

**CHARACTERISTICS OF SINGLE DONOR FUNDED ORGANIZATIONS AND  
THEIR EFFECT ON THE PERFORMANCE OF A NON-GOVERNMENTAL  
ORGANIZATIONS**

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**DECLARATION**

I hereby declare that this is my original work and has not been presented in any other university or college for examination purpose.

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## **DEDICATION**

I dedicate this work to my parents for their undivided support during the course of my study as well as to my siblings and friends who have encouraged me to keep pursuing my goals and ambitions.

## **ACKNOWLEDGEMENT**

I owe completion of this work to God, for keeping me strong and providing for me all the resources I need to get to this point. I also acknowledge my employer for providing me a good working environment to take this course. I acknowledge my supervisor Mr. Martin for his guidance and leadership in undertaking this study.

## TABLE OF CONTENTS

<b>DECLARATION</b> .....	<b>i</b>
<b>DEDICATION</b> .....	<b>ii</b>
<b>ACKNOWLEDGEMENT</b> .....	<b>iii</b>
<b>LIST OF ABBREVIATIONS</b> .....	<b>vi</b>
<b>ABSTRACT</b> .....	<b>vii</b>
<b>CHAPTER ONE: INTRODUCTION</b> .....	<b>1</b>
1.1 Background to the Study. ....	1
1.1.1 Donor Aid.....	2
1.1.2 Non-Governmental Organizations (NGOs) .....	3
1.1.3 Organizational Performance.....	4
1.2 Problem Statement .....	5
1.3 Research objective .....	6
1.3.1 General Objectives.....	6
1.3.2 Specific Objectives .....	6
1.4 Significance of the Study.....	7
<b>CHAPTER TWO: LITERATURE REVIEW</b> .....	<b>8</b>
2.1 Introduction.....	8
2.2 Theoretical Framework .....	8
2.2.1 Big Push Theory .....	8
2.2.2 Dependency Theory .....	9
2.2.3 Agency Theory .....	9
2.3 Determinants of Performance in Non-governmental organizations .....	10
2.3.1 Incentives and Human Resource Management Practices .....	10
2.3.2 The Measure of Operations .....	11
2.3.3 Open and Competitive Recruitment Procedures. ....	11
2.3.4 Organizational Culture.....	11
2.3.5 Strategic Planning .....	11
2.3.6 Accountability .....	12
2.4 Empirical Review.....	12
2.5 Summary of Literature Review.....	14
2.6 Conceptual Framework .....	15
2.7 Operationalization .....	15
2.8 Research Gap .....	16
<b>CHAPTER THREE: RESEARCH METHODOLOGY</b> .....	<b>18</b>

3.1 Introduction.....	18
3.2 Research Design.....	18
3.3 Population of the Study .....	18
3.4 Sampling.....	18
3.5 Data Collection Methods.....	19
3.6 Research Procedure.....	19
3.7 Data Analysis Techniques .....	19
<b>CHAPTER FOUR: RESULTS AND DISCUSSIONS .....</b>	<b>20</b>
4.1 Introduction.....	20
4.2 Reliability test & Response rate.....	21
4.3 General demographic characteristics .....	21
4.4 Factors that stimulate NGOs to opt for a single donor funded approach.....	22
4.5 Characteristics of single donor funded NGOs & organization performance .....	25
4.6 Effect of single donor dependency on the performance of an NGO.....	26
4.6.1 Relationship between characteristics of single donor funded NGOs and Financial sustainability.....	26
4.6.2 Relationship between characteristics of single donor funded NGOs and Program/Project performance .....	29
4.6.3 Regression model diagnostics .....	31
4.7 Challenges faced by single donor funded organizations.....	31
<b>CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS....</b>	<b>33</b>
5.1 Introduction.....	33
5.2 Summary of the Findings .....	33
5.2.1 Factors that stimulate NGOs to opt for a single donor funded approach.....	33
5.2.2 Single donor dependency and NGO performance.....	34
5.2.3 Challenges faced by single donor funded organizations.....	35
5.3 Conclusion.....	36
5.4 Recommendations.....	36
5.5 Areas for further research .....	37
<b>REFERENCES .....</b>	<b>38</b>
<b>APPENDICES .....</b>	<b>41</b>
Appendix I: Introduction Letter.....	41
Appendix II: Questionnaire .....	42

## **LIST OF ABBREVIATIONS**

<b>ADB</b>	African Development Bank
<b>GDP</b>	Gross Domestic Product
<b>LDCs</b>	Lesser Developed Countries
<b>MDGs</b>	Millennium Development Goals
<b>NGO</b>	Non-Governmental Organizations
<b>ODA</b>	Official Development Assistance
<b>OECD</b>	Organization of Economic Cooperation and Development
<b>OP</b>	Organizational Performance
<b>UN</b>	United Nations
<b>PIU</b>	Project implementation unit(s)
<b>SAPs</b>	Structural Adjustment Programs
<b>SPSS</b>	Statistical Package for Social Sciences

## **ABSTRACT**

This study sought to establish how single donor funding in non-governmental organizations affects organizations performance, taking into consideration the characteristics of such NGOs. This interest was kindled by the fact that majority of NGOs receives a considerable amount of foreign aid, yet the country has not achieved the desired or expected results. A sample was drawn from single donor funded NGOs in Kenya to inform the objectives of this research. Primary data, collected through a structured questionnaire and key informant discussions, as well as secondary data drawn from company records was applied in this work. Moreover, beyond undertaking descriptive analysis, multiple regression model was used to establish how the characteristics of single donor funded NGOs affect the performance of such organizations. As far as the motivation to opt for single donor funding is concerned, results showed that there is high level of appreciation from most NGOs on the level of control and flexibility single donor dependency creates when it comes to the choice of implementation approach. The research findings of this study show that accountability, competence level of personnel and management structures of a single donor funded non-governmental organization contribute to the financial sustainability and program/project performance. One of the key observations related to this study, has been the fact that even single donors are starting to encourage organizations to expand their financial sources, or consider doing so. This is something that is clearly gaining impetus and should interest future studies and researchers. Whereas there are pros and cons on whichever choice of donor funding an organization opts for, the decision should be based more on merit than perception. Evidently from this work, is the fact that even though there is high appreciation of single donor funding, the shift being demonstrated by single donors towards encouraging NGOs to start sourcing for alternative funds is something worth attention



## CHAPTER ONE: INTRODUCTION

### 1.1 Background to the Study.

Since the Second World War, there has been significant growth in foreign aid. The first notable bilateral assistance was the European recovery program offered by the United States towards the Western Europe nations affected by war. This before long became an illustration of help transformation and a validation of external support for years in spite of the initial plan of Aid being reconstruction and not a development of destroyed European countries (Nowak, 2014).

Since the 1950s, donor funding has risen as a prevailing approach aimed at easing poverty in developing nations. In this duration, key Global organisations, like the United Nations, World Bank, and International Monetary Fund increased reputation in international economic growth and development. Nonetheless, the lesser developed countries (LDCs) appear to struggle with economic struggle. This source of revenue can be split into two major classes: Military and economic assistance. External help is offered to third world states of considered significance to the donor nation and countries recuperating after war. This has often raised queries if foreign aid is an effective method of improving such economies (Hjertholm, 2003).

Following the economic crisis globally and nationally, funding issues continue to become a huge challenge to most of these NGOs and therefore drastically impacting on their financial health and operations. This challenge becomes increasingly more throbbing for organizations that fully rely on a single donor for their entire funding. This is not to however imply that there are no accrued benefits of having a single donor in an organization, especially with the understanding that donor interests, scope, and desired program approach varies.

According to Wawire (2006), Kenya has encountered key impasses with the donor community, which has occasionally resulted to aid being withdrawn. Consequently, donor funding benefits didn't last since donors were unsure of Kenya's enactment of assistance conditionalities. For instance, the World Bank in July 1982 did not issue the subsequent US\$50 million on grounds of Kenya being negligent in carrying out policy changes. The recommencement of financing in 1984 was partially awarded to the charitable gesticulation of donating sizable amounts of food assistance in reply to the catastrophic famine that year. More aid withdrawals came later in 1992 and 1997 (Njeru, 2003).

It's broadly understood that (NGOs) particularly those located in Africa, might be the most suitable means of offering the prosperity to underprivileged groups, in addition to nurturing growth in some regions Africa notably in times whereby numerous public organisations are weighed down by corruption (Smith, 2005). This is seen by the necessity and belief laid on them by the UN (United Nations Organization) and other agencies in their commitment to reach the specific targets aimed at attainment of MDGs (Millennium Development Goals), before 2015. As welfare improvement discourse is increasing, so too is the possibility that those in poor communities may probably find meaningful rights and correlated duties in informal community arrangements, something highly valued and enforced by NGOs.

### **1.1.1 Donor Aid**

Donor funding, for the objective of this study refers to Official Development Assistance (ODA). Donor funding is a credit or a funding given seeking to boost sustainable social and financial growth of the beneficiary nation. It includes both bilateral aid which moves straight to the beneficiary's government from the donor country and multilateral aid that is handled through an intermediary loaning organisation such as the World Bank (Abuzeid, 2009). Traditional growth economics has long regarded external aid as a way of suppressing the savings gap in emerging nations. Foreign aid is established on the hypothesis of developing countries being poor because they don't have the wealth needed in creation of revenue -spawning investments. Conventional finances literature proposes that aid can assist the Third World by completely reducing this economical gap that embroils them in a poverty stalemate (Schabbel, 2007).

