THE EFFECT OF FUNDING MIX ON THE FINANCIAL SUSTAINABILITY OF NON-PROFIT ORGANIZATIONS IN NAIROBI COUNTY, KENYA.

BY

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A RESEARCH PROJECT IS PRESENTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

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DECLARATION

This research project is my original work and has not been presented for a degree in this or any other university.

Signature........... .... Date. November 26 2021

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This research project has been submitted for examinations with my approval as the university supervisor.

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ACKNWOLEDGEMENT

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To my family, you are amazing. Thank you for allowing your very own to pursue the degree with no interruption. Your support has been the strength needed.

DEDICATION

I dedicate this project to my precious mother, Teresa Oyaro. For your selflessness and dedication to see me through my education. Your young star has found a place in the sky.

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LIST OF ABBREVIATION AND ACRONYMS

CIPD	Chartered Institute of Personnel Development
NGO	Non-Governmental Organizations
UK	United Kingdom
SPSS	Statistical Package for the Social Sciences

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Financial sustainability of organizations is vital in attaining improved performance, which translates to organizational success (Gajdová & Majdúchová, 2018). An organization's financial capacity determines an organization's economic sustainability; which entails the availability of the resource for supporting organizational opportunities and responding to unexpected issues. Factors that affect organizations' financial sustainability comprise transparency, accountability, income diversification, implementation of strategic financial plans, donor relationship management, revenue generation communication, and collaboration (Milelu, 2018). The funding mix, which entails diverse income sources for organizations, exerts an effect on the sustainability of finance of these organizations. The funding mix promotes long-term organizational as well as economic sustainability (Xanthopoulo, 2018).

The theoretical background of the study will comprise sustainability theory, tradeoff theory, and sector failure theory. Hans Carl von Carlowitz formulated the sustainability theory in 1713. The theory states that the economic actions of the current cohort should not compromise the capabilities of tomorrow’s cohort to get their wants (Kantabutra, 2020). Tradeoff theory was developed by Myers (1984). The theory reveals that there exists an optimal funding mix for each organization which is determined using the balancing off of both the costs and benefits of equity. Weisbrod formulated the sector failure theory on the other hand, in 1988. The theory focuses on how NGOs are functioning well economically than other sectors (Ott & Dicke, 2016).

The establishment and operation of non-profit organizations began in Kenya in the 1960s, after the state acquired its independence. The organizations perform a wide range of activities and control a high volume of resources that contribute to national development. Currently, there are over 500,000 non-profit organizations that are registered in Kenya (Omolo, 2018). Legal regimes for writing non-profit organizations in Kenya comprise the Companies Act, No.17 of 2015, and the NGO Coordination Act, No.19 of 1990. The non-profit organizations are categorized into nongovernmental organizations, youth groups, cooperatives, trusts, foundations, women groups, self-help groups, and unions. Non-profit organizations in Kenya operate based on volunteer, part-time and full-time labour. Some of the services provided by these organizations comprise religious activities, social services, recreation, educational activities, research, health services, and environmental protection.

The non-profit sector of Kenya has been one of the fastest-growing entities since its establishment five decades ago. It takes part in a very crucial part in the growth of economy of a country since it contributes to the Gross Domestic Product and provides employment opportunities to a large population of Kenyan citizens (Kamau & Paul, 2019). For the non-profit sector's activities to run smoothly and effectively, financial resources are vital. Income-generating activities, donor funding, and investments are some of the non-profit organizations' strategies to acquire funds. The study intended to explore whether the diverse funding sources for non-profit organizations contribute to their financial sustainability, which translates to their improved performance.

1.1.1 Funding Mix

The funding mix entails a collective number of sources that provide income for the financial sustenance of organizations (Janiaud et al., 2018). Burkat (2018) defines funding mix as the multiple sources of finance for organizations, for instance, earned program revenues, government funding, and private contributions that organizations in the form of donations received. Similarly, Lo et al. (2019) defines a funding mix as the acquisition of more than one income source for the operation and functioning of organizations. The funds received by the non-profit organization are vital in ensuring the efficient and consistent provision of services. Organizations that provide high-demand services rely on funding more than those with a lower need for service provision. The funding mix provides a steady income source for its long-term survival and performance of a non-profit organization.

The funding mix is indicated by tax filings and the annual report from donor agencies. The annual report and tax filings are indications of the source of funds that organizations have acquired. Tax filings are a form of tax return report that reports the income and expenses that an entity has earned over one year (Hwang & Suárez, 2019). The filings, therefore, indicate the amount of income that has been received and where it has come from. On the other hand, door agencies are institutions that provide financial support to an organization; their annual reports indicate the organizations that benefitted from their fund allocation (Ranucci & Lee, 2019).

