	16	22.86
1-5 years	36	51.43
6-10 years	8	11.43
Over 10 years	10	14.29
Total	70	100.0

Table 4.8: Period of operation

They study sort to determine the period the organization has been in operation. From the findings, most of the respondents indicated that their organization has been in operation has been in operation for less than 1 year as shown by a percentage of 35.71%, 35.71% also indicated that the organization has been in operation for 6 to 10 years, 21.43% indicated that the organization has been in operation for 1 to 5 years, and 7.14% indicated that the organization has been in operation for over 10 years. This showed that most of the NGO in Samburu Central have been in operation for less than 10 years.

Time of operation	Frequency	Percent
Less than 1 year	25	35.71
1-5 years	15	21.43
6-10 years	25	35.71
Over 10 years	5	7.14
Total	70	100.0

4.5 Factors Influencing Financial Sustainability

4.5.1 Donor relationship management and financial sustainability

The respondents were requested to fill in the questionnaire to the extent to which they agreed to different questions asked using a five-point Likert scale ranging from one to five (where 1= strongly disagree, 2-disagree, 3-neutral, 4-agree, and 5= strongly agree). The table gives summation of the responses received. The first objective of the study sought to establish the effect of donor relationship management on NGOs' financial sustainability in Samburu central. The respondents were provided with different statements on donor relationship management in their organization and told to indicate their level of agreement with the statements. Table 4.5 indicates the findings showing that the respondents were in strong agreement that their organizations kept in touch with their donors on a regular basis (percentage = 67%); they agreed that their organization actively implements donor visibility/recognition activities accountability in the use of donor funds had helped improve their organization's donor relations (percentage =53%); they strongly agreed that their organization provides regular reporting on its expenditure to foster accountability for funds

given (Percentage = 47%); they were neutral on the guidelines as well as scope of donor activities or risk getting no funding (percentage = 49%); they agreed that the stronger the relationship the organization had with its donors the more financially sustainable it is (percentage = 56%); they agreed that accountability in the use of donor funds has helped their organization improve donor relations (percentage = 39%) and they also agreed that their organization made efforts in establishing constructive networks and alliances with various donor organizations (percentage = 53%).

Table 4.9: Statements on donor relationship management and financial sustainability

My firm	Strongly disagree	disagree	Neutral	Agree	Strongly agree	Total
My non-profit keeps in touch with its donors on a regular basis.	0	0	10	13	47	70
My NGO actively implements donor visibility/recognition activities	5	10	8	37	10	70
My NGO provides regular reporting on its expenditure to foster accountability for funds given.	1	3	5	28	33	70
My NGO must follow the guidelines as well as scope of donor activities or risk getting no funding	0	5	34	26	5	70
The stronger the relationship my NGO	5	5	6	39	15	70

has with its donors the more financially sustainable it is.						
Accountability in the use of donor funds has helped improve my NGO donor relations.	1	10	17	27	15	70
My NGO has made efforts in establishing constructive networks and alliances with various donor organizations.	3	4	10	37	16	70

Questions	Strongly agree %	Agree %	Neutral %	Disagree %	Strongly disagree %	Total	Total
Question 1	67%	19%	14%	0%	0%	100%	70
Question 2	14%	53%	11%	14%	7%	100%	70
Question 3	47%	40%	7%	4%	1%	100%	70
Question 4	7%	37%	49%	7%	0%	100%	70
Question 5	21%	56%	9%	7%	7%	100%	70
Question 6	21%	39%	24%	14%	1%	100%	70
Question 7	23%	53%	14%	6%	4%	100%	70

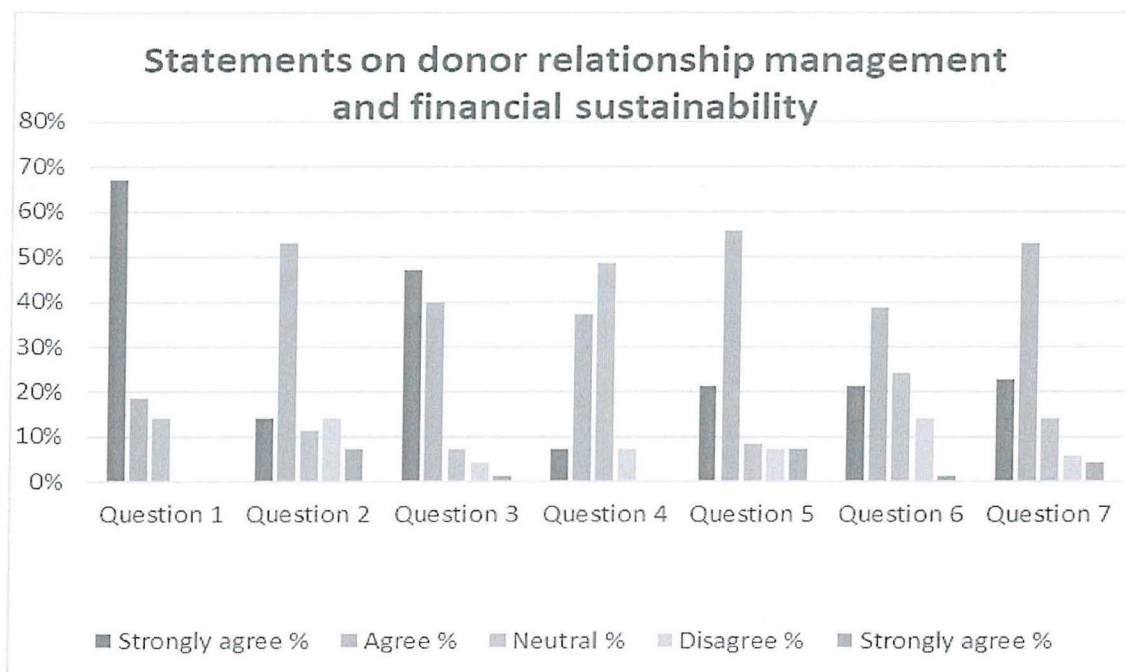


Table 4.10: Extent to which donor relationship management affect financial sustainability

The respondents were requested to indicate the extent to which donor relationship management affects financial sustainability of their organizations . Most of the respondents indicated that donor relationship management greatly affected their financial sustainability as shown by 78.57%, 14.29% showed that donor relationship management affected their financial sustainability to a very great extent and 7.14% showed that donor relationship management affected their financial sustainability to a moderate extent. The finding showed that donor relationship management affects financial sustainability of NGO in Samburu central to a great extent.