Donor aid refers to a charitable handover of capital from nation to nation which entails capital flow to unindustrialized states. The assistance may either be a loan or donation. Dependent on the currency of repayment, foreign aid can be classified as either a soft loan, which is based on home currency, or a hard loan where the repayment is based on foreign currency. For instance, the World Bank lends in hard loans whereas its affiliates provide a soft loan. (Agarwal, 2017)

There are five different sorts of external aid programs. Bilateral aid is the support offered by a government directly towards a different government. Often, it is based on strategic considerations and also on charitable grounds. Multilateral Aid on the other hand, refers to the assistance where several governments' pool funds to international organizations

such as the United Nations, which act as intermediaries towards poverty reduction in developing countries. Tied aids, come with an obligation to be spent in a benefactor nation or in a number of certain nations. Other sorts of external aid are the project aid, where the capital is used to fund a specific project, and a military aid. (Agarwal, 2017)

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

The World Bank describes NGOs as “Private organizations that pursue activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services, or undertake community development.” In extensive application, the word, NGO may be used to define a nonprofitmaking foundation which is self-governing from the government. NGOs are characteristically worth established organisations that depend, completely or partially, on contributions and charitable provisions (Malena, 1995).

Often, discussions have been centred on whether there is distinguishable characteristics between a NGO and a Non-Profit Organization (NPO). The defining differences are dependent on registration methods, area of operation, scope and type of work and organization set up. An NGO is a foundation that works for supporting humanitarian or cooperative interests other than commercial ones. Contrary, an NPO is an institution established to encourage art, science, education or a social or cultural goal; it aims to use its earnings to promote its purpose rather than sharing the profits between the associates. (Surbhi, 2016)

NGOs are mainly categorized into two classes that is operational and advocacy NGOs. Which can be defined according to selected small-scale change attained primarily through schemes and large-scale change encouraged secondarily via guidance of the government (Mostashari, 2005)

Mostashari (2015) observes that active NGOs need to mobilize assets, which are monetary assistances, resources or unpaid workforce, so as to uphold their operations. This procedure might involve reasonable complex organisations. Funds attained through donations, call for time and knowledge in order to spend. Key charity events involve publicising by media broadcasting and rallying followers. Hence, active NGOs require an effective HQ establishment, as well as functioning workforce on the ground.

On the other hand, Advocacy NGOs perform almost similar operations, with diverse stability amongst them. Coming up with capital is remains essential, however on a lesser gauge and may function with the purpose of familiarizing the contributors with the cause.

External givers might not enact arduous clerical problems, nonetheless devotees need to be provided with info effectively and consistently. Main occasions will target to invite constructive publicity instead of .contributing finances (Mostashari, 2005)

NGOs can be organized in several means. Characteristically that of membership association synchronised in a structure defined hierarchy. Different persons work in small areas, which co-ordinate in outlying areas and in turn have HQs in the capital city for the entire state. Country-wide organisations like this are known as national NGOs. Normally, the national NGOs join a worldwide NGO, or INGO, that could include neighbouring number of nations and be capped by an international organisation.

Lesser professional NGOs may only enrol different associates within a country lacking local offices. From time to time, persons are registered at the global level. Contrary, big organizations, the global ones, appear moderately reserved and interests' slight consideration, sometimes including its members.

### **1.1.3 Organizational Performance**

Organizational performance (OP) is among the most broadly studied matters from the initial development of organizational concept (Rojas, 2000). In spite of some agreements, substantial consensus still lacks on the description and functionalization of this theory (Cameron, 1986).

The meaning of 'organizational performance' is a remarkably undeveloped query with a small number of researches showing steady descriptions and processes (Kirby, 2005). Performance is customary in management study. Its arrangement and description is almost never clearly warranted for; rather its suitability is undeniably presumed. Performance is described as being about execution of the work, and also outcomes attained. It can be defined as the products of labour since they deliver the best connection to objectives of the organization, client contentment and economic impacts (March & Sutton, 1997).

They include;

Perceptibility ratio – Financial proportion study can assist you evaluate your non-profit general monetary situation and ensign arrangements that could possibly bring about a risk. In this case, visibility ratio compares net assets against long-term debt. This can help you measure your overall financial strength and identify the availability of cash and assets to meet your non-profit financial obligations.

Operating supply—Are your monetary assets adequate for your purpose? The preference is to ensure an organization has sufficient operational reserve with ability to cushion the program against unexpected events for at least three months.

Program competence – From a financial outlook, you can gauge this through assessing the program costs alongside over-all costs. The indicator not only enables one establish to what extent an organization is meeting its mission, but equally informs donors on spend ratios relative to program versus administration costs.

## **1.2 Problem Statement**

As the world becomes increasingly globalized and the problems of lesser developed nations becoming more apparent through the application of foreign policies, the non-governmental organizations are becoming significant part of the international system in this twenty-first century (Dang, Knack, & Rogers, 2009). Non-governmental organizations are private organizations that undertake community development, provide basic social services, protect the environment, promote the interest of the poor, and pursue activities to relieve suffering (Islam, 2016). Because of these organizations' charitable work especially the non-profit functions, their image to the general public is perceived to be do-good institutions free from corruption and politics, credible and autonomous. Regrettably, after a close inspection of the single donor organization obligation performances it is found that such organizations are more significantly linked to their sole donor agendas than their name would lead one to believe (Mostashari, 2005). Supply-led and demand-led contracts characterizes the NGO and donor relationship. Donors have a small voice when determining which of the presented options to fund and the NGOs are in full control of the projects and their implementations on demand-lend contract. However, in the supply-led contract which solely characterizes the single donor NGOs, the donors are in charge of implementing and creating the programs of the organization. NGOs have little say in the activities of their own organization in the supply-led contract. The supply-led scenario is perceived to be dangerous for NGOs because it occurs when they are reliant on a single donor's fund. NGOs sacrifice their core values and mission, their credibility and their autonomy by giving donors an excessive power a factor that is inevitable on the single donor NGOs characterised by supply-led contract. This situation leads to single donors manipulating the functions of the organization to their own interests (Islam, 2016). There is a slippery slope in the conflict of interests that ultimately leads to funds manipulation as NGOs try to balance the accountability to their donors and their beneficiaries. Through

diversification of their financial sources NGOs can protect themselves from manipulations. They are more likely to have an option to walk away rather than adjust to such demands if they avoid overreliance on a single donor. Also, to lower the pressure on NGOs to prioritize above the beneficiaries needs the donors should increase demand-led contract scenarios (Islam, 2016). Studies have been done on NGO performances. For instance, Kuma Jude did a research to find out the effect of partnership between donors and NGOs on performance of the respective NGO in African countries, Carolyn A. Islam did a research on NGOs vulnerabilities on donors and Resource Dependence and their performance, Procurement practices and donor funding in non-governmental organizations in Nairobi City County by Njeru, Immaculate Mwende but there is no specific study that has been done on single donor dependency and NGO performance. Therefore, this study intends to find out the effect of single donor dependency on the performance of a non-governmental organization guided by the following specific objectives: to establish factors that stimulate NGOs to opt for a single donor funded approach, to establish challenges, single donor funded NGOs experience, and to establish the effect of single donor dependency on the performance of an NGO.

### **1.3 Research objective**

#### **1.3.1 General Objectives**

The general objective of this study is to assess how the characteristics of single donor dependency affects the performance of a non-governmental organization with a special focus in Kenya. Further, this study will aim to address below specific objectives

#### **1.3.2 Specific Objectives**

- i. To establish factors that stimulate NGOs to opt for a single donor funded approach.
- ii. To establish challenges, single donor funded NGOs experience.
- iii. To establish the effect of single donor dependency on the performance of an NGO.

#### **1.3.3 Research questions**

- i. What are the factors that stimulate NGOs to opt for a single donor funded approach?
- ii. What are the challenges, single donor funded NGOs experience?
- iii. What are the effect of single donor dependency on the performance of an NGO?

#### **1.4 Significance of the Study**

This study will go a long way in bridging the existing research gap between single donor dependency and organizational performance. It will therefore form a very useful basis for future researchers and academicians who wish to conduct further related studies within this subject area. The insights and findings generated from this study will further help inform strategic directions and expectations of NGOs which opt to pursue a single donor funded approach, whether by design or not. Moreover, with most donors' interests at hand, the findings from this study would potentially form the basis of decision making for such donors.

#### **1.5 Scope of the Study**

This study focuses on single donor funded organizations in Kenya where a representative sample shall be drawn to inform the objectives of interest.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter will cover the theoretical literature relevant to this study and the past studies done on the topic of study. Section 2.2 will present the theoretical framework, section 2.3 will discuss some of the determinants of performance in NGOs, section 2.4 will focus on the empirical review, and section 2.5 will portray the summary of literature review while section 2.6 will describe the conceptual framework.

### **2.2 Theoretical Framework**

Donor funding is a complex topic that various scholars and academic researchers have tried to explain on its operationalization (Veen, 2011). There are certain theories and perspectives that have been forwarded in an effort to explain the situation. This section will examine 3 theories: agency theory, dependency theory and the big push theory.