1.1.2 Financial Sustainability

It is the capability of a company to manage sufficient funds that enable it to meet its economic and resource obligations in cases where funding is limited (Almagtome et al., 2019). Similarly, Schwab et al. (2019) define financial sustainability as the capacity to start, maintain and grow an organization with long-term financial stability. Churchill (2020) also defines economic sustainability a company's ability to obtain funds in response to demand for the sustenance of productivity and performance at a growing rate. Critical components of financial sustainability in an organization comprise profitability, capital access, and planning. Economic sustainability is attained when an organization can plan on acquiring financial resources to achieve its long-term goals.

Financial sustainability for non-profit organizations is measured by among others; operating surplus ratio, total debt service cover ratio, controlled revenue ratio and net financial liabilities ratio (Zabolotny & Wasilewski, 2019). Operating surplus ratio measures the capability of an organization's operating revenue raised to cover operational expenses. Debt service cover measures the capability of an organization to repay its loan funds. A lower debt service cover ratio is an indicator of limited capacity and constrained flexibility of debt repayment. Net financial liabilities ratio indicated the magnitude to which financial liabilities can be repaid from the revenues. Lower percentage indicates that the organization is financially sustainable.

1.1.3 Funding Mix and Financial Sustainability

Diversification of sources of funds other than just relying on a single source of funds for an organization's operations is vital in enhancing organizational financial sustainability. An organization can attain this by engaging in activities that generate income (Mbuya & Osodo, 2018). Donor funding alone is not adequate to cater to organizational needs, and thus organizations must adopt additional funding strategies for their survival. The methods comprise investing and engaging in income-generating activities (Busienei, 2017). Funding resource diversification is very vital for organizational sustainability. Other than just relying on donor funding, organizations ought to take the initiative of acquiring additional sources of funds, for instance, self-financing and expansion of subsidy sources (Appolonia, 2016). Funding diversification is vital for the company's survival that is long-term.

1.1.4 Non-profit Organizations

They are defined as entities developed for mutual and public benefits other than profit generation for the owners or investors (Algharabat et al., 2018). Similarly, Ceptureanu et al. (2018) define non-profit organizations as organizations that do not earn profits for the members who established them. Instead, the funds acquired by the organizations are deployed in sustaining the objectives and goals of the organization. Ortega-Rodríguez et al. (2020) also define non-profit organizations as non-business institutions established to pursue purposes stipulated by the statutes of non-profit organizations. The organizations are established to promote educational, charitable, religious, scientific, public safety, and literary activities. Non-profit organizations comprise public schools, public charities, public clinics, churches, and labor unions. Other non-profit entities include research institutes, professional associations, legal aid societies, museums, and volunteer service organizations.

In Kenya, Non-profit organizations were established when the country got its independence in 1963. Over time, the numbers of these organizations have drastically increased, with their registration reaching over 500,000. The number of these organizations is still on the rise, with new entities every other day. Non-profit organizations in Kenya can be defined as foundations, public charities, trade organizations, and social charity groups. The Non-Governmental Organizations Coordination Board regulates non-profit organizations in Kenya. They are also regulated by the Nongovernmental Coordination Act of 1990 (Kalii, 2017). The non-profit organizations of Kenya play a vital role in moving large money volumes in the economy and play a part in employment creation.

1.2 Research Problem

The funding mix has a positive influence on financial sustainability. Financial sustainability can be attained when entities have diverse funding to survive the dynamic external funding environment (Cheuk, 2021). One source of funds for entities proves unreliable since it may not be regular, sufficient, unrestricted or diminished. Therefore, organizations must diversify their sources of funds to attain stable and reliable resourcing for long-term operations and survival. Financial sustainability, therefore, is dependent on multiple sources of funding available to an entity.

Non-profit organizations play a vital role in complementing government services where the capacity of conducting development initiatives by the government has declined. The non-profit organizations provide these services with no intentions of profit generation or benefit to the owners but society (Hall & O'Dwyer, 2017). The services these organizations offer include economic activities, environmental protection, improvement of water systems, and the general welfare of humans. The organizations, however, require funds for their operations. Most of these organizations are rely on donor funding for their activities. Unreliable, inconsistent and limited source of funds to the non-profit organizations inhibits their service provision. The challenges of financing for non-profit organizations necessitate a funding mix to ensure reliable funding.

