

**THE EFFECTS OF FUNDING DIVERSIFICATION ON FINANCIAL
SUSTAINABILITY OF NON-GOVERNMENTAL ORGANIZATIONS IN
NAIROBI COUNTY**

APOLLONIA GRACE ACHIENG OCHIENG

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DECLARATION

This research project is my original work and has not been presented to any other examination body. No part of this research should be reproduced without my consent or that of University of Nairobi.

Sign:

Date:

Apollonia Grace Achieng Ochieng

This research project has been submitted for examination with my approval as the University supervisors

Sign:

Date:

Herick O. Ondigo

Lecturer

Department of Finance & Accounting

School of Business

University of Nairobi.

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DEDICATION

This research project is dedicated to my late mother Rose Oloo Ochieng for her love, support, and inspiration which have made me who I am today. There is no doubt in my mind that without her continued support and counsel I could not have attempted this process.

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LIST OF ACRONYMS AND ABBREVIATIONS

AED- Academy for Educational development

ANOVA- Analysis of variance

CBO - Community Based Organization

CBD - Central Business District

GOK- Government of Kenya

MANGO-Management Accounting for Non-Governmental Organizations

MDG- Millennium Development Goals

NGO - Non Governmental Organization

PBO - Public Benefit Organization

RBV - Resource- Based View

SPSS - Statistical Package for Social Sciences

USAID -United States Agency for International Development

ABSTRACT

The Non-Governmental Organization sector has been active in delivering important services both economically and socially in Kenya. This study focused on “determining the effect of funding diversification on the financial sustainability of NGOs in Nairobi County. The study has adopted a descriptive survey design and this research design was found productive technique for methodically gathering information from a wide range of people and instructive settings. The population of the study comprised of 150 NGOs that are duly registered by the National Council of NGOs and operating in Nairobi County and particularly, the heads of the involved organizations. The sample size was computed using the Yamane formula that gave a sample size of 109 samples. Data collected was purely primary and consisted data obtained from questionnaires and face-to-face interviews. Data analysis was carried out using Statistical Package for Social Sciences (SPSS) and the results were summarized by use of descriptive statistics such as frequency distributions, percentages, and standard deviation. The findings showed that expansion of subsidizing sources, faculty fitness, self-financing and key money related arranging all contributed generally to the budgetary supportability of the NGOs in Kenya. From regression test, diversification of funding sources, personnel competency, strategic financial planning and income from self-financing accounts for 49.3% of financial sustainability. Hypotheses were tested and all null hypotheses were rejected, showing that study variables influence financial sustainability. The study recommended that NGOs need to frame an expansive and brought together planning discussion, affiliation or gathering to speak to their advantage and agenda, to strengthen their organizational capacity. There is need to develop strong network for more fund raising and support”.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Financial sustainability for Non-governmental Organizations (NGOs) is continually becoming of interest to managers, beneficiaries, current and potential donors. There has been in the recent years a decline in the state of foreign funding or institutional funding. This coupled with the amendments to the Kenyan Public Benefit Organization (PBO) act, 2013 "that needed to restrict the measure of remote subsidizing to NGOs at 15% of their aggregate authoritative spending plan forces a strain to an officially troublesome circumstance". Increased reliance on donor funding from developing countries and experience 'Donor fatigue' in rich nations has increased talks on how NGO's can stand on their own two feet and become more financially sustainable in the long run. (Mango, 2015).

The NGO sector has been a star to particularly the neediest in delivering economic and social services to beneficiaries in most developing countries particularly to the neediest (Bozzo 2000). The greatest challenge that has been raised by nonprofit Organizations in developing countries is obtaining critical funds necessary in carrying out the necessary activities to fulfill their mission (Bowman 2011). Consequently, financial sustainability is of essence to any nonprofit organization.

Attaining truly 'sustainable' NGO is seen to involve multi sectorial challenges involving interior elements on reinforcing authoritative limit, and outer components on making a superior strong administrative environment and obtaining sources of funding for NGO initiative. As a matter of fact, Irish and Simon (2009)

emphasized that for an NGO to attain financial sustainability it must achieve organizational, self-governing capacity, furthermore, that a decent lawful system for NGO part is a crucial condition for both.

Guaranteeing general hierarchical manageability requires for more than simple funding supportability, the topic of how does the association create a steady wellspring of financing has been seen to be common and intriguing hindrances for NGO experts, finance raisers, finance mobilizers and arrangement producers in m locales on the planet. This concentrate consequently, tries to build up the impacts of subsidizing expansion on the monetary sustainability of NGOs in Nairobi County National Council of NGOs report (2014).

1.1.1 Funding Diversification

As indicated by Boas (2012) the expression "enhancement of wellsprings of financing" portrays different exercises that looks to minimize reliance on a; particular sort of wage, particular contributor or allow producer, commanding client, nation that is the main or significant subsidizing source and money in which most or all benefits are paid out ".

Boas (2012) facilitate states that, "NGOs that require diversifying of their funding sources and make their financing more dependable are required to choose whether they would like to attain this long haul objective just through; exercises concentrated on givers and allow creators, conceivably with negligible self-financing exercises or will they can likewise be interested in consider, beginning critical revenue driven exercises, perhaps sorted out in type of a social undertaking".

1.1.2 Financial Sustainability

Sustainability alludes to the "capacity of heads to keep up an association over the long haul (Renz, 2010). Financial manageability is the capacity to keep up monetary limit after some time (Bowman, 2011). Depending on the overall goal of an organization, revenue policies and business structure monetary manageability may fluctuate broadly between revenue driven associations and charities" (Renz, 2010).

In regard to Non-Governmental Organization (NGO), "money related supportability alludes to the capacity of NGOs to keep up an expanded asset base to enable continue with its institutional structure and creation of advantages for beneficiaries on the exit of donor financial support (Renz, 2010). An organisation is seen to be monetarily feasible if its real exercises are not influenced, regardless of the possibility that outer contributor financing is pulled back" (MANGO, 2015).

1.1.3 Effect of Funding Diversification on Financial Sustainability

“Ensuring that there is a balance between money related manageability and authoritative mission is a noteworthy test for generally charities. Assessing exercises and operations in light of non-productivity and mission affect, and additionally the cooperation between these two measurements, may permit charities to create key arrangements to oversee transient money related difficulties while keeping up long haul mission objectives. Non-Governmental Organizations(NGO) are private deliberate social occasion of individuals or affiliations not worked for advantage or for business purposes but rather rather those that have masterminded themselves locally or comprehensively for the advantage of the general population and

advancement of industry and supply of conveniences and administrations"
(MANGO,2015)

“Nonprofit organizations in developing world rely on various sets of funding sources to support their operations. Most not-for-profits get stores from sources (e.g. government trusts, establishments, and private contributors) and streams like gifts, contracts, and participation expenses (Connolly&York, 2002).Substantial reductions in such funds implies that these organizations ought to create or return to their gathering pledges arranges and subsidizing enhancement to bolster monetary maintainability”.

"Charities may wish to consider imaginative raising money strategies, for example, giving circles and creating associations with speculators, to address budgetary difficulties. To comprehend contrasts in elements identified with budgetary supportability between for-benefit and not-for-profit associations, it is critical to distinguish and comprehend the long haul objectives of the association. For example, a definitive key objective of revenue driven associations is to secure benefit and piece of the pie and increase the shareholders net worth, while philanthropies' budgetary results are only a way to achieving an association's social mission and optimizing the benefit provided to the beneficiaries” (Hackler & Saxton, 2007).

“A link exists between a philanthropic association's capacity to seek after its main goal (i.e., reducing the problems of beneficiaries) and its financial sustainability. Nonprofits may gain a large portion of their income from beneficent commitments or expense allocations and ought to however quantify productivity and adequacy of their

operations in their accomplishment of achieving their central goal, which is their fundamental vital objective. This, will thus, make open esteem" (Hackler and Saxton, 2007).

"Rather than revenue driven associations, charities are confronted with the test of adjusting the need of having finances to support their social activities over the long term with prioritizing social mission (Moore, 2000). For nonprofits, the donors are interested with the extreme objective to organize hierarchical arrangements that distinguish chances to oversee transient money related flux while gaining ground toward meeting long haul social and budgetary targets".

1.1.4 NGO's in Nairobi

The NGOs in this county are involved in various projects that are gone for enhancing the lives of the people in Nairobi County and further to the attainment of vision 2030 of improving the lives of Kenyans and standards of living through empowerment and self-sustainability promotion, good health and good infrastructure. Currently, "the NGOS Council membership has risen to over 8500 NGOs. Some of these NGOs are network organizations while others are individual NGOs. As of now there are numerous national, territorial and worldwide NGOs in Kenya. The NGO's focus on issues related to gender, human rights, renewable energy, water hygiene and sanitation, environment, advocacy, participatory development and agriculture amongst others. The organizations have further been helping with fortifying the common society through arrangement of data and instruction to people in general on different issues, for example, biogas, safi latrines, ways of reducing outside defecations, HIV and Aids, Tuberculosis and legal rights".

According to Government of Kenya, sessional paper 1 (2006) “NGOs are involved in all the aspects of life. Since early 1980s an increase in NGO activities has been seen as there was a period which they changed in a few ways. Center was moved from worries on help and shifted to development issues. They expanded their support in financial exercises. The scope of exercises which they included themselves incorporate divisions, for example, renewable vitality, environment, essential medicinal services, sustenance, instruction, maternal and child healthcare, monitoring and evaluation, and capacity building. The administration of Kenya and improvement accomplices perceives the part of NGOs as specialists of advancement and positive change”.