Extent	Frequency	Percent
Very great extent	10	14.29
Great extent	55	78.57
Moderate extent	5	7.14
Little extent		
No extent		
Total	70	100.0

4.5.2 Income diversification and financial sustainability

Table 4.11: Statements on income diversification and financial sustainability.

The second objective of the study sought to establish the effect of income diversification on NGOs' financial sustainability in Samburu central. The respondents were requested to fill in the questionnaire to the extent they agreed to different questions asked using a five-point Likert scale ranging from one to five (where 1= strongly disagree, 2-disagree, 3-neutral, 4-agree, and 5= strongly agree). The table gives summation of the responses received. The respondents were provided with different statements on income diversification in their organization and told to indicate their level of agreement with the statements. Table 4.5.2 indicates the findings showing that the respondents were in agreement that foreign donations as sources of funding are on the decline in my organization (percentage = 51%); they strongly agreed that creating other income generating activities increases my organization's financial sustainability (percentage =39%); they agreed that income diversification enables their organization to meet its overhead costs and other expenses not met by the donors (Percentage = 54%); they strongly agreed that income diversification reduces the risk of their organization closing in case of withdrawal of donors (percentage = 50%) and they strongly agreed that income diversification increases their organization's ability to fund its projects based on its own priorities (percentage = 54%).

My firm	Strongly disagree	disagree	Neutral	Agree	Strongly agree	Total
Foreign donations as sources of funding are on the decline in my organization	3	9	15	36	7	70
Creating other income generating activities increases my organization's	3	8	13	19	27	70

financial sustainability						
Income diversification enables my organization to meet its overhead costs and other expenses not met by the donors	0	7	8	38	17	70
Income diversification reduces the risk of my organization closing in case of withdrawal of donors	2	3	11	19	35	70
Income diversification increases my organization's ability to fund its projects based on its own priorities	0	0	15	17	38	70

Questions	Strongly agree %	Agree %	Neutral		Strongly agree		Total	Total
			%	Disagree %	%			
Question 1	10%	51%	21%	13%	4%	100%	70	
Question 2	39%	27%	19%	11%	4%	100%	70	
Question 3	24%	54%	11%	10%	0%	100%	70	
Question 4	50%	27%	16%	4%	3%	100%	70	
Question 5	54%	24%	21%	0%	0%	100%	70	

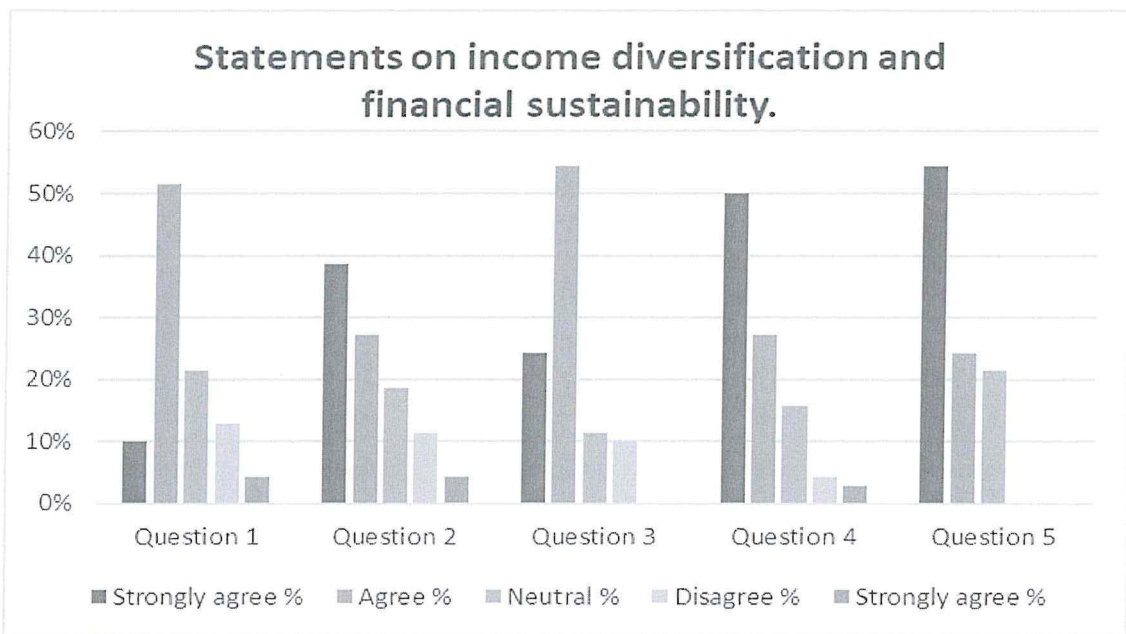


Figure 4.1: Sources of Finance

The respondents were requested to indicate their source of finance. From the findings 54% of the respondents indicated that their organizations were financed by donors, 19% showed that their operations were financed by the business community, 17% showed that they financed their operations with their own business and 10% indicated that they had other sources of finance other than the ones given to them. From the findings it is therefore clear that most NGOs in Samburu Central are financed by donors and that they depend on the donors to run their operations.