#### **2.2.1 Big Push Theory**

The theory states that a company's decision on industrialisation greatly depends on the anticipation of how other companies in the industry will react to the changes. This concept emphasizes that huge amounts of investments are required to help the underdeveloped and developing nations to improve their economies from their current situations of economic backwardness. Bit by bit resource injections are not effective in this process and will most likely result to resource wastages.

Rosenstein-Rodan believes that for an effective change to occur, the industry intended to be improved needs to be treated as an independent economy on its own and therefore huge and comprehensive investment packages should be injected in the industry. This calls for a certain resource minimum that should be injected into the intended development projects. He further argues that there is a huge difference between an investment's social marginal product and its private marginal product. When industries are categorised according to their social marginal products, a greater rate of growth in that particular economy is observed.

This theory is of great significance to this study as the study aims at evaluating the effect of single donor dependency on the performance of an NGO. The theory outlines the underlying factors that an NGO should consider when disbursing donor funds into a project to maximise its efficiency and achieve a high performance level for the donor funds.



### **2.2.2 Dependency Theory**

Dependency theory is the perception which articulates capital flows from a periphery the third world countries toward a core of developed nations. These benefits are enjoyed by the developed countries and leaves the undeveloped countries oppressed. The theory claims that third world countries are underprivileged and the developed countries become wealthy by how the poor nations are integrated into the world system.

The concept resulted as a response to the modernisation notion, a preceding view on growth which stated that all civilizations advanced over analogous phases of growth, suggesting that developed nations were once in the same condition that third world countries are in today

Dependency theory didn't accept this opinion, disagreeing that poor countries are not past forms of the wealthy countries but have sole characteristics and are timid members in a global economy. As resources maintain their flow to developed states making poor nations to have shortage of wealth leading to them taking huge loans from wealthy countries indebting them even more

### **2.2.3 Agency Theory**

The theory talks of a membership where in agreement one or several individuals (the principal) involve one more person (the agent) to execute a particular service in their place that includes assigning verdict conclusion to the representative (Jensen, 2000).

The agency principle speaks of difficulties which surface due to dissimilarities concerning the aims or wishes between the principal and agent. This stance might transpire if the principal is not familiar with the actions of the agent or is forbidden by resources from attaining the verification.

As proven by Odedukun (2003), in such circumstances the donor can be described as the principal and the receiver nation as agent. The donor decides amount of finances to be paid out and networks hence determining spending patterns that ultimately direct to results like economic progress, infrastructure growth, and availability of social amenities.

The philosophy adopts that the contributor and NGO are harmonized entities symbolised by inclinations and that the donor is more interested in the poor. From these grounds, the donor applies conditionality in the credit process founded on activities of the beneficiary. The benefactor can reduce NGO involvement through giving unreserved finances

therefore making the donor dominant and more affluent given his priorities and the belief that the benefactor interests are the poor rather than the NGO therefore the receiver is left without a choice.

### **2.3 Determinants of Performance in Non-governmental organizations**

This concept discusses the capabilities of an NGO to convert the firm's capital both efficiently and effectively to realise the firm's objectives and mission to improve on the livelihood of the targeted society (Paton, 2013)

Organizational performance includes the concrete productivity or consequences observed in terms of an organisation's intended mission. Recently, various establishments have struggled to achieve this structural performance by employing the balanced scorecard methodology which tracks performance in numerous scopes such as: business performance; customer care and service; community obligation and employee appreciation (Thomson and Strickland, 1993).

This subdivision concisely summaries the conclusions of the works concerning the prospective organisational drivers of performance;

#### **2.3.1 Incentives and Human Resource Management Practices**

Contains remunerations and incomes paid to the staffs of an organisation for the services offered and the flexible disbursements for example commissions and benefits. Normally, the better the remunerations packages of the employees, the higher the organisational performance. The unnoticed characteristics of the human resource supervision, for example the employees' fulfilment and confidence, are deliberated as the greatest determinants of organisational performance (Kiltgaard, 1997).

Although salaries are also significant for the workforce, offering the employees some non-monetary inducements are also indispensable when it comes to enhancing performance. Huge salaries offered in the private sector may cause ineffectiveness and incompetence, even though state governments are viewed as the ideal employers and their wage guidelines replicate impartiality. Hefty salaries are key for enticing and retentive strategy of competent employees, specifically in situations of talent deficiencies. Commission-related remuneration policies have been viewed to having an insignificant influence on the performance and motivation of staff (Owosu, 2006).

### **2.3.2 The Measure of Operations**

Founded on the proof collected mostly in the learning and health fields, the measure of operations is an influence accredited to the economies of scale which emerge from saving in the overhead expenses and fixed costs of physical possessions. Nonetheless, this effect on fairness, admission to facilities, and service quality should also be accounted for (Owosu, 2006).

### **2.3.3 Open and Competitive Recruitment Procedures.**

Data suggests that organizations which employ open and competitive recruitment procedures, such as utilization of expertise quizzes, candidates screening and a sequence of interviews, send a strong message to new employees.

On the other hand, organizations that hire based on the political benefaction face difficulties in instilling a sense of competence and the anticipation of high performance. This complicates the essence of driving for professionalism through management of existing employees (Owosu, 2006).

### **2.3.4 Organizational Culture.**

The theory of structural principles is termed as the founding ethics which are common among the associates. (Barney, 1986), comprising opinions of administrative initiatives as well as their realisation (Weiner, 1988). The connection linking ethnic and managerial accomplishment is broadly discussed in the management articles (Lim, 1995).

The main concerns are the aspects of culture and their affiliation with accomplishment. Significant comprehension of these arguments is specified by Cameron and Freeman's (1991) investigation of the affiliation between administrative efficiency in 334 advanced education institutes and three cultural differences. The findings propose that varying kinds of culture are related to varying aspects of accomplishment. A suggestion is that a sole emphasis on one form of culture is expected to improve various dimensions of accomplishment to the detriment of others (Marcoulides and Heck, 1993).

### **2.3.5 Strategic Planning**

Implications suggest that companies which have successfully incorporated strategies register more realisations in contrast to the ones with no strategic planning David (1997) claims that companies register better performance when they efficiently incorporate strategic planning. The relationship in regards to strategic planning and administrative

performance requires examination so as to have improved knowledge on strategies are useful and will elevate administrative accomplishment. (Wagner, 2006).

Strategic formulating employs a structural methodology by considering a firm as a category made up of subcategories. It allows directors to view the company as an entity and the interrelationships of portions. It outlines synchronisation and operation of administration's undertakings, management of the firm and guides the formulating of targets grounds for gauging performance (Arasa and K'Obonyo, 2012).

### **2.3.6 Accountability**

Lekorwe and Mpabanga (2007) clarify that accountability is a fundamental necessity for reputable leadership. Another matter that arises is to whom are NGOs answerable to? It seems quite straightforward. Obviously they are obliged to validate the use of capital to the benefactor.

Unlike in politics where they have to get voted for and can only dodge liability by oppression and in trade where users can choose where to use their finances, NGOs don't have evident apparent responsibility make-ups. NGOs take the matter seriously and see it necessary to have suitable inspecting methods for accountability

### **2.4 Empirical Review**

In this section, an empirical review of past major studies on the topic will be discussed. Most of these studies will be concerned with the relationship between donor aid, its development procedures and performance before examining briefly those on aid predictability.

Ali et al. (1999) observed that donors may take advantage of the recipient nations through the aid to install their political agenda of their domestic politicians which keep changing with time. The researchers also noted that the aid may come with cumbersome and complicated disbursement procedure such that it requires long time intervals before the recipient governments can use the funds. Impulsive support flows are not reliable in sustaining a decent authority, comprehensible government spending or the growth of rigorous institutes' answerability in the beneficiary nations. This calls for the requirement of a detailed donor management body to maintain a consistent and efficient flow of funds.

Burnside and Dollar (1997) believe that donor fund can greatly help in the growth and development of an economy if only it as disbursed in an economy with proper economic

policies. Their study identified numerous situations where compliance was lacking and donor funds had been disbursed creating inconveniences in the utilisation of the aid. They concluded that most of the donor organisations like to utilise the carrot and stick strategy while allocating the aid to the recipient nations. It follows that the donors prefer to fund governments that have accountable and transparent aid utilisation procedures and are reluctant in funding corrupt or inefficient governments whose utilisation operations are not accountable Kaufmann (2012).

Bulir and Lane (2002) found out that donor monies given to the LDCs that greatly depend on aid funding are almost 7 times more unstable than the internal monetary resources. This results to a damaging effect on the economic development and expenditure hence influencing the recipients' overall financial performance. In some instances, governments become hopeful of getting more assistance than they actually get in form of aid. Moreover, this results to less aptitude for current finances whose purposes turn out to use about 70% of the assigned capital at accomplishment as portrayed by ADB (2009).

Bulir and Lane (2002) noted that contributors (normally) are not benevolent donors of hand-outs as they do give several stipulations that oversee the whole distribution of resources to beneficiaries. The procedure is demanding and takes long periods and besides, the recipient of the resources must follow a certain guidelines failure to which will result in withdrawal of funds

A study by Chenery and Carter (1973) borrowing information collected from over 45 countries during years 1960- 1970 also acknowledging the two-gap model of Chenery and Strout (1966), illustrated the results of official development assistance (ODA) on the growth rate of nations, different nations were researched. The research established that external aid speeded up economic development in five of the nations, which were Kenya, among others, opposite outcome was noted in, India, Tunisia and other four countries.