However, Non-Governmental Organizations (NGOs) have been faced with closure due to lack of funding which has always resulted in layoffs and restructuring. The major reason for this would be the fact that funding is provided for a certain objective and once this objective is met then there’s need to close down the organization as donors are no longer willing and able to fund the organization’s activities (NGO Coordination Board, 2014). There has also been a strain in funding as a result of reduction in institutional funding which enabled nongovernmental organizations to cover almost 100% of their overhead costs and implement activities.

On October 30, 2013 the Attorney General’s office distributed in the official gazette the miscellaneous PBO Amendment Bill of 2013,"which would have sliced remote subsidizing for NGO's in Kenya. It expressed that 'an open advantage association should not get more than 15 percent of its aggregate subsidizing from outer

benefactors unless generally affirmed by the priest of fund' (Ndanyi 2014). The law also sought to stop donors from funding NGOs directly, due to insecurity issues driving them rather to channel the assets through another Public Benefits Organizations alliance".

The proposed law caused a panic in NGO's as most of the NGO's funding are from foreign donors. Although the law was rejected in parliament in 2013, it left NGOs thinking about their financial sustainability and over reliance on external international funding (Kisinga 2014). It is a fact that the only way that NGO's can avoid closure due to donor pull out is by looking for other sources of funds, in other words funds diversification to ensure their financial sustainability.

1.2 Research Problem

As an aftereffect of the "adjustments in the subsidizing atmosphere and the monetary difficulties confronted by not-for-profit organizations in these harsh economic times, nonprofits have started considering formal collaborations and income generating projects in order to react to the adjustment in the asset atmosphere and reduce rivalry for subsidizing sources (Connolly and York, 2008). The event of this is a consequence of not-for-profit pioneers looking for each other to investigate potential associations, furthermore benefactors themselves attempting to boost affect with constrained assets (Renz et al., 2010). In a review of 800 philanthropies toward the end of 2008 conveyed by Renz (2010), 75 percent of foundations reported feeling the effects of the downturn, with 52 percent starting now experiencing cuts in financing".

This is an unmistakable sign that "philanthropic associations are battling fiscally, especially those that depend on government subsidizing (there have been 61 percent of reported cuts in government financing), and those that rely on upon foundations for cash related duties (with 48 percent reported cuts in subsidizing). In light of the gigantic reductions in assets with continuous subsidences and declines in gifts and giving, recognizing promising procedures to manage philanthropies is important to keep away from decreases in group based administrations (Besel, Williams, and Klak, 2011). In Kenya, most NGO's rely on upon single wellspring of subsidizing which is to a great extent outside; some of them fall as a consequence of next to zero financing and suspension of giver money related support. This for the most part happens to the detriment of the financial missions of the NGO's NGOs are centered around, therefore underscoring the need of NGOs to end up monetarily manageable" (Kisinga 2014).

As indicated by Boas (2012) the expression "expansion of wellsprings of subsidizing depicts various exercises that empower the lessening of reliance on ; particular sort of wage, particular giver or concede creator, ruling client, nation that is the primary or guideline wellspring of financing and trade out which most or all advantages are paid out. Boas (2012) continues saying that, NGOs that might want to increase their wellsprings of subsidizing and make their subsidizing more solid need to settle on an intense choice concerning whether they need to accomplish this long haul objective just through; activities concentrated on contributors and allow s, possibly with minor self-financing practices or will similarly be occupied with consider, beginning - benefit exercises, that might be composed as social projects or self improvement gatherings".

Budgetary maintainability is the capacity of NGOs to think of a differing assets base in order to have the capacity to proceed with its institutional structure and generation of advantages for proposed customer populace after the suspension of financing from givers. "This turns into a critical issue to NGOs for steadiness and upgrade of development. It might require advancement of expanding asset bases for NGOs in the situation to such an extent that it can proceed with its institutional structure and helping recipients upon the end of giver subsidizing. In any case, NGOs have been closure their operations when subsidizing stops.

"AED broken down 3 months after the United States Agency for International Development (USAID) still their subsidizing in 2010 as it was impossible to keep on supporting the operations of the NGO and the NGO did not have other sources of funds. The closure of AED in the NGO sector due to its size and years of operation. In the Kenyan situation, the quantity of NGOs has been relentlessly expanding yearly to the current 7082 enlisted NGOs with a large portion of them relying upon remote gifts".

Funds diversification is usually a topic that will be defined during strategic financial planning. NGOs that "need to enhance their wellsprings of subsidizing and make their financing more solid need to settle on a choice in the matter of whether they need to accomplish this long haul objective just through; activities concentrated on contributors and give producers, conceivably with minor self-financing exercises or additionally be interested in consider, beginning noteworthy revenue driven exercises, perhaps composed in type of a social enterprise. In the Kenyan situation, the quantity of NGOs has been relentlessly expanding yearly to the current 8500 enlisted NGOs

with a large portion of them relying upon remote gifts". This study therefore sought to answer the question; what are the effects of funding diversification on financial sustainability of NGO's in Nairobi County?

1.3 Research Objective

To establish the effects of funding diversification on the financial sustainability of NGOs in Nairobi County.

1.4 Value of the Study

The research outcomes would be of value to the Non-governmental Organizations in helping them plan for financial sustainability and ensure they are able to meet financial needs of their organizations, reduce chances of closure and donor dependence ensuring continuity of service provision to their beneficiaries.

It will further assist the Government of Kenya (GOK) in "detailing viable strategies on issues relating to the NGOs funds; this will add to the acknowledgment of the MDGs and vision 2030 with its destinations of easing neediness and improving fair monetary advancement".

At last, "the study discoveries would be of esteem to the academicians and different specialists as it would give the construct to further research with respect to the impacts of funding diversification on financial sustainability of NGOs".

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter covers literature review on the effects of funding diversification on financial sustainability of NGOs. Utilizing a mix of scholarly web search tools and the more extensive Web, the analyst directs an orderly writing audit on money related supportability for philanthropic associations, with a highlight on urban and lower-resourced affiliations. This study is not proposed to be exhaustive graph of the writing on impacts of money related maintainability on NGO's at the same time, rather, to recognize and talk about significant subjects and discoveries that may advise operations and basic leadership identified with enhancing monetary supportability in philanthropic associations in Nairobi County.

2.2 Theoretical Review

Theories provide a means for identifying and defining applied problems. Here the study looks at how different theories address the issue on effect of funding diversification on financial sustainability of NGO's in Nairobi County.

2.2.1 Resource Based View Theory

The Resource Based View (RBV) theory gives the hypothetical supporting to this study. The asset based view (RBV) as an explanation behind the high ground of a firm lies in a general sense in the use of a load of gainful unmistakable or unimportant resources at the organization's exchange (Wernerfelt, *et al* 1984). A key component of the RBV is that resources, including funds, human resources, are created and developed in a causally ambiguous way (Barney, 1991). The RBV theory is based on

the organizations' inside qualities that clarifies an organizations' heterogeneity in its procedures and execution.

Barney (1995) fights that "assets, for instance, capital, equipment, and the capacities of individual delegates, licenses, back, and able administrators frame the vital contributions to a company's creation procedure". Besides, the asset construct view is situated in light of 'the viewpoint that a company's interior surroundings', with reference to its assets and abilities, is more important in deciding vital activities as thought about to the outer environment (Camisón, 2005). "

"The business procedure chose ought to permit the organizations to best adproject its real abilities when contrasted with circumstances in the outside environment (Robert, 2008). This hypothesis is appropriate for looking at the impacts of subsidizing broadening on budgetary supportability of the NGOs and will, be embraced in this exploration as it spotlights on the organizations' inward surroundings. The earth for this situation is the capacity of NGOs to have different sources of funding and ability to have competent staff and preparation of financial strategic plans" (Robert, 2008).

2.2.2 Agency Theory

An agency relationship as defined by Jensen and Meckling (1976) is "an agreement under which at least one people (the principal(s)) utilize someone else (the specialist) to give some administration for their benefit under which the agent is delegated with some decision making authority". Agency theories arises when there is distinction between the owners (shareholders) of an organization designated as 'the principals' and the people hired to manage the organization called 'the agent'. Agency theory

argues that the agent pursues a different goal from that of the owners and hence there's a conflict. It is assumed that the owners of the organization suffer a loss referred to as the agency loss, which results in a lower return on their investment since they do not directly manage the operations of the organization. A substantial portion of the return that the Principles would have got if they were directly managing the Organization goes to the agent.

Consequently, the agency theory suggests financial rewards that can help reduce the agency problem by offering incentives to the executives so as to maximize the owners profit (Eisenhardt, 1989). Organizations developed from the perspective of the agency theory tend to exercise strict control, supervision and monitoring of the performance of the agent in order to protect the interest of the principals. Aboard of directors are vigorously convoluted in most of the managerial result creation procedure, and is accountable to the shareholders. Nonprofit organization that operates through the lens of agency theories will show a hands-on management approach on behalf of the stakeholders; this is very instrumental in ensuring financial sustainability of NGOs.

2.2.3 Resource – Dependence Theories

Resource-dependence theories argue that a board is in place to provide resources to executives as a way of assisting the executives attain organizational goals (Hillman, Cannella&Paetzold 2000). A resource-dependence theory advises on the involvement by the board while encouraging the strong financial, human and intangible supports to the organization.

For example, professional members can use their expertise to train and mentor executives to improve organizational financial sustainability. Board members could further tap into their networks support to attract resources to the organization. A resource-dependence theory advocates that a majority of the decisions be made by the executives and some approval by the board. As a result board members have time to strategize on ways of ensuring financial sustainability of the organization.

2.3 Determinants of Funding Diversification on Financial Sustainability of NGOs

"Non-Governmental Organizations are considered as monetary foundations despite the way that they are apparently non-advantage making associations. This view is maintained by the way that they remove cash to look for after their objectives from uncommon resources had by the general public, for example, land, work and HR. Given their expenses of operation versus the rare assets available to them, the NGOs frequently draw in the groups in the zones they are attempting to volunteer their administrations and different commitments as they see fitting in accomplishing their central goal" (Boas 2012).