Sources of income		
Donors	38	54%
Business community	13	19%
Own business	12	17%
Others	7	10%
Total	70	100%

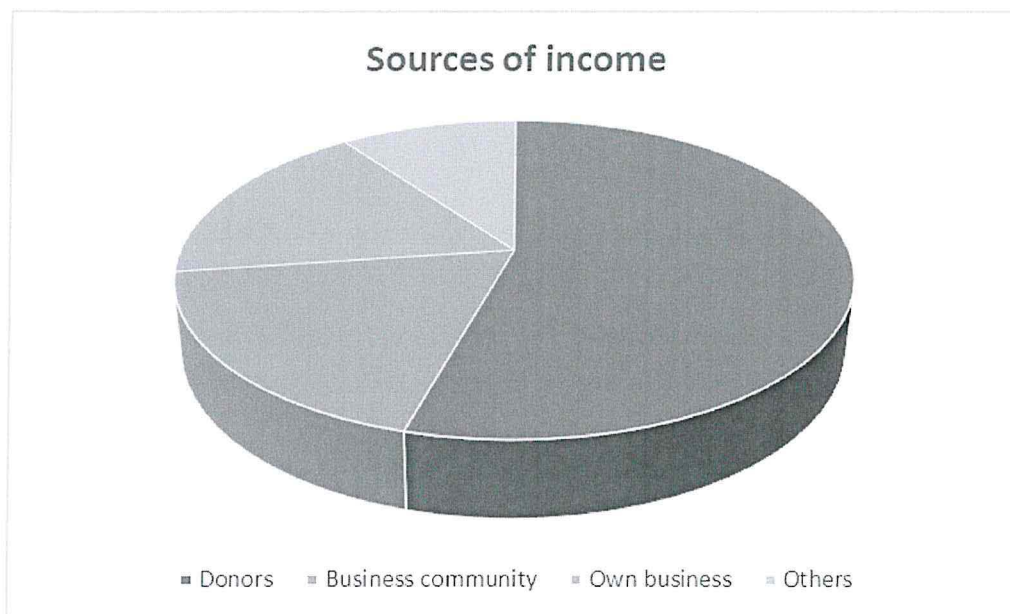


Table 4.12: Extent to which income diversification affect financial sustainability

The respondents were requested to indicate the extent to which income diversification affects financial sustainability of their organizations. From the findings 55.71% indicated that income diversification affected financial sustainability to a great extent, 21.43% indicated that income

diversification affected financial sustainability to a very great extent, 14.29% indicated that income diversification affected financial sustainability to a moderate extent, 7.14% indicated that income diversification affected financial sustainability to a little extent, and 1.43% indicated that income diversification affected financial sustainability to no extent. From the findings income diversification affected financial sustainability to a great extent.

Extent	Frequency	Percent
Very great extent	15	21.43
Great extent	39	55.71
Moderate extent	10	14.29
Little extent	5	7.14
No extent	1	1.43
Total	70	100.0

4.5.3 Financial management and financial sustainability

Table 4.13: Level of agreement on statements relating to financial management

The last objective of the study sought to find out the effect of financial management systems on NGOs' financial sustainability in Samburu central. The respondents were requested to fill in the questionnaire to the extent they agreed to different questions asked using a five-point Likert scale ranging from one to five (where 1= strongly disagree, 2-disagree, 3-neutral, 4-agree, and 5= strongly agree). The table gives summation of the responses received. The respondents were provided with different statements on financial management in their organization and told to indicate their level of agreement with the statements. Table 4.5.3 indicates the findings showing that the respondents were in agreement that their organizations periodically reviews the budgets and other financial plans to see if they agree with its mission (percentage = 56%); they agreed that their organization have put up structures for financial reporting that allow for accountability (percentage =60%); they agreed that their organizations projects are audited every year by a qualified external auditor (Percentage = 41%); they were neutral on the fact that financial reporting in my NGO is effective and efficient (percentage = 39%) and they agreed that operations of my NGO are done according to budgetary allocations (percentage = 49%). Ali (2012) found a positive relationship between financial management and financial sustainability of the NGOs.

My firm	Strongly disagree	disagree	Neutral	Agree	Strongly agree	Total
My NGO periodically reviews the budgets and other financial plans to see if they agree with its mission	0	0	14	39	17	70
My NGO has put up structures for financial reporting that allow for accountability	0	3	6	42	19	70
My NGO's projects are audited every year by a qualified external auditor	7	7	10	29	17	70
Financial reporting in my NGO is effective and efficient	7	8	27	15	13	70
Operations of my NGO are done according to budgetary allocations	0	4	13	34	19	70

Questions	Strongly agree		Neutral		Strongly agree		Total	Total
	%	Agree %	%	Disagree %	%			
Question 1	24%	56%	20%	0%	0%		100%	70
Question 2	27%	60%	9%	4%	0%		100%	70
Question 3	24%	41%	14%	10%	10%		100%	70
Question 4	19%	21%	39%	11%	10%		100%	70
Question 5	27%	49%	19%	6%	0%		100%	70