Knack (2000), in an analysis, indicated that higher aid levels eroded the attributes of authority directories, i.e., the rule of law, corruption, and bureaucracy. The study debated that support reliance could possibly weaken organisational attributes.

Lekorwe and Mpabanga (2007) observed that more than a few African based NGOs don't have distinct systems in perspective to institutional figures, official capacities, tools and workforce. The main influential reason to this is restriction to funds which dictate the capabilities of the NGO

Mwega (2009) carried out a research on how external assistance been inconsistency looking at time and the amount of aid. The study observed that benefactors may use the assistance as means of meddling in political matters of the beneficiary. Furthermore, the process might be time consuming and frustrating that even if finances are reimbursed the government may have to wait for a while before they can spend it.

Njeru, (2003) sought to examine the effects of aid on government fiscal behaviour, the study examined the financial reply representations in effort to examine the impact of external assistance on different constituents of government income and spending. In this respect, the fact that aid is fungible. This suggests that even without the assistance some projects would still have been possible.

Riddell (2007) offers a better consideration of why external help has not accomplished much as expected by arguing that inhibitions at the contributor stage and matters of assurance, owner-ship and governance at the beneficiary's side. Riddell ends by adding that even if external help has made significant change, it could achieve even better results by having sustainable impression on the lives of the underprivileged if the hurdles are dealt away with. Thereby proposing that isn't essentially effective but may be useful

Snyder (1993) analysed the connection between external help inflow and the development level of raw local product in 69 developing nations during three decades (1960-1987), by also considering nation size (measured by gross domestic product) in the model. The research claimed when nation size wasn't incorporated, the impacts of assistance on economic development were minor and inconsequential, however when nation size was considered the coefficient of help was affirmative and noteworthy. The review stressed that preceding econometric study had not considered the detail that bigger nations developed quicker but received not as much of help.

## **2.5 Summary of Literature Review**

Although the three theories use different approaches in analysing the effect of donor funding on performance, they all agree that the main factors that hinder the effectiveness of the aid arise from the recipient nations. Through the dependency theory, it was clear that donor funds cannot effectively change the inefficiencies and poor routines in the recipient countries. The approach found both the donors and the recipients culpable in the worsening situations of the recipient countries behaviours. The donors contribute to the situation when they provide inadequate funds and fail to satisfy the requirements set out in

the big push approach, and also by funding nations that do not have sound institutions and macro-economic policies as stipulated by the aid dependency approach.

It is therefore evident that for a long time, donors have been exempted from criticism whereas their ignorance has also greatly contributed to the ineffectiveness of the donor aid. Nevertheless, beneficiaries cannot entirely be blamed for all the failures of the donor funds since the donors are also responsible in one way or the other. Most recent research studies have identified that some of the contributing failures or inefficiencies emanate from the donors' side where the quality, disbursement procedures and conditionality have greatly influenced the effectiveness of the aid in the recipients' society (Brodhead, 1987).

The association connecting the NGOs and donor agencies extend for over 30 years as some of the projects are short-term while others maybe long-term requiring the partnership to exist over a long period of time. Both the NGOs and the donor agencies are greatly concerned in improving the social welfare but a difference arises from their definition of social welfare as well as the forms that social change should follow. This creates a significant influence on the nature of relationship that exists between the two institutions (Bebbington, 2005).

## **2.6 Conceptual Framework**

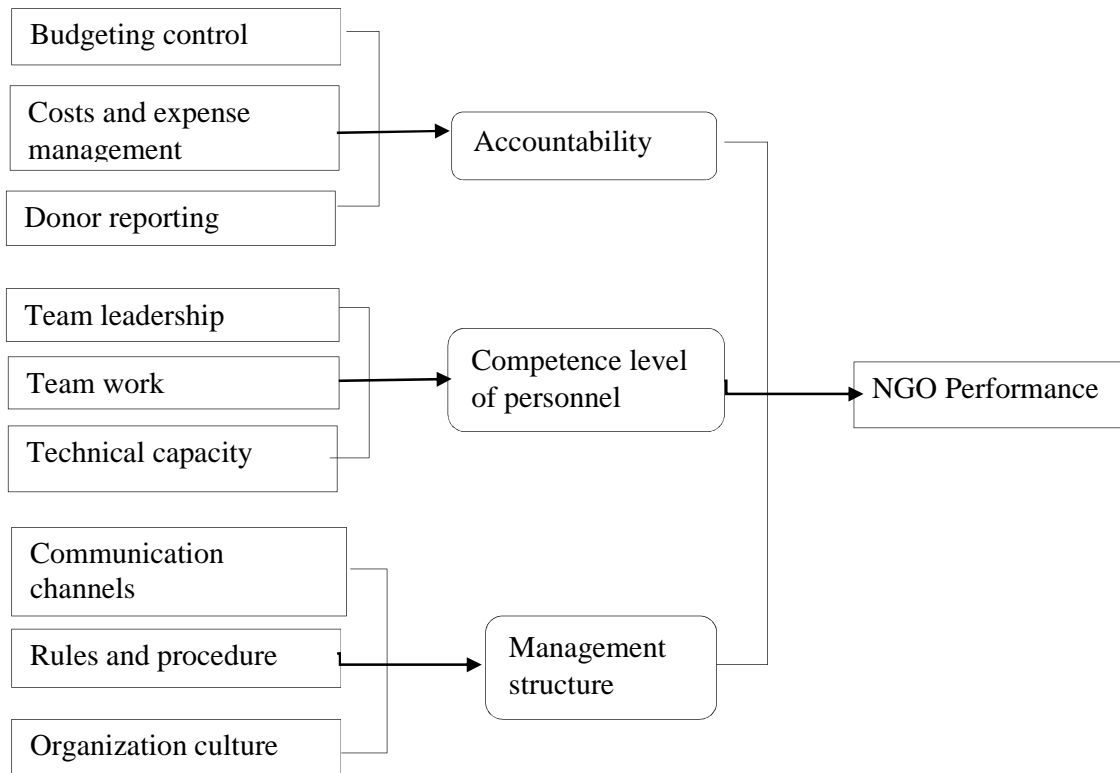
Conceptual framework can help us understand why we are doing a project in a particular way Kothari (2003)

Young (2009) described conceptual framework as a diagrammatical representation that shows the affiliation between dependent and independent variables. It refers to an organized way of thinking how and why a project takes place.

## **2.7 Operationalization**

The operationalization framework serves a significant purpose since it tries to explain how each of the variables mentioned in the study will be measured. This study has one dependent variable which is the NGO Performance. This performance relies on factors such as Management structure, Competence level of personnel, and Accountability. These factors are the independent variables of the study and can be approached by looking at various elements that form the variables

### **Figure II: operational framework**



**Independent variables**

**Dependent**

**variable**

### 2.8 Research Gap

After reviewing the existing literature, it was evident that the topic on NGOs performance has a limited literature. Most of the research studies done on the non-profit organizations have mainly concentrated on the aftermaths of the institutions, their capabilities and the level of government participations instead of the issues prompting to the organizational processes and influence. Moreover, a good number of the studies conducted on the topic of NGOs’ performance have been outside Kenya in countries such as South Africa and India. The findings in those countries cannot be generalised to Kenya since they have different circumstances.

The study will seek to establish both positive and negative effects of such dependency. Motivation to conduct this study is informed by the apparent need to bridge existing research gap on the implication of financial dependency from a single donor in such organizations. Further, in the context of current political climate in Kenya as a result of the 2017 general elections, it is perceived that most donors are hesitant to commit a lot of



funding in such organizations as they are on a “Wait and see” period. The timing therefore provides the researcher with an opportunity to robustly inform the topic of interest. This research therefore sought to determine the effect of single donor dependency on performance of NGOs.

## CHAPTER THREE: RESEARCH METHODOLOGY

### 3.1 Introduction

This chapter will discuss the methodology used to conduct this study. Section 3.2 will present the research design, section 3.3 will discuss the population of the study, section 3.4 will focus on the data collection methods, section 3.5 will describe the research procedure and finally, section 3.6 will describe data analysis techniques.

### 3.2 Research Design

This study seeks to adopt a descriptive survey research design. Neuman (2014) defines research design as both the procedure and plan used to carry out a research study. The study will utilise the descriptive design as it is the most appropriate design and most of the managerial studies have successfully adopted it. Robson (2002) argues that a descriptive research has the capability to describes an exact description of people's opinions, actions or circumstances The main idea behind a descriptive research has been identified as the need to portray statistics on the features of a phenomenon or a population. Accuracy is of predominantly significant in the descriptive research design (Cooper & Schindler, 2003).

### 3.3 Population of the Study

This study's target population will be the senior employees of 9,728 registered NGOs in Kenya (Nation, 2015). According to Ngechu (2004), a target population as used in statistics studies refers to the precise population which contains the anticipated data. Mugenda and Mugenda (2003) noted that if a study's target population is less than 100 units, then a census should be carried out.

### 3.4 Sampling

Fisher equation will be used to derive sample size

$$n=R \times S (c/d)^2$$

n= sample size.