In numerous NGOs, "the income structure has been one-sided in a conventional angle; be that as it may, there is a developing need to expand the income base to maintain their operations". It is therefore, believed that there are factors that influence funding diversification of NGOs, some are discussed below.

2.3.1 Diversifying Sources of Funding

As indicated by Boas (2012) the expression "enhancement of wellsprings of financing" portrays various exercises that endeavor to decrease the reliance on a; particular kind

of wage, particular benefactor or concede creator, commanding client, nation that is the essential or standard wellspring of supporting and coin in which most or all advantages are paid out. Boas (2012) keeps saying that, NGOs that need to broaden their wellsprings of subsidizing and make their financing more solid need to settle on a choice in the matter of whether they need accomplish this long haul objective just through; activities concentrated on benefactors and allow creators, conceivably, beginning noteworthy revenue driven exercises, potentially composed in type of a social project".

"The creator additionally accentuates that association that concentrations their exercises on benefactors and allow producers will attempt to: enhance universal wellsprings of subsidizing, differentiate among national wellsprings of financing, discover givers and give producers that have the notoriety to be solid and discover givers and concede creators that add to overhead expenses and start-up expenses". Alymkulova and Seipulnik (2005) concurred with Boas that differentiating salary sources is the most.

Alymkulova and Seipulnik (2005) likewise call attention to that "a practical way to deal with NGO financing is maintaining a strategic distance from reliance on any single wellspring of income. There is a test in deciding the rates that ought to be gotten from different sources in order to have the ideal blend. Notwithstanding, a harmony amongst remotely and inside created assets ought to be kept up to empower an association meet its operational and managerial costs guaranteeing that the opportunity to decide its program needs and tasks, regardless of contributor inclinations is kept up" (Alymkulova and Seipulnik, 2005).

For the most part, Mulroy (2003) states that "NGOs can gain advantages for run their exercises through three channels: Intrigue untouchables, who give for the NGOs thusly, primarily for the individual satisfaction from doing awesome (honors and endowments); Recipients of the NGOs programs, who respect their venture more than the (cost recuperation); and Disconnected outsiders, who will pay the NGO as a byproduct of objects of significant worth that can make or accomplish for them (business wanders). All types of gifts and gifts are classified as "Outer" financing sources, while cost recuperation strategies and business endeavors are arranged as "inside" subsidizing sources".

"So also, confirmation was likewise given by Bennett and Savani (2011) that credibility examination of potential sponsoring sources utilizing these basic elements differs starting with one NGO then onto the next relying upon NGO's lawful, hierarchical and operational attributes. However, Moore (2000) said that encounters of NGOs in numerous nations around the globe recommend that worldwide subsidizing is in decrease and accordingly can't be depended upon for long haul money related maintainability. Then again, levels of residential assets and self-financing give off an impression of being expanding and are along these lines more solid parts in long haul maintainability methodology".

2.3.2 Competency of Personnel

Competency shows the plenitude of information and aptitudes that empower somebody to perform "sufficiently in an employment this can be obtained through studies or working foundation" (Bennett & Savani, 2011). It is critical to accomplish "an elegant level of budgetary practicality which requires more than basically

securing stores from separated sources also prepared staff". Knowing how to administer resources is likewise as basic to finishing cash related viability as having the know-how of making pay (Kirk and Nolan 2010). Gainful techniques for association and records are spoken to by a movement of institutional systems that help affiliations profit by our advantages and certification straightforwardness in money related organization. Moreover, the procedures ought to enable the foreknowledge of the affiliation's cash related standing and, finally, settle on reasonable decisions in an ideal way (Bennett & Savani 2011).

Staff skills assume significant part as a rule administration and administration of the association exercises. In spite of this fixation on the character and abilities of faculty, numerous scientists and reporters contend that you can't comprehend the dynamic part of a director unless you see it with regards to their association with other work force (partners, subordinates, or colleagues). Such character can assume a significant part in fortifying the capacities of individual work force, affecting conduct of other faculty, and building inner frameworks and structures that demonstration to improve the status of those they see assuming an initiative part (Howell and Shamir, 2005). The accomplishment of most chiefs is resolved to a limited extent by the assets, vitality, mastery and learning that different representatives can summon in an association. Authoritative initiative can endeavor to control or control them through dread or pressure, yet as a general rule, they need to work with rest of staff or associates in a populist and co-agent way (Mulroy 2003).

2.3.3 Strategic Financial Planning

As indicated by Bawl (2010), "the nonappearance of key arranging is a piece of the difficulties confronted in the NGO division. A couple no. of NGOs have key arrangements which would empower them have responsibility for mission, qualities and exercises. The absence of vital objectives abandons them defenseless against the impulses of benefactors and makes it hard to gauge their effect after some time". Most not-for-profit relationship in low resourced domains have obliged capacity to do formal appraisals inside a psyche bogging environment. Much of the time, little charities can't manage the cost of sufficient innovation to track administrations, keep up money related information, and augment other data innovation administrations.

"Since data frameworks are auxiliary to mission, little philanthropies don't give them the need expected to adequately create devices that can help organization exercises (Schneider, 2003) and frequently pick constrained mechanized frameworks to fit spending plans and office learning, and they require preparing to utilize frameworks successfully (Stoecker and Stuber, 1997; Fasano and Shapiro, 1991;Berlinger and Te'eni, 1999). Despite the way this modernized fragment, this by definition restrains the point of confinement of different not-income driven relationship to direct formal assessments, causes affectability toward individuals concentrating on alliance association, it winds up being significantly more key in low-wage minority clusters since it is further exacerbated by longstanding abberations of planning, pay, and opportunity that social affair individuals beginning now stand up to" (Schneider, 2003).

"In these conditions, charitable affiliations ought to pick and enhance assets and systems that work around purpose of restriction challenges. For example, teaming up with school based specialists to make evaluation endeavors can help in measuring comes to fruition (Mulroy, 2003). In one important examination of a benevolent association serving a low-pay total, the meander official made association with school based scientists who outlined out and understand a case consider, made new neighborhood-level instruments, and arranged a four-wave quantitative study with the objective of flowing preparatory results (Mulroy, 2003). Develop capacity to direct evaluations through joint endeavors. For not-for-benefits that in a general sense focus on giving stock and undertakings, allocating obliged resources toward assessment endeavors can understand an indispensable prepare on general operations and the capacity to give associations".

In spite of this limitation, insight and giving results is major in basic engineering and offering a clarification to funders and addressing bodies. Philanthropies in low-resourced spaces could consider having shared affiliations that effect the frameworks and limit of substances that have the wellness sets, information, and focal points for lead quality appraisal tries (Zimmerman& Stevens, 2006; Mulroy, 2003). Then again Kirk and Nolan (2010) prescribes that, "threats of reliance on outside sponsoring sources and streams fights that rather than for-advantage unsurprising collaboration and duty, making and bestowing a key game plan to plot the piece of gathering advisors and how best to meld their bearing may make trust and a sense obligation regarding among board people and, thus, the group on the loose. Notwithstanding, not-for-profits are contrarily impacted by intense financial times, maybe more so than

revenue driven associations, as a result of their reliance on gathering pledges and humanitarian giving" (Besel, *et al* 2011).

2.3.4 Percentage of Income from Self-financing

As indicated by Moore (2000), possess salary era is one path for an association to enhance its wellsprings of income. The association can be included in salary producing exercises through the offer of good or potentially benefits. Numerous associations offer items or administrations as a method for creating and enhancing their wellsprings of salary. This can be in straightforward courses, for example, offer of limited time things or mind boggling as offering proficient counseling administrations which the NGO has specialized skill.

~The most straightforward way would be immediate deals to companions and associates however this won't not produce as much salary as required. A more muddled strategy includes the mass dispersion in business deals regions, and additionally publicizing in the press (Zimmermann, Jo and Bonni 2006).Income era can be through building up organizations identified with a particular mission. It includes building up revenue driven companies in which the association has full or part possession (McDonald 2007). It as a rule happens when a non-benefit association distinguishes a business opportunity and, in the meantime, perceives the presence of different variables helpful for making a different element instead of dealing with the activity at the program or project level.

As indicated by Rasler (2007) salary era through money related administration is the suitable, key administration of an association's benefits (resources perhaps ledgers,

property, and so on.) keeping in mind the end goal to boost their monetary potential. For example, property not being used might be leased, abundance money can be put into financial balances to create enthusiasm until the favorable circumstances are required, or unused resources which hold some market respect can be sold. In any case, non-advantage affiliations undertaking any of these techniques ought to audit existing law since each of their nations to confirm that there are no legitimate obstructions. For instance, in Peru, establishments may not offer any advantage without a unique allow which sets aside a long opportunity to acquire (McDonald 2007). Benefactor strategies as for monetary administration are another range that must be gotten some information about. For instance, the United States Agency for International Development (USAID) requires that any premium made through cash related association be totally reinvested in the same (Renz 2010).

Whinny (2010) affirms that "cause-related showcasing is the most widely recognized term for the cooperation with companies. Now and then supports got are a rate of offers; in different occasions, they may be a particular sum; and different times the foundation gets a blend of both (Whinny 2010).Through this sort of collusion non-benefit establishments decrease the monetary dangers however its open picture is in question. In the event that the organization has a terrible open notoriety, it is practically sure that people in general picture of the foundation will endure an antagonistic effect".

2.4 Empirical Review

Achie&Mulroy (2010) argue that NGOs are communicating trouble in finding adequate, suitable and nonstop subsidizing for their exercises. Surveying contributors

has getting to be as trying as managing subsidizing conditions. It is perceived that there is donor fatigue and donors are no longer interested in institutional funding.