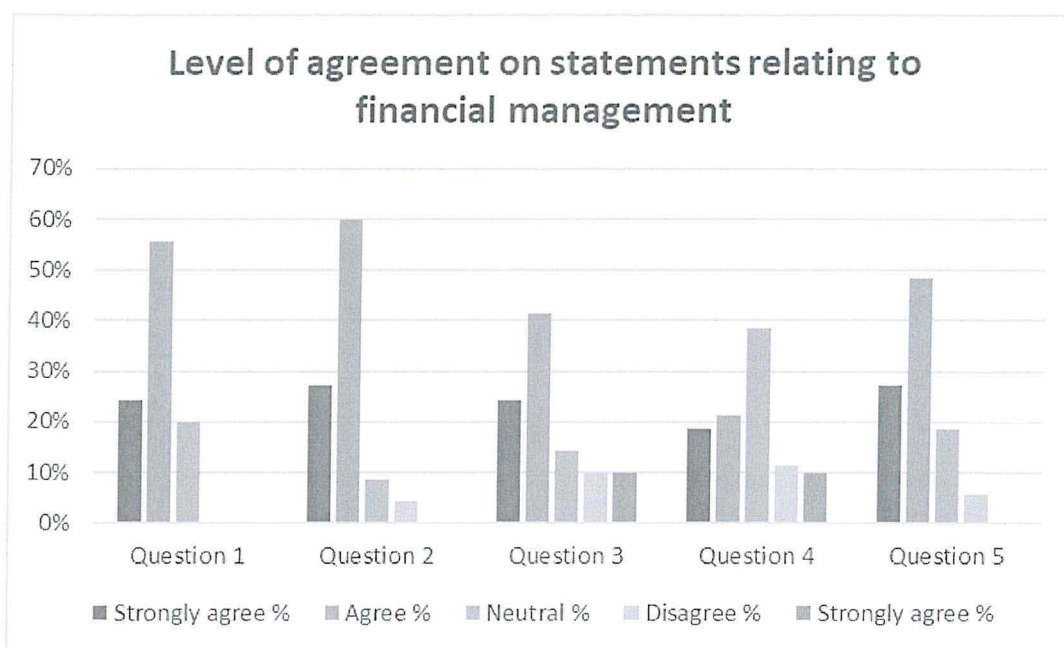


Table 4.14: Extent to which financial management affect financial sustainability

The respondents were requested to indicate the extent to which financial management affects financial sustainability of their organizations. From the findings 48.57 % indicated that financial management affected financial sustainability to a great extent, 38.57% indicated that financial management affected financial sustainability to a very great extent, and 12.86% indicated that financial management affected financial sustainability to a moderate extent. The findings indicate that financial management affects financial sustainability to a great extent. From the findings it is therefore clear that financial management affected financial sustainability of NGOs in Samburu Central.

Extent	Frequency	Percent
Very great extent	27	38.57
Great extent	34	48.57
Moderate extent	9	12.86
Little extent		
No extent		
Total	70	100.0

4.6 Financial sustainability

Table 4.15: Agreement on statements relating to financial sustainability

The respondents were requested to fill in the questionnaire to the extent they agreed to different questions asked using a five-point Likert scale ranging from one to five (where 1= strongly disagree, 2-disagree, 3-neutral, 4-agree, and 5= strongly agree). The table gives summation of the responses received. The respondents were requested to indicate their agreement that their firms were financially sustainable. From the findings, the respondents as shown by 41% agreed that their NGOs have inadequate funding to implement their projects, 39% agreed that their organization have a high level of unnecessary expenses which are not provided in the annual budget, 53% agreed that their organization have a strategic plan on which its activities are based, and 56% agreed that their financial sustainability is not sustainable.

My firm	Strongly disagree	disagree	Neutral	Agree	Strongly agree	Total
My NGO has inadequate funding to implement their projects.	3	4	17	29	17	70
My NGO has a high level of unnecessary expenses which are not provided in the annual budget.	3	7	17	27	16	70
My NGO has a strategic plan on which its activities are based.	0	3	13	37	17	70
What is the level of agreement that 'my firm is financially sustainable'?	14	39	13	3	1	70

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Questions	Strongly agree %	Agree %	Neutral			Total	Total
			%	Disagree %	Strongly agree %		
Question 1	24%	41%	24%	6%	4%	100%	70
Question 2	23%	39%	24%	10%	4%	100%	70
Question 3	24%	53%	19%	4%	0%	100%	70
Question 4	1%	4%	19%	56%	20%	100%	70

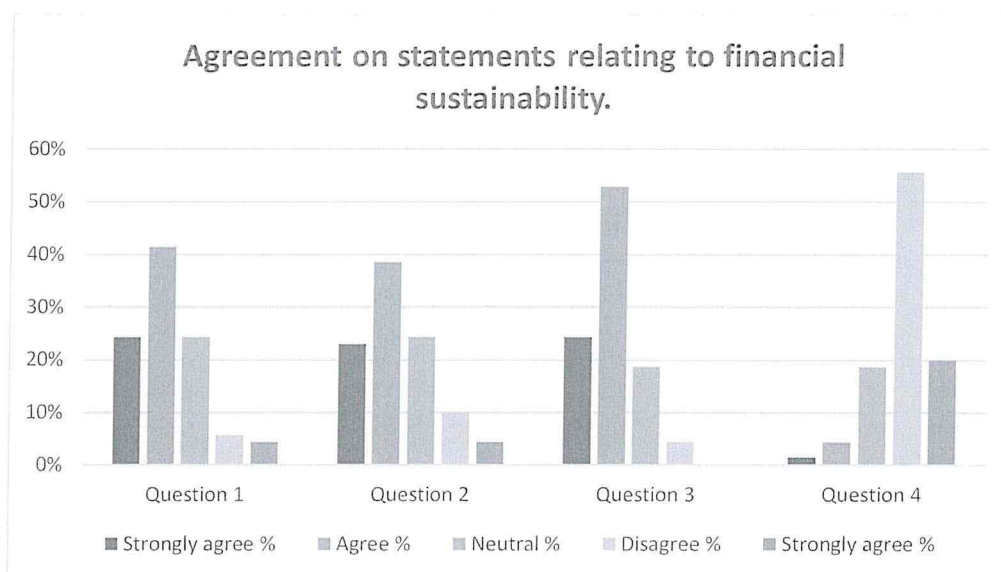


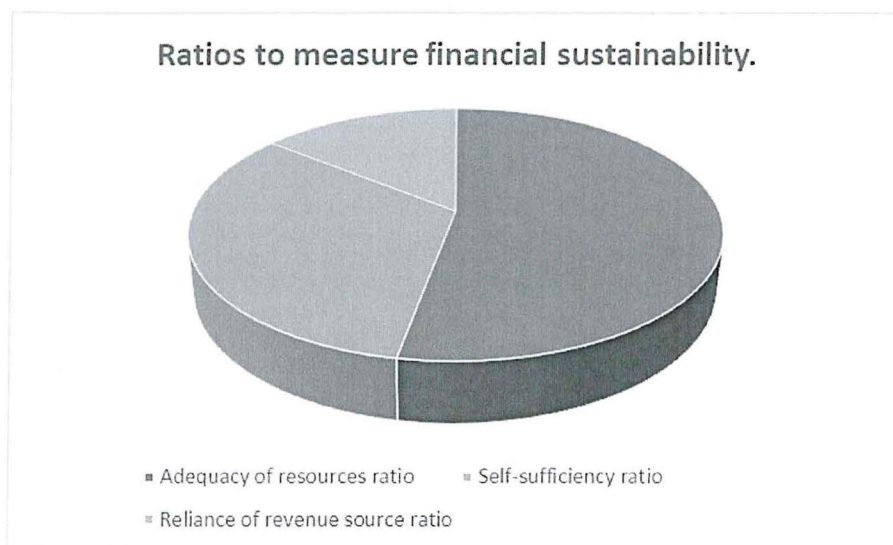
Table 4.16: Ratios to measure financial sustainability