R = category proportion

S = not contained in category specified

c = confidence level correspondence value. (99% certain=2.57, 95% certain= 1.96 and 90% certain=1.65)

d = sample variability degree (0.5 the lowest and maximum risk)

d% = required margin error.

Using the least sample size formula below and when the population is below 10,000 the sample size will be adjusted

$$n.' = n. / \{1 + n. / N\}$$

By taking R=50%; S=50%; c=1.96 (95%); d= 5%; N=9,728;

$$\begin{aligned} n. &= 50 \times 50 \times [1.96/5]^2 \\ &= 2500 \times 0.153664 = 384 \end{aligned}$$

$$n. = 384$$

Adjusted sample size

$$n.' = 384 / [1 + (384/9,728)] = 384/1.059 = 369.4$$

Study sample size will be n.' = 369

### **3.5 Data Collection Methods**

The researcher purposes to collect both quantitative data, which will be collected using a structured questionnaire, as well as qualitative data, mainly obtained through a key informant discussion and in-depth interviews. Further, the researcher aims at utilizing secondary data sources such as the financial statements and budget projections subject to authorization by NGO management.

### **3.6 Research Procedure**

The researcher will issue each respondent with the structured questionnaire for them to fill at a time of their choice, but with a defined expected timeline. Further, the researcher will facilitate a face to face key informant discussion to assure rigor in the qualitative data that will be collected.

### **3.7 Data Analysis Techniques**

Kombo and Tromp (2006) described data analysis as the process of scrutinizing the information that has been collected through an investigation or an experimentation and generating inferences and conclusions. Denscombe (2003), asserts that quantitative analysis entails the procedure of presenting and interpreting numerical data which contains descriptive statistics and inferential statistics. Qualitative analysis involves gathering an in-depth understanding of the research study and the basis of the same, while investigating

the why and how of decision making, not just what, where, when (Cohen, Manion, & Morrison, 2000). For this study, both qualitative and quantitative techniques will be used.

Data collected will be meticulously amended and checked for completeness; summarized; coded for easy classification. Data will then be analysed using SPSS Software to establish patterns, trends and relationships using both descriptive and inferential statistics. Correlation analysis will help in detecting any significance concerning which factors are related to one another, while regression analysis will be useful in modelling and testing the relationships among the variables (Montgomery, 2007).

Qualitative analysis shall involve coding and organizing collected data into themes and concepts that address the research questions, and then analysing using content analysis. Pearson correlation will be run to determine the influence of independent variables on the dependent variable. Regression model will be used to make predictions or inferences about the population.

The model is shown below:

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon_i$$

Where

$Y_i$  Corresponds to the dependent variable (NGO performance),

$\beta_1 - \beta_3$  Are the coefficients of the independent variables,

$X_1$ ,  $X_2$ , and  $X_3$  corresponds to the independent variables management structure, competence level of personnel and accountability

$\varepsilon_i$  is the error term arising from sampling

Quantitative data will be presented in tables and charts to ensure ease in the interpretation of the outcomes. On the other hand, qualitative data will be presented as explanatory notes.

## **CHAPTER FOUR: RESULTS AND DISCUSSIONS**

### **4.1 Introduction**

This chapter deals with presentation of findings and discussion of the same. Overall, the

purpose of this study was twofold. First, understanding NGOs motivation to opt for single donor funding was essential and secondly, relating in what way opting for single donor funding directly or otherwise affects organizations performance. To achieve this, it was imperative that the characteristics of single donor funded NGOs are known. These characteristics are examined from an accountability perspective, competency level of the personnel and the management structures of the single donor funded NGOs.

#### **4.2 Reliability test & Response rate**

To measure internal consistency of the instrument, the questionnaire was tested and retested with a sample of respondents. The scores obtained were then measured using the Cronbach's Alpha correlation coefficient test. According to George and Mallery (2003) Cronbach Alpha value greater than 0.7 is regarded as satisfactory for reliability assessment whereas a value less than 0.7 implies that internal consistency among items is weak. The value of Cronbach alpha for this study was 0.821 and thus satisfactory.

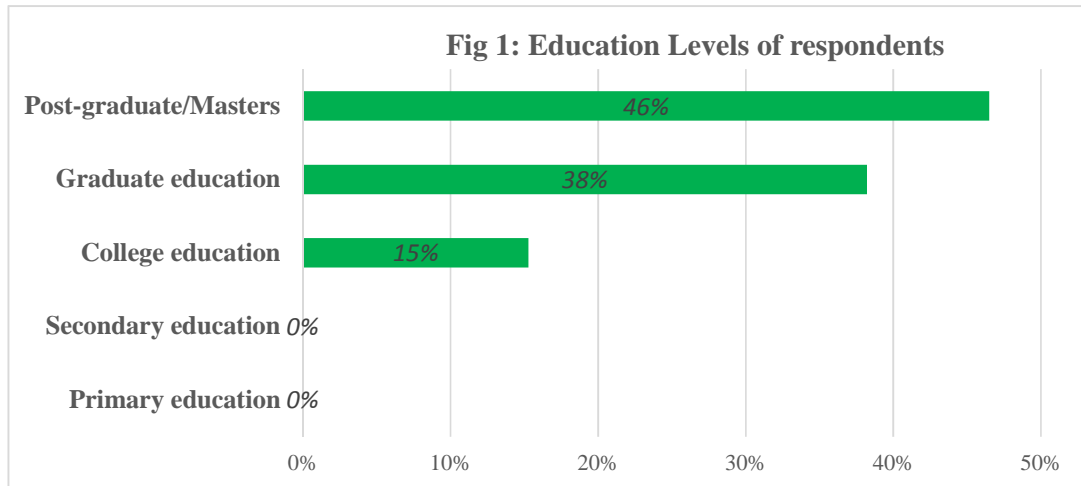
The study recorded an 86% response rate, drawn from a total of 318 employees randomly sampled from single donor funded NGOs. As is common in social surveys, the issue of attrition cannot be overlooked. In such cases even though rare in this study, the researcher would randomly select a new respondent thereby ensuring completeness of the 318 questionnaires collected.

#### **4.3 General demographic characteristics**

To begin with, outcomes and predictors of interest were assessed in order to gain better insights into the dataset. Graphical presentations and other descriptive summaries were generated not only to aid in detecting potential outliers, but also for appropriate model formulation as well as providing an initial feeling of the responses obtained from the survey. The final dataset comprised of observations from 314 respondents drawn from single donor funded NGOs.

The study recorded a near proportionate gender distribution of respondents, with 53% male employees and 47% female employees responding to the questionnaire. Additionally, the age group for most of interviewed employees was between 25 years and 40 years, where 35% were aged between 25-30 years and 56% aged between 31-40 years. This depicts a substantial youthful representation, mirroring a commonly appreciated fact on the critical role of youth employees in NGO program work implementation. From a literacy level outlook, most of the employees have either acquired a graduate or

postgraduate qualification, as shown in Figure 1. Further, officers and managers, both at low, mid and senior levels comprised a bigger proportion (94%) of the respondents.



Source: Researcher 2018

Most of these employees have served their current employer for atmost 5 years, which also reflects the contracting terms of most NGOs. with most employment contracts running for between 2 or 3 years. From the key informant discussions with sampled chief of parties and human resources, the contracting duration for single donor funded NGOs is often informed by the funding period, which for most programs is initially limited to 5 years. The uncertainty on continued funding beyond this period, coupled with the need for the NGOs to protect themselves against unforeseen fund cut, motivates the shorter duration employment contracts. Out of all the NGOs targeted in this study, only one NGO had complementary small scale funds from other donors, though still heavily overrelies on one donor.

#### **4.4 Factors that stimulate NGOs to opt for a single donor funded approach**

The main interest of this study was to assess how the performance of NGOs depending solely or largely on single donor funding is affected. To develop a better understanding, it is vital that the considerations to opt for single donor funding by such organizations are known, while appreciating the challenges and benefits that either type of funding possess.

Results of the factors stimulating NGOs to opt for single donor funding are summarised in table 1.

**Table 1: Factors stimulating single donor dependency**

Single donor funding drivers	Importance to decision making				
	Very low extent	Low extent	Indifferent	Large extent	Very large extent
Risk management	22%	8%	8%	14%	48%
Flexibility in program approach	0%	0%	2%	22%	76%
Long-term reliability of funding flow	46%	2%	1%	13%	38%
Reduced danger of fund withdrawal	2%	83%	3%	10%	2%
Capacity constraints to fundraise	4%	75%	6%	13%	2%
Donor restriction to single funding	9%	86%	0%	4%	1%
Organizations scope of work	4%	5%	0%	84%	7%
Conflicting needs from multiple donors	4%	7%	2%	81%	6%
Accountability challenges to multiple donors	2%	5%	1%	83%	9%

*Source: Researcher 2018*

Results show that there is more flexibility on the kind of approach NGOs adopt in their implementation when single donor funded. As observed in the key informants, the choice of implementation approach is agreed with the donor at the point of engagement. More than often, in a case of single donor funding, the organization is able to retain its preferred implementation approach as they single source donors who are aligned and okay with NGOs approach. This is not the case when multiple donors are involved, as noted by a chief of party in one of the NGOs.