Szentendre (2007) reported definitive confirmation on the battle of Focal and East Europe NGOs for manageable financing. The confirmation gave demonstrates that almost 75 percent of NGOs reviewed surveyed their money related status as either poor, or exceptionally poor or insecure. It additionally demonstrated that monetary support from worldwide contributors represents the biggest wellspring of NGO financing in that area when contrasted and bolster from national private gifts, participation levy, legislative gives and administration expenses. Comparative confirmation was likewise recorded for NGOs in number of African nations (Gun (2009) and Rabbit (2006)).

As indicated by Lekorwe (2007), absence of very much prepared and experienced HR confines the degree to which nearby NGOs can deal with their day by day undertakings and their ability to adequately arrange, evaluate, execute, and screen their recommendations and projects. Lekorwe keeps up that most educated and experienced volunteers don't ordinarily give satisfactory support to NGOs exercises incompletely as a result of the restricted time they need to render their administrations. (Ibrahim and Muhtesem,2006) set up that not everybody who works for a NGO is a volunteer as there are paid staff who are generally paid a lower rate when contrasted with their partners in the business sector. Staff turn-over is high in neighborhood NGOs and they may keep up nature of preparing or absence of significance appended to preparing nearby NGO specialists adding to the associations' failure to raise stores. Ranking staff are along these lines left with the errand of settling on approach choices with next to zero proposal from board individuals

(Mukasa, 2006). . Most non-benefits are represented without anyone else's input propagating, to a great extent self-naming sheets of executives.

The NGOs have a tendency to shift interventions to match the donors' requirements due to the high dependency on donors. (Boaz 2012) The optimal way for nonprofit organizations to counter the dependence on outside subsidizing is to be creative with their fund raising techniques and come up with proposals that are unique and are effective and efficient to the donor. An example would be giving circles in the budgetary reasonability of charitable associations which includes gatherings of people pooling their assets and after that choosing together which undertakings to put resources into. They assist incorporate expanding individuals' mindfulness on altruistic procedures and group issues. (Eikenberry,2008).

Seipulnik (2005) concurs with Boas (2012) that the mainstream financing methodology for NGOs is broadening their wellsprings of salary/subsidizing. Alymkulova and Seipulnik (2005) additionally call attention to that an NGO should avoid dependency on single sourcing of funds which is a sustainable approach to NGO financing. The challenge however comes in determining the rates that should be gotten from different sources of financing so as to have an optimum mix. This is important in ensuring that the NGO is able to meet its working and regulatory costs while keeping up its program needs and projects, independent of giver inclinations (Alymkulova&Seipulnik, 2005).

Most local NGOs rely on upon intentional staff to run their exercises and programs and for the most part don't have control over the way of work they get. Their staffing

levels are managed by the people who volunteer their organizations. A segment of the staff used to run the issues of close-by NGOs are not all around arranged to sufficiently total their commitments. According to Kairaria (2010) who conducted a study on factors affecting financial sustainability of income generating projects of non-governmental organizations in Kenya: a study of Compassion International Kenya concluded that compassion international income generating activity projects were very necessary for NGOs survival. The research findings were that the compassion assisted project did not value the project conceptualization financial systems and funding aspects in their IGA projects hence making them unsustainable. It was recommended that the compassion international assisted projects be facilitated to consider project conceptualization, financial systems and funding aspects to ensure their income generating activity sustainability. The gap identified in this study is that the researcher focused on income generating activities and checking their financial sustainability and not on the NGO as a whole.

In a study by Ibrahim (2012) on elements affecting manageable subsidizing for Non-Governmental Organizations in Kenya, the disappointment of NGOs to maintain their work comes from numerous insufficiencies and that an absence of money related assets adds to their collapse. The study findings were based on the fact that donor relationship management and strategic financial management are influential in financial sustainability of non-governmental followed by funding diversification and finally own income generation was the least contributor to financial sustainability of nongovernmental organizations.

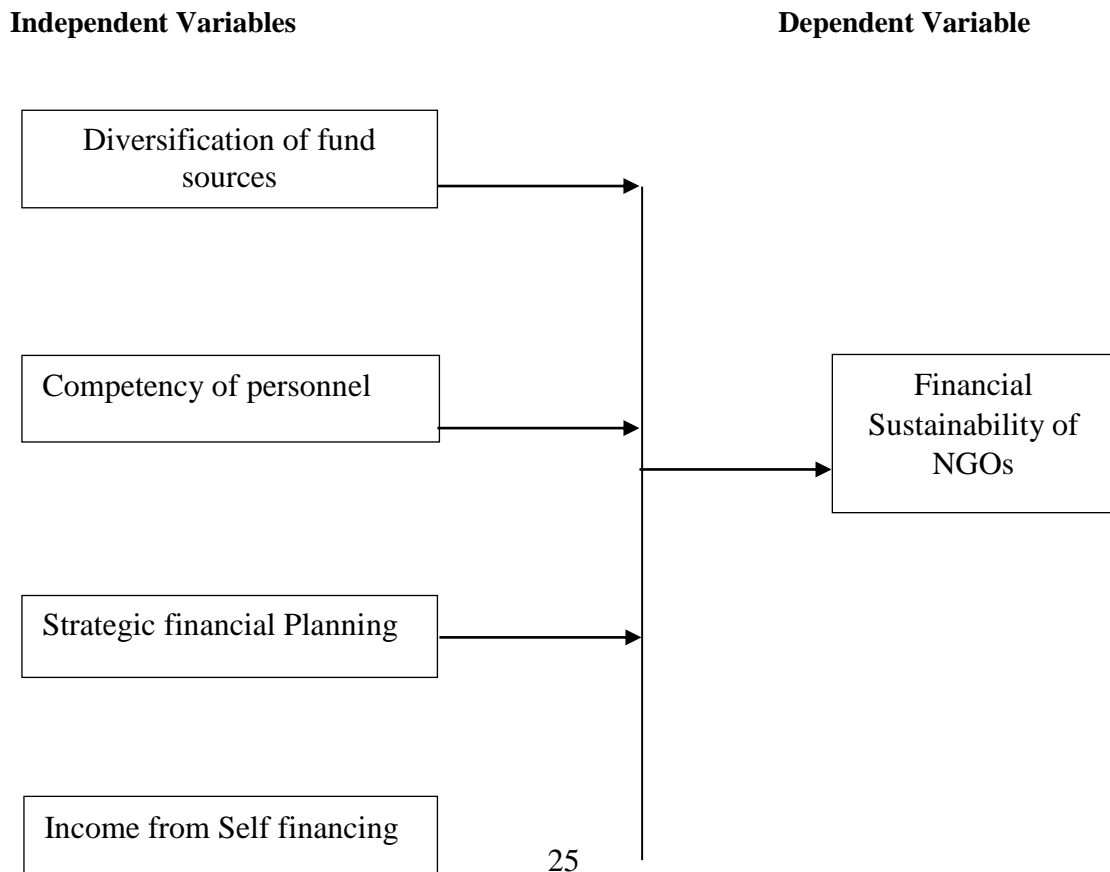
More so Karanja and Kirimi (2014) conducted a study on factors influencing financial sustainability of NGO's in Isiolo County, Kenya. Their study components affecting

supportable subsidizing for Non- Governmental Organizations in Kenya, the disappointment of NGOs to manage their work originates from numerous deficiencies and that an absence of money related assets adds to their death. The Researchers primarily look at the relationship between government legislations and how they affect financial sustainability of NGO's.

2.5 Conceptual Framework

According to Mugenda and Mugenda, (2003), calculated structure includes framing thoughts regarding connections between factors in the study and demonstrating these connections diagrammatically. The conceptual framework below (fig. 2.1) has been developed to show the relationship between the independent and dependent variables in this study.

Figure 2.1- Conceptual Framework





Source: Researcher

2.6 Hypotheses of the Study

The hypotheses underlying this study will be as follows;

H0₁: Diversification of funding sources has no effects on financial sustainability of NGOs in Kenya

H0₂: Competency of personnel has no significant effect on financial sustainability of NGOs in Kenya

H0₃: Strategic financial planning does not influence financial sustainability of NGOs in Kenya

H0₄: Income from self-financing does not influence financial sustainability of NGOs in Kenya

2.7 Summary of the Literature Review

The survey of the current writing uncovers that "there is restricted writing on impacts of subsidizing expansion on monetary maintainability both in the low and high essential for assets NGOs. Observationally, most research studies on helpful affiliations concentrate on the delayed consequences of endeavors (that is, whether they are working or working), limit building and government inclusions as opposed to on hierarchical procedures and variables affecting authoritative effect. The vast majority of the inquires about led on money related manageability of NGOs have been facilitated in India, South Africa and United States of America. The conditions in those areas may not be the same as in Kenya. Considers on Governance and

Financial Sustainability have been composed in South Africa and India. The conditions in these nations move and are not the same, running from complexities in budgetary conditions to political security". Non-Administrative Associations in this manner need to do their best to broaden their wellsprings of subsidizing in their offer to end up more autonomous, and in addition to augment and develop their body electorate to have the capacity to utilize their enrollment charges and in addition participation for willful errands.

To the analyst's information, at the season of the concentrate, no neighborhood or universal studies had ever centered around the strategic responses adapted by NGO's in Kenya to the shorter life spans and looking at degree of funding diversification in terms of; total numbers of donors, ratio of international to local donors, percentage of income coming from self-financing, number of donors that have funded new projects when the old one was finished, organizational values as some organizations it may be against their value to sell products/services at a profit, take donations from corporations, diversify national sources of financing, find donors that have reputations of being reliable, find donors that contribute more funding.