Globally, several studies have been established on the concept of funding mix and financial sustainability. Hung and Hager (2019) surveyed the effect of diversification of revenue on non-profit financial health. It was established that income diversification enhanced financial capacity and sustainability of financial health. Hailey and Salway (2016) studied new routes to Civil Society Organization Sustainability in the U.K. The study established that acquiring alternative fund sources other than just relying on limited sources of funds was vital in enhancing the financial sustainability of the Civil Society Organizations. Khieng and Dhales (2015) studied funding diversification among the nongovernmental organizations in Cambodia. The research established that funding diversification positively influenced the financial sustainability of the NGOs by promoting accountability, enhanced organizational autonomy, and ensuring the reliability of funds. Sazonov et al. (2015) examined sustainability of finance of higher education institutions. The research established that diversification of income sources for the institutions enhanced the institution's economic sustainability by improving academic and research activities.

In Kenya, different research has been done on the sector of funding mix and financial sustainability. Achola (2017) surveyed the impact of economic sustainability factors on the growth of NGOs in Kenya. It was established that income source diversity was a critical financial sustainability factor that enhanced the development of NGOs. Gitonga (2018) surveyed the variables impacting the sustainability of NGOs in Nairobi County. It was established that diverse sources with consistent income were vital for the organizations' financial sustainability. Wachira (2016) examined determinants influencing the economic sustainability of local NGOs in Kiambu County, Kenya. It was established that income diversification improves financial sustainability. Minimal studies have been done on the subject matter in Kenya. This study addressed the research gap by answering the following study question; What is the influence of the funding mix on the financial sustainability of a non-profit organization in Kenya?

1.3 Research Objectives

1.3.1 General Objective

The research objective was to establish the effect of the funding mix on the financial sustainability of non-profit organizations in Nairobi County, Kenya.

1.4 Value of Study

It will be helpful in control of non-profit organizations in Kenya. The study will inform the direction on the importance of diversifying their income sources other than just depending on one income source for their operations. The study will also advise the management on the strategies of income diversification that can be employed to enhance funds for the non-profit organization's activities. Through enlightening the administration on the process and importance of income diversification, the study will contribute to the improved performance of non-profit organizations. The study will inform the management of non-profits on the adoption of practices that would yield sustainability.

The study will utilize the theories of sustainability theory, trade-off theory, and sector failure theory. The studies will inform the practical application of the approaches to reallife situations, thus contributing to the body of knowledge. It will widen applicability of the theories for research purposes. The study will be beneficial to the views since it will apply the theoretical concepts in promoting the financial sustainability of non-profit organizations. Therefore, it will create a research path for other researchers who would want to venture into the same field of research using the same theories.

The study will be beneficial to Kenya's government, particularly the Non-Governmental Organizations Coordination Board, the institution tasked with regulating non-profits in Kenya. The study will offer guidance and advice to policymakers who formulate government policies for nongovernmental organizations. It will inform them on ways of incorporating the sustainability concept in the operations of organizations. The study will task non-profit organizations to improve on policies that promote enhanced financial sustainability in their operations. Through this study, policies will be formulated for the improved economic sustainability performance of non-profit organizations.

The study will be valuable in terms of practice. The study will benefit academicians and researchers in the same field who intend to venture into the same area of research. It will provide them with information on the practices that can be adopted to enhance the financial sustainability of non-profit organizations. It will give them an avenue for researching by informing them on research gaps that they can fill to bridge the knowledge gap.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The different theories that underpin the current study are presented under the theoretical framework. Empirical review on impact of funding mix on financial sustainability of Non-profit Organization's. This chapter also includes the conceptual framework, knowledge gap as well as chapter summary.

2.2 Theoretical Review

The research adopted the sustainability theory, tradeoff theory, and sector failure theory.

2.2.1 Sustainability Theory

Carlowitz (1713) founded the theory. The theory states that the economic actions of the current cohort should not compromise the capabilities of tomorrow's cohort to meet their wants (Kantabutra, 2020). The theory opines that organizations should have a design of business that lead to consistent in terms of value with the long-term preservation and enhancement.