There were varying opinions in regard to single donor funding dependency and increased long term reliability of funding flow. Whereas some NGOs believe that reliance on one donor creates a longer and stronger relationship, which in turn keeps the donor motivated for continued funding, others are of the opinion that single donor funding poses a huge

risk to organizations financial flow, as depicted by 46% who indicated that this factor contributes to a very low extent towards an organizations decision to single source funding.

This factor connects well with the risk of fund withdrawal driven by the perception of an organization with multiple donors having alternative funding sources. 83% of the respondents are of the opinion that NGOs decision to opt for single donor funding, is rarely due to the fear of losing/reduced funding should they engage multiple donors. On the contrary from the key informant discussions, most donors still encourage single funded NGOs to consider pursuing more funding opportunities, given the uncertainties that donor funding invites.

Even though it would be assumed that NGO capacity to raise additional funding would be a key contributor to the choice of single funding, this was not evident in this study as depicted by the 75% who indicated a quite low extent in decision making. Discussions with key informants revealed that more than often, the organizations would be willing to either employ a fundraiser or outsource fundraising if the organizations interest was to expand to multiple donor sources.

Connected to this is the organizations scope of work, where atleast 84% were of the opinion that the scope of the organization to a large extent contibutes to the choice of single donor funding. The blend here is that an NGOs scope of work will also be vital to deciding whether there is need for internal capacity to fundraise, with a small limited scope requiring none.

As much as some donors have a strict requirement to be the sole funders, the study revealed that their influence on whether an NGO adopts single sources or multiple is not popular. 95% of respondents revealed that their current donors have no such requirement limiting the organization to rely on their funding. On the contrary, and depicted in the key informant discussions is that most donors have flexed and encourage organizations to expand their financial sources, as long as the core program/project work is not affected.

Majority of the respondents, corresponding to 87% revealed that conflicting requirements from multiple donors, married with issues of accountability to multiple donors and risk management, to a large extent contribute to the choice of single funding. This was further evidenced from discussions with senior program staff, who claim they have previously



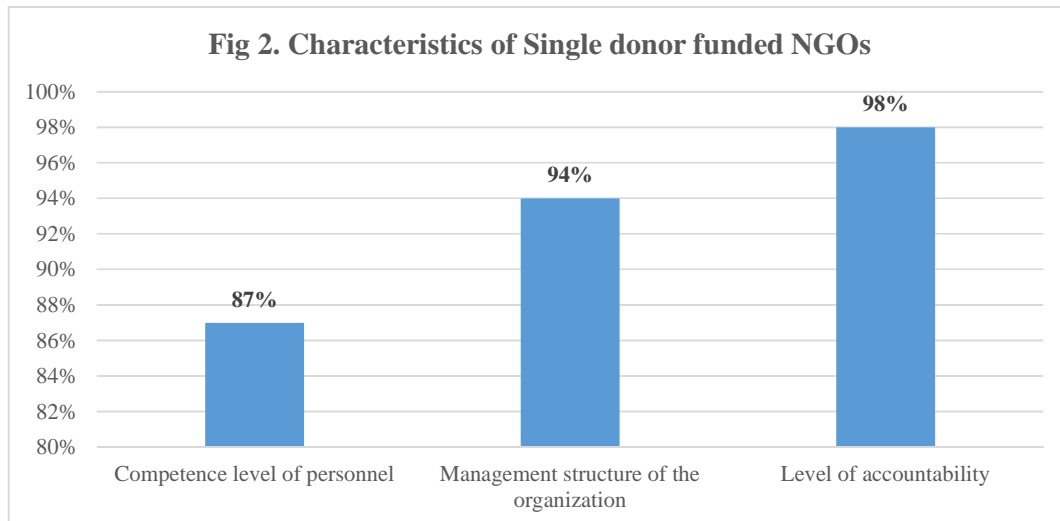
identified funding opportunities but finding a common working ground with multiple donors proved futile.

Overall, there is evident appreciation of the several factors stimulating NGOs to opt for single donor dependency. Most of these factors however are not standalone, as is evident in the preceding results and discussions.

#### **4.5 Characteristics of single donor funded NGOs & organization performance**

Characteristics of single donor funded NGOs were assessed based on accountability, competence level of the personnel and management structures. For each of these characteristics, different aspects were considered.

In particular, accountability was assessed threefold, which includes budgeting controls, management of costs and expenses as well as donor reporting. Team leadership, team work and technical capacity were used to assess the competency of the organizations personnel. Towards gaging management structures of an NGO, communication channels, rules and procedures and organization culture were considered.



Overall and as shown in fig 2, accountability level is a major characteristic of single funded NGOs. This was evidenced from the high scores also depicted in donor reporting (100%), budgeting control (97%), costs and expense management (97%). These findings were further validated through the key informant discussion outcomes. For instance, there was a unanimous appreciation on the importance of accountability reporting in single donor funded NGOs, with strong emphasis on reporting timeliness considerations.

Management structures follow closely at 94% and competence level of personnel at 87%. Under management structures, robustness of communication channels (99%) is a key characteristic of single donor funded NGOs, followed closely by reporting structures (98%), organizations culture (90%) and finally rules and procedures at 88%. Technical capacity of employees to deliver against program objectives is a major indication of competency level of personnel as revealed by 97% of the respondents. Team leadership follows closely at 85% and team work at 79%.

On the other hand, NGO performance was evaluated two fold, which included the financial sustainability of the organization and overall project/program performance. As results revealed from 95% of the respondents, these two aspects are considered very prudent to the success of the organization, and form critical performance measure for the organizations.

#### **4.6 Effect of single donor dependency on the performance of an NGO**

Two sets of regression analyses were performed to establish the relationship between characteristics of single donor funded NGOs and the performance of these organizations. For ease of comparison, the same set of predictors for NGO characteristics were adjusted for in all the fitted models.

Coefficient of determination, ( $R^2$ ) was used to establish goodness of fit for the fitted model.  $R^2$  indicates the proportion of variance explained by a model. To establish the significance of single donor funded NGO characteristics on the organizational performance, p-values evaluated at  $\alpha=0.05$  level of significance were used.

Throughout the analysis and drawing from the assumption of no auto correlation among residuals from linear regression, the researcher relied on Durbin Watson test statistic. This statistic has different interpretations depending with its value, which is usually between 0 and 4, where a value of 2 means there is no auto-correlation. Values approaching 0 indicate positive autocorrelation and values towards 4 indicate negative autocorrelation

##### **4.6.1 Relationship between characteristics of single donor funded NGOs and Financial sustainability.**

The researcher begins by establishing if there exists any relationship between single donor funded NGO characteristics and financial sustainability, as a measure of NGO

performance. Table presents the model summary for the goodness of fit statistics.

**Table 2: Model summary for characteristics of single donor funded NGO and financial sustainability.**

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
0.85	.722	.632	3.834	1.851

*Source: Researcher 2018*

R<sup>2</sup> value was obtained as 0.722, an indication that NGO characteristics entered in the model explained 72.2% of the variation. Additionally, the model had a Durbin Watson test statistic value of 1.851 which is very close to 2. This means that the model assumption of no auto correlation has not been violated.

Table below, presents analysis of variance (ANOVA) results for the overall test of significance (omnibus tests) of single donor funded NGO characteristics on financial sustainability. The p-values in this case are estimated from an ANOVA based F distribution

**Table 3: ANOVA test for overall significance on financial sustainability.**

	Sum of Squares	df.	Mean Square	F	Sig.
Regression	3562.68	3	1187.56	89.01	0.000
Residual	4135.80	310	13.34		
Total	7698.49	313			

*Source: Researcher 2018*

The hypothesis under test was;

H<sub>0</sub>:Characteristics of single donor funded NGOs have no significant effect on financial sustainability

H<sub>1</sub>:Characteristics of single donor funded NGOs have a significant effect on financial sustainability

Based on the p-value obtained which was less than 0.05, the conclusion is thus that overall, characteristics of single donor funded non-governmental organizations have a statistically significant effect on organizations financial sustainability.

Finally in Table 4 below, individual parameter estimates for the model coefficients are provided. These results further reveal that accountability, Management structures and

competence level of personnel significantly contribute to financial sustainability of single donor funded NGOs.

**Table 4: Parameter Estimates of multiple regression model:**

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	50.242	2.577		19.500	.000
Accountability	22.768	6.001	19.489	9.057	.000
Competence level of personnel	8.620	3.690	4.294	5.298	.000
Management Structures	27.172	4.481	23.023	7.115	.000

*Source: Researcher 2018*

The final equation on the relationship between NGO characteristics and organizational performance becomes,

$$Y = 50.242 + 22.768X_1 + 8.620X_2 + 27.172X_3$$

Where  $Y$  Corresponds to financial sustainability;  $X_1$ ,  $X_2$ , and  $X_3$  corresponds to the independent variables accountability, competency level of personnel and management structure respectively. According to the regression equation established, holding all other NGO characteristics in this model constant, a unit increase/improvement on level of accountability will lead to 22.768 times increase/improvement on a single donor funded NGOs financial sustainability; a unit increase/improvement in competency levels of personnel will lead to a 8.62 times increase/improvement, holding all other factors. Similarly, a unit increase/improvement in management structures will lead to 27.172 times increase/improvement, holding all other factors constant.

These results infer that accountability levels and management structures of a single donor funded NGO contribute significantly to financial sustainability. This mirrors well with insights emanating from key informant discussions across board, where it emerged that there is strong emphasis from single donors on accountability reporting and ensuring strong controls are in place within an organization.