A significant gap in knowledge has to be bridged as NGOs assume a vital part in the provision of social developments, health and education in Kenya. It is in this light the scientist planned to fill the current crevice via doing an examination concerning the impacts of subsidizing expansion on monetary maintainability of NGO's in Kenya.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter focuses on the methodology that was used such as; the research design, study population, sampling size and sampling procedures, data collection instruments, methods used in the analysis of data.

3.2 Research Design

The study adopted a descriptive survey design. It was a quantitative on one part because empirical data was used to determine correlation coefficient between variables and perform non-parametric tests on study variable. Survey design is more fitting as it empowers respondents to give their pertinent data on the issues important to the study, (Cooper and Schindler, 2003). This research design was discovered productive system for effectively assembling data from an extensive variety of individuals and informative settings. Other research designs were omitted because they were not suitable for this study. The data was collected, analysed and finally presented in tables, charts and in form of short paragraphs explaining the findings.

3.3 Study Population

A populace in measurements is the particular populace about which data is expected. As per Mugenda and Mugenda (2003), " an especially described arrangement of people, organizations, segments, and events, social affair of things or families that are being researched is a populace". The objective populace of this study covered 150 NGOs that are duly registered by the National Council of NGOs and operating in

Nairobi County. Particularly, the heads of the NGOs was the target population. "This populace was picked in light of the fact that it was exceedingly open given that most have their workplaces in Nairobi (CBD) and its environs" indicated in appendix III.

3.4 Sampling

"The point behind sampling is to secure an agent gathering which engaged the examiner to get information around a whole people when resisted with imprisonments of time, assets and centrality. Since the target masses of this study involved dynamic and enrolled NGOs in the range inspecting was utilized. The NGOs working in Nairobi are given in the examining outline in Addendum III. The specimen size was prepared using the disentangled condition passed on by Yamane (1967) for degrees where assurance level is 95% and $P \geq 0.5$ are assumed".

$$n = \frac{N}{1 + Ne^2}$$

Where: n = required sample size

N = Population

e^2 = error limit

Placing the formula for the current population gave a sample size of:

$$\begin{aligned} \text{Sample size (n)} &= \frac{150}{1 + 150 * 0.05^2} \\ &= \frac{150}{1.375} = 109 \end{aligned}$$

In this case a sample size of 109 directors representing their organizations was subjected to the study. Simple random sampling technique was employed to select

directors who participated in the study. Straightforward irregular inspecting is the most by and large used probability testing strategy, apparently in light of the way that it is definitely not hard to complete and easy to explore. It is a method for selecting a social occasion of subjects (a case) for study from a greater get-together or a masses (Cooper and Schindler, 2003). Each individual is picked by and large by shot and each person from the people has an equal probability of being joined into the example. Each possible case of a given size has a comparative shot of decision.

3.5 Data Collection

The researcher collected primary data that consisted data obtained from questionnaires and face-to-face interviews. For quantitative data, a structured questionnaire with open and closed ended questions was developed to sought information as a quantitative tool from the employees. Through the structured questionnaire the researcher was able to contact the individuals rapidly, effectively and productively.

Questionnaires were generally brisk and simple to get ready code and translate (particularly in the case of closed questions). For qualitative, the researcher organized and facilitated in-depth interviews since they could help investigate complex conduct, find how distinctive gatherings ponder the study theme and why they hold certain suppositions and to recommend potential answers for issues recognized. Questionnaires and interview guides were pre-tested for validity and reliability before distribution to respondents.

In order to legitimize the study, permission was sought from the participating NGOs and University of Nairobi. The questionnaires, in terms of sampling validity, was designed to adequately to represent the properties being measured as argued by Nachmias (1996), and was dispatched to the respondents within a reasonable and acceptable time frame of one month. Ethically, assurance was given to the respondents pertaining to the classification and namelessness of their reactions and participation respectively. The researcher's contacts were also furnished to the respondents for ease of communication.

3.5.1 Reliability and Validity of Instruments

As indicated by Nachimias (1996), "Reliability alludes to consistency of a measuring instrument that is the degree to which a measuring instrument contains variable mistake. In this study, Cronbach's Alpha was utilized to test consistency of the instrument whereby the estimation of coefficient Alpha can run from zero (no inward consistency) to one (complete inside consistency)". For data instrument to be regarded reliable, it had to produce Cronbach's Alpha coefficient of 0.7 and above.

On the other hand, Nachmias (1996) alludes to validity as "how much a measuring instrument measures what it should quantify". Some questions could cause problems and questionnaire testing was necessary to identify and eliminate these problems. To identify and to eliminate such problems, a pilot study was given to knowledgeable respondents in the field to test the questions for relevance, comprehension, meaning and clarity. The unclear statements, questions or indicators were modified to adequately represent the property being measured. To do so, the researcher sought assistance from experienced lecturers to help improve the validity of the instrument.

3.6 Data Analysis

Data analysis technique that was used is the Ordinary Least Square to estimate a multiple regression equation. Both qualitative and quantitative data were obtained because of the nature of the study. This study involved the use of narrative analysis procedures in the qualitative data. Data analysis was carried out using Statistical Package for Social Sciences (SPSS) version 18.0, analytical tool. Firstly, data was coded to facilitate computer input. Then, the data were summarized by use of descriptive statistics such as frequency distributions, percentages, and standard deviation. Data was presented in the form of frequency tables and bar graph in appendices. A test of Multicollinearity was also conducted using the Pearson correlation analysis to check whether there was correlation between variables.

3.6.1 Analytical Model

Theoretical models are used in research to demonstrate functional relationship that exists (if they do) among variables. Specifically, these models enable the researcher to statistically determine the contribution made by the independent variable on the dependent variable. This study adopted a linear regression analysis and a multiple regression equation as follow:

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

Where;

Y is the variable (Financial sustainability) as measured by

β_0 is the regression constant,

$\beta_1, \beta_2, \beta_3$ and β_4 are the coefficients of independent variables,

X_1 is funding diversification sources,

X_2 is competence of personnel,

X_3 is strategic financial planning,

X_4 is percentage of income from self-financing;

ε is the standard error

3.6.2 Variables measurements

This section deals with how the key outcome and predictor variables will be measured in this study. The key predictor variables are: funding diversification, personnel competency, strategic financial planning and income from self-finances. The critical outcome variable is financial sustainability showed by surplus or profits. Table 3.1 below shows the variables used their corresponding symbols, and how they will be measured.

Table 3.1 Variables in the model, their symbols and measurement

Variable	Symbol	Type of data	Measurement
Financial sustainability	Y	Level of reserve funds and sources of emergency funding Surplus funds or profits/returns	Ordinal scale, 1-5
Funding Diversification	X ₁	Current sources and structure of funding.	Ordinal scale, 1-5
Personnel Competency	X ₂	Knowledge, skills and experience in financial management.	Ordinal scale, 1-5
Strategic Financial planning	X ₃	Surplus/deficit of mission-driven programs achieved during last year.	Ordinal scale, 1-5
Percentage of income from self-financing	X ₄	Currently running income generation projects Income statements	Ordinal scale, 1-5 Financial figures in Kshs.

3.6.3 Test of Significance

To test the significance of study used the ANOVA method. ANOVA means analysis of variance. This measured the impact of funding diversification on financial sustainability of NGO's in Nairobi County. The Researcher grouped the sample into two groups and determined the sum of squares within the groups. The Researcher further determined the mean and compute F ratio and see if it falls within the degrees of freedom of the null hypothesis.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND INTERPRETATIONS

4.1 Introduction

This part shows the investigation and the consequences of the study. The examination depended on the information gathered by utilization of polls which were controlled to the chiefs of the inspected NGOs. The data exhibited depends on the objectives of the study.

4.2 Summary of the Response

The researcher issued 109 questionnaires for data collection, however, out of the total questionnaires issued 98 (90%) were returned, while 11(10%) were not returned. The data analysis was thus based on the returned instruments, as shown in Table 4.1 below.

Table 4.1– Response rate

Category/variable	frequency	percentages
Responded questionnaires	98	90%
Non responded questionnaires	11	10%
Total	109	100%

Source: Research Findings

4.3 Data Reliability and Validity

To establish reliability of the instrument, pilot test was carried out by obtaining data from five NGOs. Using Cronbach alpha test, summary of the scores of all independent variables were carried out and the results showing Cronbach's Alpha coefficients. The results showed that all the Cronbach's Alpha values were above 0.7,

and therefore, the data collection instrument was reliable and acceptable for use in this study.

Table 4.2 - Summary of Cronbach's Alpha Reliability Coefficients

Variable	Cronbach's Alpha	N of Items
Diversification of fund sources	0.893	5
Personnel competency	0.794	5
Strategic financial planning	0.779	5
Self-financing	0.712	5

Source: Research Findings

4.4 Descriptive Statistics

4.4.1 Diversification of funding Sources

Diversification of sources of funds is common in most nongovernmental organizations across the world. This study sought to determine whether this is the case for NGOs in Kenya. From the findings there was assertion that foreign financial assistance are declining as wellsprings of financing for NGOs (Mean = 2.2, Std. dev =1.2) and that innovating new revenue generating practices enhances the monetary sustainability of NGOs (Mean = 1.5, Std. dev =0.9). It was also agreed that having various wellsprings of assets expands the odds of NGOs being financially sustainable (Mean = 1.8, Std. dev =0.8). However, there was uncertainty whether NGOs are well financed from various sources (Mean = 3.0, Std. dev =1.4) and that NGO has a broad funding base (Mean = 3.3, Std. dev =0.8 as shown on table 4.3 below.