Non-profit organizations should aim on performance of economic, social, and environment if they have to be financially sustainable. The theory has been criticized of being vague and the adoption of the term contradicts itself. Besides these criticisms, the theory is relevant to non-profit organizations as it emphasizes the need to develop policies related to sustainability policies, aimed at developing a culture of sustainability within the organization (Eccles, Ioannou & Serafeim, 2011). The policies developed should emphasize the importance of financial performance. This theory emphasizes the need for organizations to work towards being financial sustainable (CIPD, 2012). The organizations should be able to draft appropriate policies that will seek to improve a sustainability culture (Ballinger, 2011). The current study adopted this theory because it emphasizes the need for organizations to have a design of business that that improves values consistently with the preservations that are long-term as well as betterment of social capital, financial as well as environmental. This aspect is relevant for non-profit organizations in that should it offer services for a long period of time then the non-profit organizations should embrace this concept to the latter.

2.2.2 Tradeoff Theory

It was developed by Myers (1984). The author opined that there exists an optimal capital structure for each organization. This optimal funding mix is determined using the balancing off of both the costs and benefits of equity. By assessing the costs and benefits of each source, organizations can opt for an agreed funding mix. For debt capital, when debt levels are high in the funding mix can result to bankruptcy and agency expenses (Jensen & Meckling, 1976).

The theory has been criticized on the grounds that it predicts a useful linkage between leverage and earning which is opposed to well confirmed evidence of empirical. The theory posits that organizations should evaluate the costs and the various benefits of each debt level and ascertain an optimal funding mix that balances the incremental costs and incremental benefits (Graham & Harvey, 2001). This aspect applies to non-profit organizations too as the organizations should always ensure that they have an optimal funding mix. The secret is that costs and benefits should be assessed and an identified funding source should be adopted only when its benefits outweighs costs (Myers, 1984). Lastly, the non-profit organizations should set an optimal financial structure to enhance its financial sustainability.

2.2.3 Sector Failure Theory

It was developed by Weisbrod in 1988. Sector failure refers to a combination of among others; market failure. It discourses presence and functions of non-profit organizations in an economy that comprises of among others; nonprofit organizations. The theory focuses on how not for profit organizations are efficient economically when both the market and various sectors in the government are unable to offer services as expected of them (Ott & Dicke 2016). This makes nonprofit organizations to have other functions on top of what they do periodically.

The theory has been criticized on the grounds that it focuses on economic efficiency of non-profits, while non-profits provide more values besides running efficiently (Powell & Steinberg 2006). The theory was significant to the current research as it appreciates the fact that non-profits exist which sometimes is attributed to market failure.

2.3 Determinants of Financial Sustainability of Non-profit Organization's

Financial Sustainability of Non-profit Organization's is influenced by several factors. Among the factors include the funding mix. Funding mix refers to the varied funding sources or options used by an organization in financing its assets (Bhaduri, 2012). Previous studies have shown that funding mix influences financial sustainability of organizations and hence the reason it is adopted as a factor of financial sustainability in this research. For example, Ebenezer, Musah and Ahmed (2020), examined factors of financial sustainability of Non-Governmental Organizations in Ghana. The determinants included amongst others; sound financial management practices, income diversification and funding mix. Target population was 175 NGOs in Ghana while the sample size was 56 NGOs in Ghana. Gathered data was examined through both descriptive and inferential data. The findings showed that funding mix has a remarkable useful impact on financial sustainability of NGOs. It is evident that funding mx has an impact on sustainability of finance of NGOs in Ghana. The current research therefore adopts funding mix as a determinant of the outcome variable.

2.4 Empirical Studies

In Ethiopia, Seyoum (2015) examined financial sustainability of Ethiopian resident charity organizations. The research employed an exploratory research design. The target population was 51 resident charity organizations in Ethiopia. The sample size was 19 resident charity organizations. It was established that Ethiopian resident charity organizations are facing many challenges of sustainability of finance. Most of their recent funding comes from donors, and yet the funds are not able to improve their mission. The research results further revealed that funding mix or financial structure has a remarkable useful influence on sustainability of finance of Ethiopian resident charity organizations. The study had a methodological gap, for example the study adopted stratified random sampling technique alone. The study should have adopted an additional sampling technique that would have been employed to pick the interviewees from the different strata.

Prakash (2018) researched on financial sustainability for NGOs' in India. The research used explanatory research design. Target population was 15 non-governmental organizations. The sample size was 7 non-governmental organizations in India. The study adopted stratified random sampling technique. It was established that funding mix has a remarkable and useful effect on financial sustainability. The research concluded that funding mix impacts sustainability of finance. The sample size was small and sampling technique was inadequate. This research was focused on addressing this knowledge gap.