#### 4.6.2 Relationship between characteristics of single donor funded NGOs and Program/Project performance

NGOs core work is on project/program implementation. This means that successful implementation of project/program interventions is crucial to NGO survival. Driven by this appreciation, the study sort to statistically test the relationship between characteristics of a single donor funded NGO and performance of a project/program. Results of the model summary including goodness of fit statistics are provided in Table 5.

**Table 5: Model summary for characteristics of single donor funded NGOs and program/project performance.**

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
0.904	.818	.776	4.548	1.785

*Source: Researcher 2018*

$R^2$  value was obtained as 0.818, an indication that single donor funded NGO characteristics entered in the model explained 81.8% of the variation. For this particular model, the Durbin-Watson value was 1.785, which is very close to 2 and therefore model assumption of no auto correlations has not been violated.

In Table 6, analysis of variance (ANOVA) results for the overall test of significance (omnibus tests) of NGO characteristics on project/program performance are presented.

**Table 6: ANOVA test for overall significance on project/program performance.**

	Sum of Squares	df.	Mean Square	F	Sig.
Regression	716.07	3	238.69	67.51	0.000
Residual	1096.05	310	3.54		
Total	1812.12	313			

*Source: Researcher 2018*

The hypothesis under test was;

$H_0$ :Characteristics of single donor funded NGOs have no significant effect on program performance

$H_1$ :Characteristics of single donor funded NGOs have a significant effect on program performance

Based on the p-value obtained which was less than 0.05, we conclude that overall,

characteristics of a single donor funded NGOs have a statistical significant effect on the performance of a program/project.

Individual parameter estimates for the model coefficients revealed that accountability levels, competence levels of the personnel and management structures significantly contributed to better performance of project/program. These results are shown in Table 7.

**Table 7: Parameter Estimates of multiple regression model:**

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	38.496	3.507		14.126	.000
Accountability	17.072	1.351	11.4	6.574	.000
Competence level of personnel	7.912	3.83	9.983	5.121	.000
Management structures	17.206	4.813	10.231	9.006	.000

*Source: Researcher 2018*

The final equation on the relationship between characteristics of single donor funded NGOs and performance of a project/program becomes,

$$Y = 38.496 + 17.072X_1 + 7.912X_2 + 17.2016X_3$$

Where  $Y$  Corresponds to project/program performance;  $X_1$ ,  $X_2$ , and  $X_3$  corresponds to the independent variables accountability, competency level of personnel and management structure respectively. According to the regression equation established, holding all other NGO characteristics in this model constant, a unit increase/improvement on level of accountability will lead to 17.072 times increase/improvement on a project/program performance of a single donor funded NGO; a unit increase/improvement in competency levels of personnel will lead to a 7.912 times increase/improvement, holding all other factors. Similarly, a unit increase/improvement in management structures will lead to 17.2016 times increase/improvement, holding all other factors constant.

According to key implementing staff interviewed in this study, it is critical that management puts in place measures and controls that are strong, but also flexible to avoid delaying implementation. At the same time, single donors have a tendency to demand a lot

in terms of accountability reporting, given the amount of resources they inject into such NGOs. Competency levels of the program staff, especially technical staff, were identified as potential bottlenecks to a successful program implementation. Based on the key informant discussions, it was eminent that single donors to a large extent are playing a critical role towards ensuring that the right staff are engaged. On the same note, the need for strong team work and leadership remains vital for the benefit of project/program performance and organizations overall performance.

#### **4.6.3 Regression model diagnostics**

Performing model goodness-of-fit and diagnostic checks are vital in order to know the reliability of the analysis and subsequently, the inference based on the model output. Some of the diagnostics have already been performed and presented earlier. For instance, in our exploratory analysis, a cronbachs coefficient alpha was introduced as a measure of internal consistency, whose value was 0.821.

Additionally, as a measure of regression model goodness of fit statistics, the analysis elaborately provided the coefficient of determination ( $R^2$ ) for each of the fitted regression models. The value of  $R^2$  is important as it helps explain how much of the variation in dependent variable is actually explained by the predictor variables. To address and evaluate regression assumption of no auto correlations, the researcher utilized a Durbin Watson statistic for each of the fitted model.

#### **4.7 Challenges faced by single donor funded organizations**

While appreciating the role single donors play in development world, challenges associated with single donor dependency at organization level cannot be overlooked. This study sought to assess the kind of challenges single donor funded NGOs are likely to face. Results revealed that poor governance, lack of strategic planning, poor communication, low/limited technical capacity, poor accountability and transparency were some of the key challenges these NGOs face or are likely to face.

As noted during key informant discussions, most respondents argued that a single donors patience can only be tested for a very short time. The amount of resources they inject in the organizations to keep them going and achieve intended impact, demand presence of strong governance structures. Lack of such structures thereof, would be highly consequential. Similar sentiments were evident with regard to accountability and

observing high levels of transparency, as this is key to attaining donor confidence and continued fund support.

As program work forms the core business in NGOs, it was evident that properly resourcing technical team, with the right skills and motivation is important, but remains a challenge in single donor funded organizations. According to these NGOs, most donors are hesitant to direct significant proportion of their funds towards resourcing, and instead force organizations to manoeuvre under the available capacity.

On the other hand, lack of funds does not appear to be a common challenge in single donor funded organizations. Key informants attributed this to the obvious nature of engagement, where single donors have tendencies to commit long term funding which would see project/program closeout, as opposed to multiple funded NGOs where its possible to attract short term funding. Additionally, development approaches rarely pose challenges to these organizations, also attributed to the benefit of engaging single donor who has buy in of the implementation approach proposed by the organization.

**Table 8: Challenges faced by single donor funded NGOs:**

Single donor funding drivers	Importance to decision making				
	Very low extent	Low extent	Indifferent	Large extent	Very large extent
Lack of funds	45%	34%	6%	11%	4%
Poor governance	0%	3%	1%	14%	82%
Absence of strategic planning	12%	20%	3%	60%	5%
Poor networking	54%	36%	1%	7%	2%
Poor communication	8%	13%	10%	59%	8%
Limited capacity	8%	15%	0%	67%	10%
Development approaches	32%	46%	2%	17%	3%
Relationships with INGOs	44%	38%	0%	17%	1%
Political interference	58%	31%	3%	8%	0%
NGO board and NGO council	32%	18%	9%	27%	14%
Information, Communication & technology	14%	76%	0%	6%	4%
Accountability and	4%	13%	0%	14%	69%



## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter presents and assesses the implications of the findings to the existing body of knowledge and its wider application in the field of donor funding and NGO performance, with specific interest in single donor funded organizations. We discuss the findings, draw conclusions and make recommendations for further research.

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

The main purpose of this study was to assess the relationship between characteristics of a single donor funded NGO and respective organizational performance. These characteristics were in form of accountability, competence levels of the personnel and management structures of such organizations. On the other hand, NGO performance was assessed twofold, i.e. from an organizations financial sustainability aspect and project/program performance. To this end, a cross sectional survey was conducted targeting a sample of 369 respondents drawn from single donor funded organizations in Kenya.

#### **5.2.1 Factors that stimulate NGOs to opt for a single donor funded approach.**

Findings from this study revealed different dynamics which may or may not stimulate the choice of donor funding an NGO may opt for. For instance, there is high level of appreciation from most NGOs on the level of control and flexibility single donor dependency creates when it comes to the choice of implementation approach. The type of implementation approach in this case could be whether an organization adopts a direct implementation approach, or a market led approach, which in most programs is either referred to as market systems development, value chain development or private sector development. The argument emanating from this study is the evident nature of engagement with single donor, where most NGOs feel confident to front their preferred

approach at project/program start up, and do not have to convince other donors to come in and adapt to their existing approach.

Factors to do with scope of program work also come into play as far as the choice of donor funding is concerned. Our assessment reveals that NGOs with a small scope are often likely to opt for single donor funding, as the financial commitment is not big enough to warrant multiple funding sources. At the same time, small scope projects/programs are less attractive to multiple donors, as the key informant discussions revealed.

The demanding nature of accountability in donor funded programs, coupled with conflicting requirements and need to manage program risks, plays a vital role on the type of donor funding an NGO adopts. As most organizations noted, it is very hard to have a universal accountability mechanism when handling multiple donors, who more than often have unique and varying requirements/expectations. The consequence is that most NGOs find themselves in a situation where their resources are extremely strained as they juggle to meet varying expectations. To avoid this, organizations will have tendencies to opt for single donor dependency.

Even though it would be assumed that some donors will engage under strict requirements of remaining sole funders, this has not been a key decision driver as far as adopting single donor funding is concerned. On the contrary, most NGOs reveal that there has been huge shift and impetus, with most single donors starting to encourage organizations to rethink their funding basket and look for alternative sources.

### **5.2.2 Single donor dependency and NGO performance.**

It was evident from the study that the level of accountability in a single donor funded NGO has significant contribution on how such an NGO performs, both at program/project outlook as well as its financial sustainability. The logic here is that NGOs who are more accountable, by having a robust cost and expense management, strong budget control, timely, verifiable, and quality donor reporting provide their funder with confidence, which trickles to continued funding. From a quality and verifiable reporting perspective, NGOs who have put in strong accountability measures benefit from reliable insights which either help improve program/project performance, or scale.