Table 4.3 – Diversification of funding sources

	Std.				Sample
	Mean	Dev.	Min.	Max.	(N)
My NGO is well financed from various sources	3.0	1.4	1.0	5.0	98
“foreign financial assistance are declining as wellsprings of financing for NGOs”	2.2	1.2	1.0	5.0	98
“Local sources of revenue for NGOs are turning out to be progressively dependable”	4.5	.7	2.0	5.0	98
“Coming up with income generating activities increases the financial sustainability of NGOs	1.5	.9	1.0	4.0	98
Having multiple sources of funds increases the chances of NGOs being financial sustainable	1.8	.8	1.0	4.0	98
My NGO has a broad funding base consisting of many sources (donors)	3.3	.8	1.0	3.0	98
Ave. (Mean &Stdev)	2.7	1.0			

Source: Research Findings

4.4.2 Competency of Personnel

One other objective of this study was to determine whether personnel competency has influence on financial sustainability of NGOs. The finding showed that NGO staff has

"learning in cost examination and identifying of cost reduction methods" (Mean = 1.2, Std. dev =0.4) and that they "have gone to preparing on new innovation and developing issues in the previous one year" (Mean = 2.0, Std. dev =0.9), also agreed that training facilitators are very knowledgeable (Mean = 1.7, Std. dev =1.0). It was also clear that NGO has a fully operational finance department (Mean = 2.1, Std. dev =1.2) with experienced finance personnel (Mean = 2.2, Std. dev =1.2) as shown in table 4.4 below.

Table 4.4 – Personnel competency

	Std.				Sample (N)
	Mean	Dev.	Min.	Max.	
All staff have knowledge in cost analysis and "learning in cost examination and identifying of cost reduction methods"	1.2	.4	1.0	2.0	98
"All staff have been trained preparing on new innovation and developing issues in the previous one year"	2.0	.9	1.0	4.0	98
"The preparation facilitators are learned in the field of study"	1.7	1.0	1.0	4.0	98
My NGO has a fully operational finance department	2.1	1.2	1.0	5.0	98
"My NGO has experienced finance personnel"	2.2	1.2	1.0	5.0	98
Ave. (Mean &Stdev)	1.7	.9			

Source: Research Findings

4.4.3 Strategic Financial Planning

Strategic financial planning is one other factor that determines success in many organizations. This study sought to establish whether strategic financial planning had any influence on fund sustainability of NGOs in Kenya. From the findings, it was agreed that "NGO gets ready intermittent spending plans reliable with its long haul

arranges" (Mean = 1.3, Std. dev =0.5), and that "they periodically review their spending plans and other money related arrangements to check whether they concur with their central goal" (Mean = 1.3, Std. dev =0.5) and carry out frequent budget versus actual analysis (Mean = 1.7, Std. dev =0.6). It was also found that 'the planning techniques utilized as a part of most NGOs guarantees that financing of operations and projects are inside as far as possible's (Mean = 1.0, Std. dev =0.3), however, it was given that NGOs in the previous years experienced deficit in their budget (Mean = 1.0, Std. dev =0.1). It was not clear whether NGOs have experienced surpluses in the previous years' budgets (Mean = 2.9, Std. dev =0.7) as shown below.

Table 4.5 – Strategic Financial Planning

	Std.				Sample (N)
	Mean	Dev.	Min.	Max.	
“NGO prepares periodic budgets consistent with its long term plans”	1.3	.5	1.0	2.0	98
" NGO at times reviews the budgetary arrangements and other cash related courses of action to check whether they agree with its focal objective "	1.2	.4	1.0	2.0	98
	1.0	.3	1.0	3.0	98
The Organization conducts frequent budget versus Actual Analysis	1.7	.6	1.0	3.0	98
In the previous years the organization experienced deficit in their budget	1.0	.1	1.0	2.0	98
In the previous years the Organization has been experiencing surpluses in the budgets.	2.9	.7	1.0	4.0	98
Ave. (Mean &Stdev)	1.5	.4			

Source: Research Findings

4.4.4 Income from Self financing

Self-financing has been key in bringing financial income and potential profits for most NGOs. This study looked at how income from self-financing can influence financial sustainability of NGOs in Kenya. The findings showed that most NGOs have integrated financial administrative systems with income generating initiative, and that they monitor and adjust on an ongoing basis (Mean = 1.7, Std. dev =1.0), and that clearly defined income generation goals in view of the association's money related/key arrangements and duties are shared among a few people (Mean = 2.0, std. dev =1.4), and that there are unlimited salary represents more than half of the association's aggregate yearly spending plan (Mean = 1.1, std. dev =0.3). It was not clear whether NGOs have started to systematize asset era exercises; appointment of contributor contacts and gathering pledges endeavors (Mean = 1.1, Std. dev =0.3) as shown below.

Table 4.6 – Self Financing

	Mean	Std. Dev.	Min.	Max.	Sample (N)
Income generation process is coordinated with budgetary managerial frameworks, and observed and balanced on a continuous premise	1.7	1.0	1.0	3.0	98
Clearly defined salary era objectives in light of the association's money related/key arrangements and obligations is shared among a few people	2.0	1.4	1.0	5.0	98
My NGO has started to systematize asset era exercises; appointment of giver contacts and raising support endeavors	3.2	1.5	1.0	5.0	98
	1.1	.3	1.0	2.0	98
Ave. (Mean &Stdev)	2.0	1.0			

Source: Research Findings

4.4.5 Financial Sustainability of NGOs in Kenya

Financial sustainability is crucial for long term survival and fulfilment of the mandate and objectives of most NGOs. This study explored the status of “monetary manageability of NGOs in Kenya”. From the discoveries, unmistakably "there is sufficient distribution of assets for all activities in our NGO" (Mean = 2.1, Std. dev =0.2) and that "NGOs have collected less obligations in the most recent 2 years contrasted with the past" (Mean = 1.8, Std. dev =0.8). Be that as it may, it was questionable that "activities are finished in time as indicated by the arranged spending plan" (Mean = 2.7, Std. dev =1.7) and that "NGOs dependably have enough cash for all possibilities” (Mean = 2.9, Std. dev =1.2) and have well planned fund sustainability (Mean = 2.9, Std. dev =1.0) as shown below.

Table 4.7 – Financial Sustainability

	Std.				Sample (N)
	Mean	Dev.	Min.	Max.	
There is adequate allocation of resources for all projects in our NGO	2.1	.2	1.0	2.0	98
Projects are completed in time according to the planned budget	2.7	1.7	1.0	5.0	98
Our NGO has accrued less debts in the last 2 years compared to the past	1.8	.8	1.0	5.0	98
“My NGO always has enough money for all contingencies”	2.9	1.2	1.0	5.0	98
My NGO has well plan on fund sustainability	2.9	1.0	1.0	5.0	98
Ave. (Mean &Stdev)	2.5	1.0			

Source: Research Findings

4.6 Correlation Analysis

The result from correlation test shows that there is a positive correlation between all the predictors (diversification of fund sources, personnel competency, strategic financial planning, income from self-financing) and financial stability of NGOs, with their coefficients as follows: (N=98, r= 0.012, p= 0.004; N=98, r= 0.158, p= 0.001; N=98, r= 0.441, p= 0.000 and N=98, r= 0.696, p= 0.000) respectively as shown in table 4.8 below.

Table 4.8 - Correlation

		Diversification of fund sources	Competency of personnel	Strategic financial planning	Self-financing	Financial sustainability
Diversification of fund sources	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	98				
Competency of personnel	Pearson Correlation	.487	1			
	Sig. (2-tailed)	.000				
	N	98	98			
Strategic financial planning	Pearson Correlation	.117	-.033	1		
	Sig. (2-tailed)	.252	.750			
	N	98	98	98		
Self-financing	Pearson Correlation	.135	-.162	.674	1	
	Sig. (2-tailed)	.185	.110	.000		
	N	98	98	98	98	
Financial sustainability	Pearson Correlation	.012	.158	.441	.696	1
	Sig. (2-tailed)	.004	.001	.000	.000	
	N	98	98	98	98	98

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

Source: Research Findings

4.7 Regression Analysis

With this test, it is expected that the relationship between factors is straight. By and by this supposition can for all intents and purposes never be affirmed; luckily, different relapse strategies are not significantly influenced by minor deviations from this presumption. In this study, the relationship between independent variables including; diversification of fund sources, personnel competency, strategic financial planning, income from self-financing and dependent variable; financial sustainability of NGOs, was determined by running correlation test in SPSS.

From table 4.8 below, R square is 0.493 showing a relationship between the observed and predicted values of the dependent variable. This indicates that diversification of fund sources, personnel competency, strategic financial planning and income from self-financing accounts for 49.3% of financial sustainability.

Table 4.9 – Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.702	.493	.471	.30394

a. Predictors: (Constant), Self-financing, Diversification of fund sources, Competency of personnel, Strategic financial planning

Source: Research Findings

The ANOVA table beneath shows consequences of examination of difference, whole of squares, level of opportunity (df), mean square, relapse and remaining qualities got from relapse investigation. From table 4.10 underneath, the mean square is 2.087. The

F static which is relapse mean square partitioned by the remaining mean was 22.592. Level of opportunity df is 4. Factually, the general relationship was exceptionally noteworthy with critical esteem, P value = 0.000, ($P < 0.05$) as shown below.

Table 4.10 - ANOVA

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.348	4	2.087	22.592	.000
	Residual	8.591	93	.092		
	Total	16.939	97			

a. Predictors: (Constant), Self-financing, Diversification of fund sources, Competency of personnel, Strategic financial planning

b. Dependent Variable: Financial sustainability

Source: Research Findings

On the other hand, the coefficient table below showed that holding all other independent variables constant, every unit change on diversification of funding sources shall increase loan repayment by 0.084, while competency of personnel shall increase on financial sustainability by 0.002, strategic financial planning shall increase on financial sustainability by 0.053 and finally income from self-financing shall increase financial sustainability by 0.628. Therefore, all the variables are positively influencing financial sustainability of NGOs as shown below.