Rao (2013) researched on impact of funding mix on financial sustainability of water sector institutions in Kenya. Target population was 55 non-government organizations while the sample size was 21 non-government organizations in Kenya. Primary data was gathered through questionnaires. It was found that the independent variable had an influence on the dependent variable. The research further revealed that there is a useful linkage between an increase in government grants, and financial sustainability. The research was narrow in scope as it did not incorporate government funding which this research sought to incorporate.

Onsongo (2012) studied the strategies used by NGOs to enhance sustainability of finance in Kenya. Descriptive statistics and content analysis were adopted. Target population was 8374 registered members of NGOs in Nairobi. Data collected was examined quantitatively by descriptive statistics and qualitatively using content analysis. The research results revealed that the strategies employed by NGOs were; strategic financial management, funding mix and structure of organization. The study revealed that funding mix has useful remarkable effect on sustainability of finance of Non-Governmental Organizations. The research concluded that funding mix has a useful remarkable impact on financial sustainability. The study was narrow in scope as the current research sought to incorporate donations which was not within the scope of the study.

Wachira (2016) established the variables affecting sustainability of finance of local NGOS in Kiambu County in Kenya. Target population was 38 local NGOs in Kiambu County. Five employees from each NGO were selected using purposive sampling. This led to a sample size of 190 interviewees. The research results indicated that donor relationship management, income diversification and funding mix have a remarkable useful impact on sustainability of finance of NGOs. The research concluded that funding mix have a remarkable useful impact on sustainability of finance of NGOs. The study had methodological gap whereby the sampling techniques were not adequate. In Nairobi County, Milelu (2018) examined the variables influencing sustainability of finance for non-governmental organizations in Nairobi. Target population was 80,200 employees of non-governmental organizations in Nairobi. The research revealed that funding mix which comprises of donors funding and owners' contributions have a remarkable useful influence on sustainability of finance. The research established that funding mix has a remarkable useful effect on sustainability of finance. The research had methodological gaps as data analysis procedure was not adequate and the study had not elaborated on the various descriptive statistics adopted in the study. The current study sought to incorporate them and hence it became more elaborate.

Mbuya and Osodo (2018) researched on the effect of source of funding on the financial sustainability of NGOs in Uasin Gishu County. A correlation study method was employed. The target population was 146 NGOs in UG. The NGOs were selected through stratified sampling technique. The sample size was 60 respondents. It was established that the two variables were positively correlated. The research concluded that funding mix has a remarkable influence on sustainability of finance of the NGO's. The study was narrow in scope as it had not incorporated donations.

In Baringo County, Tomno (2013) examined the effect of funding mix on the sustainability of local nongovernmental organizations' programs in Baringo County. The local non-governmental organizations were selected through purposive sampling method. It was established that the funding mix has a useful remarkable impact on the sustainability of local nongovernmental company's programs. It was established that funding mix has a useful remarkable impact on the sustainability of local nongovernmental organizations' programs. The study had methodological gaps for example data analysis procedure was not adequate. The study had not elaborated on the various descriptive statistics adopted in the study. The current study sought to incorporate them and hence it became more elaborate.

2.5 Summary of the Literature Review

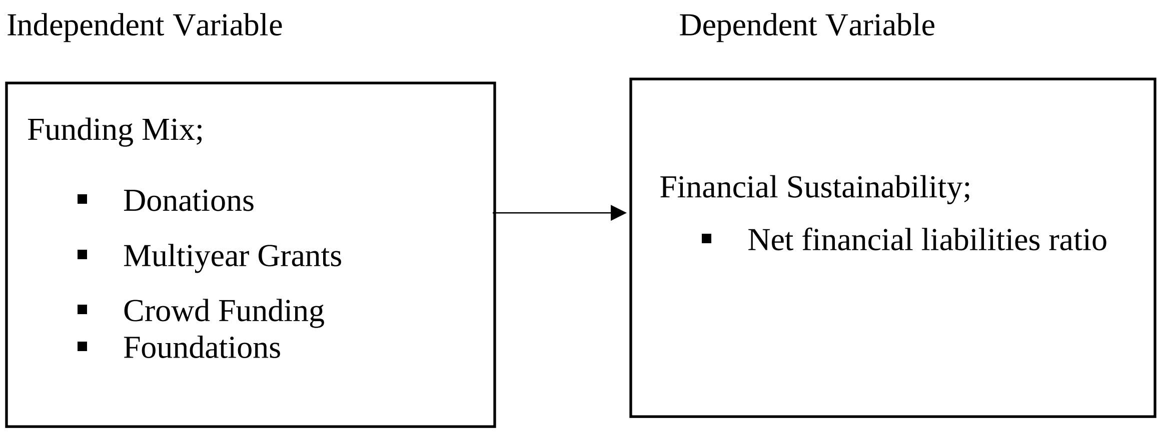
This section has reviewed literature of various scholars both locally and internationally. Methodological gaps as well as scope gaps exists in most of the studies reviewed. Most of the studies had inadequate sampling techniques, small sample size and did not elaborate well on the data analysis procedure. For example, Seyoum (2015) researched on financial sustainability of Ethiopian resident charity organizations. Results revealed that funding mix or financial structure has a remarkable useful impact on sustainability of finance of Ethiopian resident charity organizations. The study had a methodological gap, for example the study adopted stratified random sampling technique alone. The study should have adopted an additional sampling technique that would have been applied to pick the interviewees from the different strata. Prakash (2018) researched on financial sustainability for non-governmental organizations. The research findings further indicated that funding mix has a remarkable positive impact on financial sustainability.