According to Harris (2021) adequacy of resource ratio is used to determine whether the cash flows generated by the operations of a business are sufficient to pay for its other ongoing expenses. Self-Sufficiency is a ratio that is used to evaluate if the company can generate enough revenue to cover its costs while ensuring that the equity value is sustained, after incorporating inflation, and another cost of capital (Remer, 2021). According to Stiroh (2015) reliance on revenue source ratio indicates the number of sales left for shareholders after all costs and expenses have been met. The higher the ratio, the greater will be the profitability and the higher the return to the shareholders.

According to Lewis (2011) financial sustainability is determined by net income (revenue above expenses), liquidity (cash on hand to make payments), and solvency (the relationship between assets and debt/liabilities). From the definitions of the above ratio, it is clear that they are used to measure financial sustainability of an organization.

The study requested respondents to indicate the ratio used by their organizations to measure financial sustainability. The finding shows that the majority of the respondents indicated that their organization uses a adequacy of resource ratio to measure their financial sustainability as shown by 52.86%, 32.86% indicated self-sufficiency ratio, and 14.29% indicated reliance on revenue source ratio. This indicates that NGO in Samburu central use various ratios to measure their financial sustainability, however, most prefer adequacy of resource ratio.

Ratio	Frequency	Percent
Adequacy of resources ratio	37	52.86
Self-sufficiency ratio	23	32.86
Reliance of revenue source ratio	10	14.29
Total	70	100.0



4.7 Regression analysis

Table 4.17: Model summary and Anova

From the ANOVA statistics, the study established the regression model had a significance level of 0.000 which is an indication that the data was ideal for making a conclusion on the population parameters. The calculated value was greater than the critical value (11.35>2.46) an indication that donor relationship management, income diversification, and financial management affects the financial sustainability of NGOs in Samburu central.

The significance value was less than 0.05 indicating that the combined relationship between the selected factors on the financial sustainability of local NGOs in Samburu central was significant (Critical value = 2.46). From the findings, the value of adjusted R squared was 0.2549 an indication that there was variation of 0.2549 on financial sustainability of local NGOs in Samburu central due to changes in donor relationship management, income diversification, and financial management at 95% confidence interval. This shows that 25.49% changes on financial sustainability of local NGOs in Samburu central should be accounted for by changes in donor relationship management, income diversification, and financial management. This shows that 74.51% change in financial sustainability of NGOs in Samburu central are accounted for by other factors other than donor relationship management, income diversification, and financial management.

Source	SS	df	MS
Model residual	169.073062	4	42.2682656
	435.812184	66	6.6032149
Total		70	

Number of obs	=70
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F(4,66)	=11.35
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Prob>F	=0.0000
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R-squared	=0.719
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Adjusted R-squared	=0.707
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Table 4.18: Regression coefficients

Assuming a linear relationship between the independent and the dependent variable and guided by OLS estimation methods, the relationship between the independent and dependent variables as presented by the regression model was tested. The multiple regression equation was; $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \epsilon$ Where Y is financial sustainability of NGOs in Samburu central, X1= donor relationship management, X2= income diversification, X3= financial management. From the data in the above table the established regression equation was; $Y = -1.5707 + 0.3243 X_1 + 0.0297X_3$. From the above regression equation, it was revealed that holding donor relationship management, income diversification and financial management to a constant zero, financial sustainability would be at -1.5707. A unit increase in donor relationship management would lead to increase in financial sustainability of local NGOs by 0.3243, a unit increase in income diversification would lead to increase in financial sustainability of local NGOs by 0.2328 and a unit increase in financial management would lead to increase in financial sustainability of local NGOs by 0.0297. All the factors were found to significantly affect financial sustainability as the p-value for the three variables were below 0.05.

Variable	Coef.	Std.	t	P> t
Donor relationship management.	0.3242655	.068254	4.75	.000
Income diversification	.2328151	.063166	3.69	.000
Financial management	.0297391	.075088	.40	.693
(Constant)	-1.570682	3.111074	-.50	.615

Figure 4.2: Heteroscedasticity

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of Y

$$\text{chi2}(1) = 0.22$$

$$\text{Prob} > \text{chi2} = 0.6363$$

The study sought to establish whether the variance of the error term was constant or not. This was done using Breusch-Pagan test for heteroskedastic. From the findings, the chi-square value was small, indicating heteroscedasticity was not a problem (or at least that if it was a problem, it wasn't a multiplicative function of the predicted values).

Table 4:20: multicollinearity

Multicollinearity was tested for the data used in the research. This was done using the variance inflation factor (VIF) which quantifies how much the variance is inflated. The findings indicate that the VIF values were close to 1 indicating that the variance of the variables was inflated at a very low level. The analysis exhibits signs of multicollinearity though low levels.

Variable	VIF	1/VIF
Donor relationship management	1.12	0.896379
Financial management	1.07	0.936727
Income diversification	1.07	0.936727
Mean VIF	1.09	

4.9 Summary of the chapter.

The current chapter has shown the study's findings and results. An analysis of the participants' demographic information is provided. Another section provides descriptive statistics of the study variables while the last section analyzes the relationship between the study variables using multiple regression analysis. The chapter that follows gives a discussion of the results, recommendations, and conclusions.

CHAPTER FIVE.

DISCUSSION OF RESEARCH FINDINGS.