The competence level of personnel engaged by a single donor funded organization is key to such an organizations success. At program/project level, the study has revealed that

highly skilled and motivated technical staff are central to successful implementation and delivery of interventions. Team leadership and team work, which also blends perfectly with competent personnel equally affects performance of a project/program intervention. Financially, a single donor funded NGO cannot entertain underperformance given its limited budget resources, which often are directed towards actual intervention work and less of resourcing.

As far as the management structures are concerned, a single donor funded NGO survival is dependent of the strength of such structures. Strong and robust communication channels are essential to NGOs program/project performance as well as financial sustainability. The connection is that single donor funded programs/projects are perceived to be very sensitive to information flow, as this is a key engagement requirement. The study has revealed that sole funders enjoy monopoly of information and therefore are keen to ensure this is adhered to.

### **5.2.3 Challenges faced by single donor funded organizations.**

This study has identified poor governance, lack of strategic planning, poor communication, low/limited technical capacity, poor accountability and transparency as some of the key challenges single donor funded NGOs face or are likely to face.

From the findings, NGOs struggle to strike the balance between putting in place strong governance structures, as they would wish, largely due to the fact the donor is keen to ensure their funds are to a large extent directed towards program work and not institutional building. As we observed in one of the single funded NGOs, there was no executive leadership in place, and were also struggling setting up different control and decision making committees due to low resourcing.

This mirrors back to the challenge of low/limited technical capacity. Single funded NGOs continue to be victims of resource constraint, despite the scope of work demanding for increased resourcing. In some cases, NGOs revealed that its difficult to afford highly skilled and experienced resources for core work given the budget limitations as far as resourcing is concerned. This, according to most respondents in this study, significantly leads to serious burn out of its employees who have to work overtime to achieve program/project goals.

### **5.3 Conclusion**

The findings of this work showed that varying decision drivers play a central role on the choice of donor funding organizations opt for. Whereas there are pros and cons on whichever choice of donor funding an organization opts for, the decision should be based more on merit than perception. Evidently from this work, is the fact that even though there is high appreciation of single donor funding, the shift and impetus being demonstrated by single donors towards encouraging NGOs to start sourcing for alternative funds is something worth attention.

As far as single donor dependency and NGO performance is concerned, this study concludes that having in place strong accountability measures (budgeting & control, cost & expense management & donor reporting) is essential to an organizations financial sustainability and better program/project performance. The strong driver here is gaining donor confidence and keeping them interested to continue injecting funding into the organization.

With single donor dependency comes challenges related to governance and capacity. The conclusion being drawn from this study is that whereas challenges are inevitable in whichever funding type an NGO opts for, it's important that such challenges are scrutinized and considered prior to an organizations decision to opt for single donor dependency. These challenges could also form discussion and engagement strategy when NGOs are single donor sourcing.

### **5.4 Recommendations**

The research findings of this study show that accountability, competence level of personnel and management structures of a single donor funded nongovernmental organization contribute to the financial sustainability and program/project performance.

The researcher thus recommends such NGOs need to ensure they put in place very strong accountability mechanisms which promote donor confidence. This can be achieved by ensuring budgets are realistic and aligned to program/project work, and most importantly, supported by facts and need assessment. Further, donor reporting will demand for a lot of flexibility, which in turn allows the NGO to respond to adhoc requirements from the donor, while demonstrating accuracy, reliability and verifiability. Costs and expense

management, will better be achieved if an NGO puts in place strong controls and measures, and further demonstrate to the donor value for money.

From the findings of this study, the researcher recommends single donor funded NGOs should be strategic when on boarding personnel to roll out its programme. Stronger emphasis should be towards engaging highly skilled and motivated staff, who demonstrate team leadership and team work.

The management structures of single donor dependent NGOs, ought to demonstrate strong communication channels, and put in place robust rules and procedures that trigger donor confidence. This means the organizations should deliberately ensure completeness of feedback loops between them and the donor.

### **5.5 Areas for further research**

Whereas this study has concentrated on existing single donor funded NGOs, without the intention of adjusting for comparisons with multiple funded NGOs, the researcher is of the opinion this comparison would be more useful, and help expand the scope of this work. The researcher appreciates the various dynamics revealed through this work as far as single donor funding is concerned, and comparing these dynamics with multiple donor funded organizations would be of interest to global researchers, and NGOs torn between single donor and multiple donor dependency.

One of the key observations related to this study, has been the fact that even single donors are starting to encourage organizations to expand their financial sources, or consider doing so. This is something that is clearly gaining impetus, and should interest future studies and researchers. Perhaps the key question should be to identify what is motivating such donors to drive this shift, given the evident benefits of remaining sole organization funders. Additionally, it should be of interest to trace back the uptake of this push to NGOs, and whether their reasons to shift to multiple sources aligns with donor thinking or otherwise.

Future studies could also consider the opportunism nature of both the donor and NGO. The researchers thinking is that there could be instances where some NGOs decision to opt for single donor funding or otherwise, has been driven by what funding source is readily available and accessible. This to researcher's interpretation, could have a serious implication on such organizations sustainability and relationship with the donor. On the same wavelength, some donors' interest to single fund, or join a pool of funders, could be

driven by other interests other than the impact the program/project interventions are likely to create. The implication here then, could be a sustainability issue should their motivation shift along the way, or should the target organization cease from providing same motivation they earlier did.

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## **APPENDICES**

### **Appendix I: Introduction Letter**

**Susan Njeri Gachoka**

**University of Nairobi**

**School of Humanities and Social Sciences**

**Department of Finance**

**Nairobi**

Dear Respondent,

I am a Student at the University of Nairobi pursuing Master of Business Main campus Nairobi. Am doing a research on the effect of single donor dependency on the performance of a Non-governmental organization.

I have selected your organization for the study. I will appreciate if you fill the questionnaire by responding to the questions contained.

There is no need include your details such as personal names or corporate details. The data obtained will be used for academic purpose and will be kept private and confidential.

Thank you for your cooperation.

Yours sincerely

Susan Njeri Gachoka

## Appendix II: Questionnaire

The aim of this questionnaire is to gather data on the effects of single donor dependency on performance of an NGO

*Guide on how to fill:*

Please tick the appropriate response from the choices given, for open ended question give your honest response. This questionnaire is for academic purpose and your data will be private and confidential. No need to include your name or other corporate details.

### Part A: General Profile

1. Gender

- Male
- Female
- Prefer not to state

2. What is your age?

- less than 24 years
- 25-30 years
- 31-40 years
- 41-50 years
- above 50 years

3. What is your highest level of education?

- Primary education
- Secondary education
- College education
- Graduate education
- Post-graduate/Masters

4. What was your current position/level in the organization?

- Graduate management trainee
- Junior officer
- Senior officer
- Low level manager
- Mid-level manager
- Senior management

- Exco
- Others (specify)\_\_\_\_\_

5. How many years have you been employed in the organization?

- Below 5 years
- 6-10 years
- 11-25 years
- Above 25 years

6. What is the funding status of your organization?

- Single donor funded
- Multiple donor funded
- Largely single donor funded, with complementary small scale funds from other donors
- Other (specify).....

**Part B: Factors that stimulate NGOs to opt for a single donor funding**

7. To what extent would you rate the importance of below drivers towards the choice of single donor funding in a non-governmental organization

	1 Very low extent	2 Low extent	3 Indifferent	4 Large extent	5 Very large extent
Risk management					
Gaining more flexibility in program approach					
Increasing long term reliability of funding flow					
Reducing the danger of funding withdrawal due to perception of having alternative funding sources					
Internal capacity limitations to enable raise additional funding					

Existing donor requirement not to seek/on-board alternative funding sources					
Organization scope of work cannot attract multiple donors					
Conflicting needs of multiple donors make it difficult					
Being accountable to multiple donors is a huge challenge					

**Part C: Challenges faced by single donor funded NGOs and their performance.**

8. To what extent do the following factors pose challenges of managing NGOs performance that is single donor funded? (Tick appropriately)

	1 Very low extent	2 Low extent	3 Indifferent	4 Large extent	5 Very large extent
Lack of funds					
Poor governance					
Absence of strategic planning					
Poor networking					
Poor communications					
Limited capacity/capacity limitations					
Development approaches					
Relationships with INGOs					
Political interference					
NGO board and NGO council					
Information, communication and technology					
Accountability and transparency					

**Part D: Effect of single donor dependency on the performance of an NGO**

9. Which of the following performance indicators do you consider most important in a single donor funded organization?

- Financial sustainability
- Program/Project performance
- Other .....

10. Which of the following donor funded organizations attributes do you consider to have an impact on performance of a single donor funded organization?

- Competence level of personnel
- Management structure of the organization
- Level of accountability

11. To what extent do the following elements affect the performance of a single donor funded organization? Where on a scale of 1-5, where 1-Very small extent, 2-Small extent, 3=Indifferent, 4=Large extent, 5= Very large extent.

	1 Very low extent	2 Low extent	3 Indifferent	4 Large extent	5 Very large extent
Competence level of personnel					
Technical capacity of employees to deliver against program objectives					
Team work					
Team leadership					
Management structure					
Organization culture					
Rules and procedure					
Communication channels					
Reporting structures					
Accountability					
Donor reporting					

Costs and expense management					
Budgeting control					

**E.N.D**