Table 4.11 – Coefficients

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.	Collinearity Statistics

	B	Std. Error	Beta			Toleranc e	VIF
1 (Constant)	1.370	.272		5.039	.000		
Diversification of fund sources	.084	.088	.083	.956	.002	.715	1.399
Competency of personnel	.002	.085	.002	.021	.003	.702	1.424
Strategic financial planning	.053	.109	.049	.490	.005	.539	1.856
Self-financing	.628	.088	.741	7.126	.000	.504	1.982

a. Dependent Variable: Financial sustainability

Source: Research Findings

4.8 Interpretation of the Findings

Hypothesis stated in earlier chapter of this study was tested as follows:

Test of hypothesis H0₁: “Diversification of funding sources has no effects on financial sustainability of NGOs in Kenya”.

Regression analysis shows that “there is significant relationship between diversification of funding sources and financial sustainability of NGOs ($\beta = 0.084$, $p = 0.002$). This led to the rejection of null hypothesis as stated in H0₁ above and that the money related maintainability of the NGOs was subject to the approach the NGOs took in enhancement of assets”.

Test of hypothesis H0₂: “Competency of personnel has no effects on financial sustainability of NGOs in Kenya”.

The findings showed that that “there is significant relationship between competency of personnel and financial sustainability of NGOs ($\beta = 0.002$, $p = 0.003$). This led to the rejection of null hypothesis as stated in H0₂ above and that the financial sustainability of the NGOs was dependent level of staff competencies within the organization”.

Test of hypothesis H0₃: “Strategic financial planning does not influence financial sustainability of NGOs in Kenya”.

The findings indicated that “strategic financial planning significantly influences financial sustainability of NGOs ($\beta = 0.053$, $p = 0.005$). This led to the rejection of null hypothesis as stated in H0₃ above and that the financial sustainability of the NGOs was dependent the strategic financial planning adopted by the NGOs”.

Test of hypothesis H0₃: “Strategic financial planning does not influence financial sustainability of NGOs in Kenya”.

The finding showed that “self-financing significantly influences financial sustainability of NGOs ($\beta = 0.628$, $p = 0.000$). This led to the rejection of null hypothesis as stated in H0₄ above and that the financial sustainability of the NGOs was dependent the in income generated from in house self-financing projects”.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter deals with summary of the research findings, the conclusions made thereof and the recommendations that the researcher provided on factors affecting financial sustainability of NGOs in Kenya.

5.2 Summary

This section provides in brief the summary of the findings reported in the previous chapter based on the objectives of the study. This study focused on funding diversification of NGOs in Kenya. The first objective was “to determine in perspective of the affiliation's cash related/key courses of action and obligations are shared among a couple people (Mean = 2.0, std. dev =1.4), and that there are boundless compensation speaks to the greater part of the affiliation's total yearly spending arrangement (Mean = 1.1, std. dev =0.3). It was not clear whether NGOs have begun to systematize resource time works out; arrangement of donor contacts and assembling pledges endeavours or most of such organizations”. It was also found that multiple sources of funds raise financial stability of NGOs and this is very critical for continuity of core functions other organization. However, there was uncertainty whether NGOs are well financed from various sources and whether NGOs has broad funding base for their projects. There was also contrary assertion that domestic sources of funding for NGOs are becoming increasingly reliable affirming that most financial supports are provided by foreign bodies.

The second objective was to determine whether personnel competency has influence on financial sustainability of NGOs. The finding showed that NGO staff has “learning in cost investigation and distinguishing proof of cost sparing procedures and they have gone to preparing on new innovation and developing issues in the previous one year. It was additionally found that preparation facilitators who offered trainings were extremely educated and all the more so most NGOs has a completely operational back division with experienced fund work force”.

The third target looked for whether vital budgetary arranging had any impact on "monetary manageability of NGOs in Kenya. From the discoveries, it was found that NGO gets ready intermittent spending plans reliably with long haul arranges and that they occasionally reviewed to see if they agree with the organization’s mission, it was also reported that NGOs carry out frequent budget against their actual analysis. Also, findings showed that the budgeting methods used in most NGOs ensures that funding of operations and projects are within the specified limits, however, it was given that NGOs in the previous years have experienced deficit in their budget and not clear whether NGOs have experienced surpluses in the previous years’ budgets”.

The fourth objective looked at how income from self-financing can influence financial sustainability of NGOs in Kenya. The findings showed that most NGOs have integrated financial administrative systems with income generating initiative, and that they monitor and adjust on an ongoing basis. It was found that NGOs clearly defines “income generation goals in view of the association's budgetary/key arrangements and duties that are shared among a few people, and that there is unhindered salary represents more than half of the association's aggregate yearly

spending plan. It was not clear whether NGOs have started to systematize asset exercises; designation of contributor contacts and gathering pledges endeavors".

The connection examination demonstrated that there is a positive relationship between's all the predictors (diversification of fund sources, personnel competency, strategic financial planning, income from self-financing) and financial stability of NGOs. From regression test, the same variables accounts for 49.3% of financial sustainability. Every unit change on diversification of funding sources shall increase loan repayment by 0.084, while competency of personnel shall increase on financial sustainability by 0.002, strategic financial planning shall increase on financial sustainability by 0.053 and finally income from self-financing shall increase financial sustainability by 0.628. And all the variables proved positively influencing financial sustainability of NGOs. Hypothesis testing resulted to rejection of all stated null hypotheses, that is to say that "diversification of funding sources, personnel competency, key monetary arranging and self-financing impact money related manageability of NGOs".

5.3 Conclusions

Lately, in spite of the immeasurable distinction among the world's NGOs, most share a typical predicament that is restricted subsidizing. This has ascribed to the restricted amount and low nature of their projects and exercises. Boundless necessities pursuing restricted assets are a central reality of financial life in poor nations that most NGOs work. Therefore, supervisors of NGOs should regularly give careful consideration to raising assets as they do to utilizing those assets. This study focused on factors that influence financial sustainability in Kenya. It was clear that diversification of fund

sources, strategic financial planning, staff competencies and income of self-financing do contribute to financial stability of NGOs.

As a result the “NGOs are urged to investigate non-conventional sources of subsidizing for their projects. This may incorporate speaking to local people to bolster their activities furthermore captivating in pay producing projects. As much as most NGOs select very much prepared staff, there is have to open them to further preparing to acquire more important skills. Building a manageable NGO is a multidimensional test involving both interior components of reinforcing association limit, and in addition outer elements of setting up a stronger administrative environment and secure assets for NGO initiatives. It is therefore very important for every organization to strategies on ways of soliciting funds to allow continuous support and accomplishment of their objectives”.

5.4 Recommendations for Policy and Practice

In context of this study, "budgetary supportability of NGOs is the capacity of a NGO to build up a different assets base with the goal that it could proceed with its institutional structure and generation of advantages for planned individuals after decline in financial support. From the findings emanating from this study, it is recommended that NGOs should Form a broad and brought together organizing gathering, affiliation or committee to speak to their advantage and motivation, including pushing for policies that will be instrumental in self-financing and fundraising. Need to reinforce their hierarchical limit particularly in the region of key arranging, money related administration, execution observing, cost recuperation (viability) strategies and authority through custom fitted preparing programs. Need to

create solid system with bodies electorate and where conceivable expand enrolment base through open picture building exercises and advancement battles". This will raise all the more subsidizing to bolster the activities. In collaboration with other area performers, "there is have to build up a proper income creating procedure which distinguishes and get to practicality of every single potential source and lay-out itemized activity gets ready for execution. This technique would be most valuable in raising money for most NGOs. Finally, the vast majority of the NGOs under study arranged vital arrangements furthermore intermittently looked into the key arrangements. Be that as it may, staff interest in the arranging procedure was still low and should have been urged to encourage better usage".

5.5 Limitations of the Study

While conducting this research, the respondents especially managers of the sampled NGOs could give responses which are inaccurate due to fear of disclosing confidential data. "Assets were all the more difficult in undertaking this study and in addition time. A portion of the auxiliary information which included distributions and money related reports were inadequate and long past due. The reply from a few surveys needed clarification and in this manner to touch base at the conclusions made in the study reference must be made to the foundation occasions and the writing investigated".

5.6 Suggestions for Further Research

"The sample in this research was picked by of information and the decision of statistical examination controlled by the variables analysed in this exploration. It would in this way, be attractive to develop the present study by supplementing it with different studies utilizing different strategies and including similar information. The

consideration of other conceivable components and NGO money related parameters factors would likewise justify promote considerations. Also the results must also be carefully handled since many other factors can influence financial sustainability of NGOs”.

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APPENDICES

APPENDIX I – INTRODUCTION LETTER

Dear Respondent,

RE: RESEARCH PROPOSAL

I am a postgraduate student of University of Nairobi Master of Science Finance. I am currently collecting data on: '*The Effects of Funding Diversification on the Financial Sustainability of NGOs in Nairobi County*'. The success of this study will substantially depend on your willingness and co-operation to provide the information required.

I generously ask for you to react to the survey connected herewith as genuinely as would be prudent and to the best of your insight. The appended survey is particularly intended with the end goal of this concentrate just, and all reactions will be dealt with in outright privacy and secrecy. Sympathetic, take note of that no name will be attached on any of the surveys.

Thank you

Yours Faithfully,

Apollonia Grace Ochieng

APPENDIX II – QUESTIONNAIRE FOR NGO STAFF

SECTION A –SOCIO- DEMOGRAPHIC DATA OF RESPONDENTS

1) Gender:

Male Female

2) What is your Highest Level of Education:

Secondary education

Middle level college

University degree

Post graduate

Other (please specify)

3) What is your age bracket?

18 – 29 years

30 – 39 years

40 – 49 years

50 years and over

4) How long have you been working for the Organization?