5.1 Introduction

The study was to determine factors influencing financial sustainability of non-governmental organizations in Samburu central. The study was guided by three independent objectives; to determine the effect of income diversification on financial sustainability of NGOs in Samburu central, to establish the effect of donor relationship management on financial sustainability of NGOs in Samburu central and to determine the effect of financial management systems on financial sustainability of NGOs in Samburu central.

The chapter is organized as follows; 5.1 Captures an introduction to the chapter, 5.2 Gives a summary of the study based on the objectives of the study, 5.3 Gives a conclusion to the study, 5.4 Gives recommendation and 5.5 Gives recommendation for future studies.

5.2 Summary of the Study

5.2.1 Donor relationship management

The study established that the respondents agreed that their organizations had made efforts in establishing constructive networks and alliances with various donor organizations and that the organizations maintained regular meaningful communications with their donors. This was in line with the findings of Beyene (2014), who did research on factors that affected the financial sustainability of NGOs in Ethiopia using a case of AFD in Addis Ababa, he asserted that, in view of the significant effect that donor relationship management have on the financial sustainability of an NGO. This also concurred with Bell et al. (2010), who opined that creating a sound and positive donor relationship based on mutual understanding and respect of the donor enables NGOs to benefit from continuous support from their donors. Similarly, Onsongo (2012) identified establishment of strong donor relations as one of the important strategies that local NGOs adopted to achieve financial sustainability in Kenya. The study found that the respondents did agree that accountability in the use of donor funds had helped improve their organization's donor relations and that their organizations provided regular reporting on their expenditure to foster accountability for funds given. Mitlin et al. (2014) observed that NGOs' strategic alignment of programmes and processes to donor priorities and able to attain donor loyalty through creation of strong, positive

relationships were more financially sustainable. This was also in line with Harding (2014), who noted that a positive NGO donor relationship was crucial for long-term engagement and creation of donor loyalty that would help enhance NGOs' access to donor funding. The study also established that the respondent of NGOs in Samburu central agreed with the assertion that the stronger the relationship the organizations had with their donors the more financially sustainable they were. In addition, the research found that there was a positive and significant relationship between donor relationship management and financial sustainability of the NGOs. This agreed with Saungweme (2014) who established a significant relationship between good donor relationship management and the financial sustainability of NGOs in Zimbabwe. Studies by Khisa (2012), Beyene (2014), Okorley, and Nkrumah (2012) also established a strong positive relationship between the nature of relationship NGOs had with their donors and the sustainability of their projects. The study also found that the respondents of NGOs in Samburu central did agree that their organizations had to follow the guidelines as well as scope of donor activities or risk not getting the funding and that their organizations actively implemented donor visibility/recognition activities. This implied that donor regulations on use of funds and implementing donor visibility activities were some of the donor relationship practices that had an influence on the financial sustainability of the non-governmental organizations in Samburu central. This agreed with Rono (2012) who argued that the principal traits of sustainable non-governmental organizations lie in undertaking programs and activities that its donors can identify with. Similarly, in a review of the financial sustainability of NGOs in Zimbabwe, Saungweme (2014) concurred by asserting that NGOs can enhance their relationship with donor organizations by engaging in donor visibility activities and more so those that have meaningful impact on their target groups and that are in line with the goals of the donor organizations. According to Pfeffer and Salancik (1978), external actors place pressure on an organization's resources. This is in line with research dependency theory since donors' place pressure on non-governmental organizations to ensure funds are invested in the right projects and that they are fully utilized. The findings are also in line with the stakeholder theory, it is clear from the findings that there are interactions that exist between a company's customers, suppliers, employees, investors, communities, and other stakeholders.

5.2.2 Income diversification

From the findings on the extent to which income diversification affects financial sustainability, the respondents indicated that income diversification affects financial sustainability of their

organization to a great extent. On the sources of funding for local NGOs in Samburu central, the study found that the majority of the respondents indicated that their organizations were funded by donors. Other sources indicated by the respondent's included community, own business, and other sources. This showed that despite having various sources of financing/funding majority of the NGOs in Samburu central are funded by donors.

The study established that the staff of the NGOs in Samburu central agreed that income diversification increased their organization's ability to fund their projects based on their own priorities and that it also enabled their organizations to be able to reject funding whose sources did not fit into their agenda and values. This was in line with Kabdiyeva (2013) findings who in a study of developing sustainable NGOs in Kazakhstan, asserted that for NGOs funding to be sustainable, they must avoid relying on a singular revenue source whether internally or externally. He further noted that establishing a fit between external and internal funding is paramount for only then can an NGO foot its expenses both administrative and operational, while they enjoy their power to decide their own programs without the influence of the donor. This was also in line with Rono (2012) who opined that dependence on international funding reduces local NGOs independence and ability to set their own agendas and which is a common concern for NGOs internationally. The study found that the respondents of NGOs in Samburu central did agree that income diversification enabled their organizations to meet their overhead costs and other expenses not met by the donors. In addition, income diversification helped reduce the risk of the organizations closing in case of withdrawal of donors. This concurred with Fowler (2013) who argued that, in the face of uncertain external donor funding, NGOs must redesign their strategies of implementing their programs to envisage elements of recovering their costs by having the communities that benefit from these programs foot part, or in some cases all the costs associated with the programs. This also agreed with Mitlin et al. (2014) who observed that financial dependence on a single or few donors basically imply that the NGO sacrifices autonomy, credibility, and in some cases their core mission and values leading to a situation in which the donor can easily manipulate the organization to their own desires and agendas. To have full control over their own activities and programs, NGOs should therefore develop alternative funding strategies that would enable them to become less reliant on external funding and the attendant restrictive donor conditions. Similar sentiments were shared by Dardane (2010) who found that most NGOs in Kosova region could not financially sustain themselves and were dependent on

donors. The study further noted that depending solely on foreign funding and not having enough and competent workforce were a major hindrance to NGOs activities today. The study also established that the respondents of NGOs in Samburu central agreed with the assertion that creating other income generating activities increased the organization's financial sustainability. The research findings further pointed out that there was a positive and significant relationship that existed between income diversification and the NGOs' financial sustainability. This agreed with Kameri-Mbote (2012) developing financial sustainability, and diversifying the source of funding is essential for NGOs to allow them to sustain their impacts in the long run. Similar view was expressed by Sontag-Padilla et al. (2012) who added that seeking alternative funding sources is the only viable way of achieving financial sustainability among the NGOs. Similarly, Saungweme (2014) identified income diversification as one of the emerging factors that had a significant impact on the financial sustainability of non-governmental organizations in Zimbabwe. Funds source diversification was cited as the leading strategic decision required to enable NGOs achieve long-term financial viability (Bell et al., 2010).

5.2.3 Financial management

The study sought to establish the effect of financial management practices on the financial sustainability of NGO in Samburu central. The study found that the respondents of NGOs in Samburu central agreed that there existed proper financial policies that guided how their organizations managed their funds; operations of their organizations were done according to budgetary allocations and that their organizations periodically reviewed their budgets and other financial plans to see if they agreed with their mission. This agreed with Elliott (2012) who asserted that failure by an organization to properly engage in sound financial management can lead it to run the risk of focusing on the daily financial challenges and this can lead to loss of focus on its long-term financial goals. This was also consistent with Rono (2012) who opined that dependence on international funding reduces local NGOs independence and ability to set own agendas and which is a common concern for NGOs internationally. The study also found that the respondents of NGOs in Samburu central agreed that their organizations had financial reporting structures which facilitated accountability; their organizations' projects were audited every year by a qualified external auditor and that their organizations had a competent board that provided oversight for all their financial dealings. This was consistent with Weerawardena et al. (2010) who declared that sound financial management practices were vital to NGOs for both short-and long-haul plans in

addition to moral reasons, so the associations could satisfy their mandate and commitments to individuals and partners and additionally accomplish their objectives. On their part, Lewis, and Kanji (2013) argued that sound financial management and organizational frameworks aided in persuading donors that the local NGOs had solid financial controls that would guarantee that money given would be utilized for the planned ends. Similarly, Simone (2013) noted that NGOs with good financial management frameworks draw in more donors and give benefactors the certainty that resources will be utilized for the planned purposes. The study further found that the respondent of NGOs in Samburu central did agree that their organizations maintained an updated assets list and that financial reporting in their organizations was effective. This agreed with Conradie (2012) who in a review of non-governmental organizations and financial sustainability opined that financial reporting was one of the key areas that donors consider when evaluating the merit of nonprofit organizations to access funding. On their part, Weerawardena et al. (2010) expressed the view that NGOs sustainability is affected by their financial reporting mechanisms given that financial reporting enhances accountability within the nongovernmental organizations in turn improving their appeal to potential donors. The study also established that there was a significant positive relationship between financial management systems and financial sustainability of the NGOs. This agreed with Onsongo (2012) who found that sound financial management systems were one of the key strategies that significantly influenced the financial sustainability of local non-governmental organizations. Similar findings were reported by Gyamfi (2010), Iwu et al. (2015) and Islam (2016). The findings are also in line with institutional theory since it's clear that NGOs set the rules of the game on how to use and manage their finances while donors ensure that the funds are fully utilized.

5.2.4 Financial sustainability

On the level of agreement that their firms were financially sustainable, the respondents disagreed that their firms were financially sustainable. On the ratios used to measure financial sustainability, the study found that most of the respondents indicated that their organizations used the adequacy of resources ratio to measure financial sustainability. Others indicated self-sufficiency ratio and revenue source ratio. From the study findings, the respondents agreed that their organizations had strategic plans on which their activities were based; a high level of unpaid debts by customers; inadequate funding to implement their projects, and a high level of unnecessary expenses which were not provided in the annual budget.

5.3 Conclusions

The findings conclude that donor relationship management affects financial sustainability of NGOs in Samburu central. Donor relationship management affects the financial sustainability of NGO in Samburu central to a great extent. The local NGOs have established networks with donors and communicate regularly for funding. Despite the NGOs having donor tracking systems they are unable to meet the conditions set by donors for funding like accountability of funding. This has made the NGOs have a low number of return donors and donor funded projects. The study also concludes that income diversification affects financial sustainability of NGOs in Samburu central to a great extent. Local NGOs in Samburu central are mainly funded by donors. Despite the NGOs being involved in income generating projects the firms highly rely on donors for funding. The firms also do fundraise from external donors to get funds. The study concludes that financial management affects the financial sustainability of NGOs in Samburu central. Despite the local NGOs in Samburu central having budgets and carrying out annual audits there was neither separation of accounting functions nor supporting documents for accounting entries. The NGOs are unable to meet the requirements for funding which has been worsened by high values of accounts receivable. The study further concludes that despite the NGO in Samburu central having strategic plans they are not financially sustainable due to high level of unnecessary expenses and unpaid debts. From the regression analysis, the study concludes that donor relationship management, income diversification and financial management positively affect financial sustainability of NGOs in Samburu central.

5.4 Recommendations

Financial strategic planning is a key function. Therefore, NGOs should not only prepare strategic plans but also periodically review the strategic plans. Staff participation and proper communication should be highly encouraged. It is also important to ensure that the budgeting methods used by most of the NGOs for funding of operations and projects are within the specified limits for financial sustainability. Local NGOs should come up with their own income generating projects. This would ensure continuity of the projects in case of withdrawal of donor funding. local NGOs should adopt proper accounting techniques. This would ensure preparation of relevant financial records supported by proper documentation. This would reduce cases of fraud and meet the requirements set by the NGO council and donors for funding. NGOs should involve the donors in project implementation to ensure increased donor funding. They should come up with proper

communication channels which would improve the relationship with donors. This would further increase donor funded projects and implementation.

5.5 Recommendations for Future Research

Based on the findings the study recommends a further study on other factors affecting financial sustainability of NGOs in Samburu central since from the findings 74.51% change in financial sustainability of NGOs in Samburu central are accounted for by other factors other than donor relationship management, income diversification, and financial management.