Less than 1 year

1-5 years

6-10 years

11-15 years

Over 15 years

5) Please indicate your current Job position?

Management

Supervision

General Staff

Other (please specify)

SECTION B: FINANCIAL SUSTAINABILITY OF NGOS

6) How do you rate the adequacy of funding in your organization?

- Very adequate
- Adequate
- Not sure
- Inadequate
- Not adequate at all

7) Please rate the following factors related to financial sustainability of NGOs:

1=Strongly Agree, 2=Agree, 3=Not Sure, 4=Disagree, 5=Strongly Disagree

	1	2	3	4	5
There is sufficient distribution of assets for all undertakings in our NGO					
Ventures are finished in time as indicated by the arranged spending plan					
Our NGO has accumulated less obligations in the most recent 2 years contrasted with the past					
"My NGO dependably has enough cash for all possibilities"					
My NGO has well arrangement on reserve maintainability					

SECTION C: Diversification of Sources of Funding

8) Please rate the following factors related to funding diversification sources in NGOs:

1=Strongly Agree, 2=Agree, 3=Not Sure, 4=Disagree, 5=Strongly Disagree

	1	2	3	4	5
My NGO is well financed from various sources					
"Remote gifts as wellsprings of subsidizing are on the decay"					
"Local wellspring of financing for NGOs are turning out to be progressively dependable"					
"Having numerous wellsprings of assets expands the odds of					

NGOs being money related manageable"					
My NGO has a broad funding base consisting of many sources (donors)					

SECTION D: Competency of Personnel

9) Please rate the following factors related to competency of personnel in NGOs:

1=Strongly Agree, 2=Agree, 3=Not Sure, 4=Disagree, 5=Strongly Disagree

	1	2	3	4	5
"All staff have knowledge in cost analysis and identification of cost saving techniques"					
"All staff have attended training on new technology and emerging issues in the NGO sector in the past one year"					
"The training facilitators are knowledgeable in the field of study"					
"My NGO has a fully operational finance department"					
"My NGO has experienced finance personnel"					

SECTION E: Strategic Financial Planning

10) Please rate the following factors related to Strategic Financial Planning:

1=Strongly Agree, 2=Agree, 3=Not Sure, 4=Disagree, 5=Strongly Disagree

	1	2	3	4	5
"NGO gets ready occasional spending plans predictable with its long haul arranges"					
"NGO occasionally audits the financial plans and other money related arrangements to check whether they concur with its main goal"					
"The planning techniques utilized as a part of our NGO guarantee that all subsidizing of operations and activities are inside as far as possible"					
The Organization conducts frequent budget versus Actual Analysis					
In the previous years the organization experienced deficit in their budget					

In the previous years the Organization has been experiencing surpluses in the budgets.					
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SECTION F: Income from self-financing

11) Please rate the following factors related to percentage of income from self-financing:

1=Strongly Agree, 2=Agree, 3=Not Sure, 4=Disagree, 5=Strongly Disagree

	1	2	3	4	5
"Wage era process is coordinated with money related regulatory frameworks, and checked and balanced on a continuous premise"					
"Obviously characterized pay era objectives and plan created in light of the association's money related/key arrangements; obligations shared among a few people as a major aspect of a deliberate procedure"					
"My NGO has started to systematize asset era exercises; assignment of benefactor contacts and raising support endeavors"					
"Unlimited wage represents more than half of the association's aggregate yearly spending plan"					

Thank you for your time and cooperation

APPENDIX III: SAMPLING FRAME FOR NAIROBI BASED NGO'S

1. Abha Light Foundation
2. Academic, Health and Agricultural Development Initiative
3. Accident Victims Relief Foundation
4. Act Change Transform
5. Action against Poverty for Socio - Economic Justice in Kenya
6. Action First For Progress
7. Action for Ethical Leadership
8. Action for Peace Justice and Development
9. Action in Africa International
10. Action in Focus
11. Action in the Community Environment in Africa (Ace-Africa)
12. Active Association for Community Development
13. Advocacy for Community Development and Education
14. Africa - International Relief Friendship Foundation
15. Africa Network for Animal Welfare
16. Africa Resources Development Foundation
17. Africa Rural Link
18. African Care Empowerment Organization
19. African Centre for Energy, Technology and Sustainable Development
20. African Development & Emergency Organization
21. African Foundation for Civil Society Organization
22. African Foundation for Community Development
23. African Medical and Research Foundation
24. African Music Research Centre
25. African Poverty Research Network
26. Aids Healthcare Foundation, Kenya
27. Aids Prevention Forum of Kenya
28. Al - Momin Foundation
29. Al-Momin Community Development Organization
30. Al-Muntada Al-Islami Trust
31. Alpha Support Development Programme
32. Arid Lands Information Network - Eastern Africa
33. Barut Development Organization
34. Basic Education Concern
35. Basic Needs Ukin Kenya
36. Benevolent Education Centre for Rural Development (BECRD)

37. Better Life Foundation
38. Better Poverty Eradication Organization
39. Bible League International- Kenya
40. Bidii Strategies Network
41. Bio Right and Soil Conservation
42. Bishop Kigen Foundation International
43. Blind and Low Vision Network - Kenya
44. Blood life Initiative- Kenya
45. Bridge Partner Organization
46. Brook Of Cherith Organization
47. Build Africa Kenya
48. Business Aid Connection for Poverty Eradication (Kenya)
49. Business Guidance and Counseling Foundation
50. Business Ideas for Rural Development
51. Business Ideas for Rural Development Initiative (Bird Initiative)
52. Capricorn International Services
53. Careers for Life International
54. Catholic Organization for Relief and Development
55. Center for African Post- Cultural Studies
56. Centers for International Programs - Kenya
57. Centre for Civic Empowerment through Education and Economic Development
58. Centre for Civil Society Organizations
59. Centre for Community Law and Rural Development
60. Centre for Development Information Programme
61. Centre for Education of Disaster Survivors
62. Centre for Education Population Environment and Development
63. Centre for Energy and Environmental Studies
64. Centre for Entrepreneurship Development and Gender Issues
65. Centre for Environment and Renewable Energy Studies
66. Centre for Ethnic Mainstreaming
67. Centre for Excellent, Innovative and Practical Solutions
68. Centre for Human Rights and Democracy
69. Centre for Integrated Development Africa
70. Centre for Law and Research International
71. Centre for Life Perpetuation
72. Centre for Peace and Democracy
73. Centre for Rehabilitation of Ex - Offenders and Inmates

74. Centre for Rehabilitation of Ex-Convicts (Cerec)
75. Centre for Research Communication and Gender in Early Childhood Education
76. Centre for Rights Education and Awareness
77. Centre for Sustainable Regional Development - E.A.
78. Centre for the Study and Practice of Direct Democracy
79. Centre on Advocacy on Legal Ethics and Human Rights Issues
80. Chaka Bono Conserving Environment
81. Changamka Economic and Social Development - Kenya (Cesd (K))
82. Chariots of Destiny Organization
83. Chesire Rehabilitation & Crisis Centre
84. Child Legal Aid Centre
85. Child Life Missions of Kenya
86. Child Rescue Link-Kenya
87. Childcare International Kenya
88. Children and Community welfare Programmes
89. Christian Women Aids Awareness Programme
90. Citizens against Violence Organization
91. Children Rescue Organization
92. Children Welfare Association Fund (CWAF)
93. Coalition on Violence against Women – Kenya
94. Community Integrated Development International
95. Community Aid for Development
96. Community and Partners in Development Agency (Scapida)
97. Community Bio Environmental Intervention Programme International 2000
98. Community Care Initiative Organization Community
99. Communication for Health Development in Africa
100. Community Development and Child Sponsorship
101. Community Development and Research Centre
102. Community Emergency Response Volunteers
103. Community Health Services International
104. Community Leadership Advancement Network
105. Community Programme for Empowerment
106. Community Transformation and Rural Development (COTARD)
107. Community Urban Rural Education International
108. Compassionate International Relief and Development Agency
109. Consortium of Veterinary and Agricultural Researchers in Development
110. Coping Center for People Living With HIV/AIDS

111. Corruption Watch International
112. Cottage Industries Development Organization (CIDO)
113. Cross Currents Indigenous Network
114. Covenant Home Organization
115. DaratHiv/Aids International Agency
116. Development Enhancement Programme-Kenya
117. Development Initiatives for Sustainability
118. Development Knowledge Link-Africa
119. Development Operations towards Health and Needs (Dothan)
120. Disabilityand Women Development Strategies
121. Disabledfor Education and Economic Development Support, Kenya
122. Disaster Management and Relief Program - Kenya
123. Dove Child Development Program
124. Dr. TaaittaToweett Foundation
125. Dream Rescue International
126. Drug Abuse Hope Kenya
127. Earth care Africa Policy Monitoring Institute
128. East African Resource Centre
129. East African Wildlife Society
130. Eastand Central Africa Soccer Journalists Organization
131. Ecological Farming Development Initiatives
132. Ecumenical Disability Advocates Network
133. Ecumenical Pharmaceutical Network
134. Educationand Care International
135. Educationand Public Awareness Media Centre
136. Education Centre for Women in Democracy
137. Educationfor All Network
138. Elmago Concern Ministries
139. El-Taller Organization
140. Enterprise Development Initiative (Kenya)
141. Entrepreneurshipand Management Assistance Programme
142. Environment and Development Concern
143. Environmentaland Health Organization
144. Environmental Interaction Organization
145. Environmental Management and Community Development Centre
146. Environmental Research Mapping and Information Systems in Africa
147. Equatorial Community Development Initiative

148. Everbest Youth Environmental Organization

149. Expert Foundation

150. Explore Kenya Inclusive Organization

Source: National Council of NGOs, 2015