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APPENDICES

Appendix 1: Questionnaire.

Section I: Respondent characteristics.

1. What is your gender?

Male []

Female []

2. What is your age bracket?

Below 25 years []

25-35 years []

36-45 years []

46-55 years []

56 years and above []

3. Kindly indicate your highest level of education

Diploma []

Graduate []

Masters []

PhD []

Other professional qualifications (specify)

4. For how long you have worked for the institution

Less than 1 year []

1-5 years []

6-10 years []

Over 10 years []

5. Kindly indicate the duration your firm has been in existence

Less than 1 year []

1-5 years []

6-10 years []

Over 10 years []

Section II: Donor Relationship management.

What is your level of agreement with the following statements relating to income diversification and financial sustainability in local NGOs (1- strongly disagree, 2- Disagree, 3-Neutral, 4-Agree, 5-Strongly Agree)?

	1	2	3	4	5
	strongly disagree	Disagree	Neutral	Agree	Strongly Agree.
My non-profit keeps in touch with its donors on a regular basis.					
My NGO actively implements donor visibility/recognition activities					
My NGO provides regular reporting on its expenditure to foster accountability for funds given.					
My NGO must follow the guidelines as well as scope of donor activities or risk getting no funding					
The stronger the relationship my NGO has with its donors the more financially sustainable it is.					
Accountability in the use of donor funds has helped improve my NGO donor relations.					

My NGO has made efforts in establishing constructive networks and alliances with various donor organizations.					
---	--	--	--	--	--

➤ To what extent do you think donor relationship management affect financial sustainability of your organization?

Very great extent []

Great extent []

Moderate extent []

Little extent []

No extent []

Section III: Financial management systems

Kindly express your opinion regarding the following statements on financial management systems in your organization. Use a scale of 1-5 where 1 - strongly disagree, 2 - disagree, 3 - neutral, 4 - agree and 5 - strongly agree.

	1	2	3	4	5
	strongly disagree	Disagree	Neutral	Agree	Strongly Agree.
My NGO periodically reviews the budgets and other financial plans to see if they agree with its mission					
My NGO has put up structures for financial reporting that allow for accountability					
My NGO's projects are audited every year by a					

qualified external auditor					
Financial reporting in my NGO is effective and efficient					
Operations of my NGO are done according to budgetary allocations					

➤ To what extent do you think Financial management affect financial sustainability of your organization?

Very great extent []

Great extent []

Moderate extent []

Little extent []

No extent []

SECTION IV: Income diversification.

Kindly express your opinion regarding the following statements on income diversification in your organization. Use a scale of 1-5 where 1 - strongly disagree, 2 - disagree, 3 - neutral, 4 - agree and 5 - strongly agree.

	1	2	3	4	5
	strongly disagree	Disagree	Neutral	Agree	Strongly Agree.
Foreign donations as sources of funding are on the decline in my organization					
Creating other income generating activities increases my					

organization's financial sustainability					
Income diversification enables my organization to meet its overhead costs and other expenses not met by the donors					
Income diversification reduces the risk of my organization closing in case of withdrawal of donors					
Income diversification increases my organization's ability to fund its projects based on its own priorities					

➤ To what extent do you think income diversification affect financial sustainability of your organization?

Very great extent []

Great extent []

Moderate extent []

Little extent []

No extent []

➤ Which of the following sources do you get funds from?

Donors []

Business community []

Own business []

Others.....

Section V: Financial sustainability.

What is your level of agreement with the following statements relating to financial sustainability in local NGOs (1- strongly disagree, 2-Disagree, 3-Neutral, 4-Agree, 5- Strongly agree)?

	1	2	3	4	5
	strongly disagree	Disagree	Neutral	Agree	Strongly Agree.
My NGO has inadequate funding to implement their projects.					
My NGO has a high level of unnecessary expenses which are not provided in the annual budget.					
My NGO has a strategic plan on which its activities are based.					
What is the level of agreement that 'my firm is financially sustainable'?					

- Which of the following ratios do you mainly used to measure the financial sustainability of your organization?

Adequacy of resources ratio []

Self-Sufficiency ratio []

Revenue Source ratio []

THANK YOU!

Appendix 2 : List of NGOs in Samburu central.

No.	NAME OF THE ORGANIZATION.
1.	Advocacy and development initiative Kenya
2.	The Samburu project - Kenya
3.	Outreach mission team (OMT)
4.	Samburu children's Programme
5.	Find the cure Kenya
6.	International youth for change-east Africa
8.	Samburu community organization for development support
9.	Samburu integrated Programme
10.	Samburu pastoralists project disadvantaged children
11.	Samburu wings of mercy disabled childcare
12.	Self-initiative for development and improvement Programme (Sidai-p)
13.	Society for development international
14.	Centre for advocacy and gender equity

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Strathmore
UNIVERSITY
BUSINESS SCHOOL

Thursday, November 18th 2021

To whom it may concern

Academic Reference for Lekiyai, Nashupae Jelina- Student Number -110978

Strathmore University offers the Bachelor in Commerce degree program. In their 4th year of study, each degree student is required to work on a Management Research Project. The project involves reading literature that relates to the research topic; data collection and analysis and finally preparing a written document of the research findings and recommendations.

Nashupae is requesting to gather information to be used in her research. She is accountable for all information extracted from you and ensure that it will be used for research purpose only and will be kept confidential.

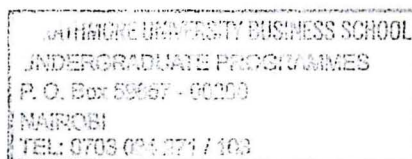
The research is entitled **“FACTORS INFLUENCING FIANCIAL SUSTAINABILITY OF NON-GOVERNMENTAL ORGANIZATIONS IN SAMBURU CENTRAL”**

We are looking forward for your co-operation and assistance to the above named student.

Any assistance accorded to her will be highly appreciated.

Yours faithfully,

Mary Weremba
Manager, Undergraduate Programmes
Strathmore Business School
Email: mweremba@strathmore.edu



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