Rao (2013) researched on impact of funding mix on sustainability of finance of sector of water in Kenya. The research results revealed that funding mix impacts the sustainability of finance of companies. The research was narrow in scope as donations had not been considered. Onsongo (2012) studied the strategies employed by NGOs to realize sustainability of finance in Kenya. The research was narrow in scope as the current study as crowd funding were missing.

Wachira (2016) researched on the variables impacting sustainability of finance of local NGOS in Kiambu County in Kenya. The research results indicated that funding mix has a remarkable useful impact on sustainability of finance of NGOs. The study had a methodological gap as the sampling technique was not adequate. Tomno (2013) examined the effect of funding mix on the sustainability of local nongovernmental company’s programs in Baringo County. It was established that the funding mix has a useful remarkable impact on the sustainability of local nongovernmental company’s programs. The study had methodological gaps for example data analysis procedure was not adequate. The study had not elaborated on the various descriptive statistics adopted in the study. The current study sought to incorporate them and hence it became more elaborate.

2.6 Conceptual Framework

It is a road map that offers coherence to empirical inquiry. It helps to analyze all items that will be involved in the study (Shields, Patricia & Rangarjan, 2013). The conceptual framework shows the synthesized direction of the association between funding mix and financial sustainability.



Source: Author (2021)

Figure 2.1: Conceptual Framework

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This part covers among others; the research design, population and sampling techniques.

3.2 Research Design

This is a roadmap that assists the analyst get possible remedies to a research question and helps during data collection, analyzing, and interpreting the data and observations. This research will employ a descriptive survey study method. It is a type of a study design that is applied to gather data which could aid in determining explicit group characteristics (Kothari, 2004). It was adopted to aid in collection of sufficient data on funding sources adopted by Non-profit Organization's. It is suitable for a relatively large sample of respondents. It was adopted because it helps to ensure that the respondents remain anonymous.

3.3 Target Population

It’s also known as unit of observation and it refers to collection that is large from where sample is drawn (Zikmund, Babin, Carr, & Griffin, 2012). The unit of analysis was 996 Non-profit Organization's that are registered and active by 2020 in Nairobi County, Kenya.

3.4 Sample Size and Sampling Techniques

This part covers both the sample size and sampling methods of sampling that were employed in the research.

3.4.1 Sample Size

It was 28 non-profit organizations in Nairobi County, Kenya calculated based on the formula proposed by Nassiuma (2000) as shown below;

$n=NC^2/C^2+(N-1)e^2$

Where:

n is the desired sample size

N is the target population

C is the coefficient off variation (0.25)

e is the level of precision i.e. 0.05

Substitution in the above formula was as follows: $996*0.25^2$ / $[0.25^2+995(0.05)^2]$ = 28 nonprofit organizations in Nairobi County, Kenya.

3.4.2 Sampling Techniques

The research employed simple random method to pick or select the 28 non-profit organizations. Simple random sampling was suitable for the current study because it gave every individual within the entire population equal chance of being incorporated in the study (Fraenkel & Wallen, 2006).

3.5 Data Collection

Secondary data was adopted. A secondary data collection sheet was used to collect data on funding sources and financial sustainability between 2016 and 2020.

3.6 Data Analysis

It helps to establish patterns that are consistent as well as summarize the significant findings in the analysis (Zikmund et al., 2012). Inferential statistics that included regression analysis was adopted in the study. The significant predictors of the outcome variable were determined using multiple regression at 95% confidence level. The regression model was as shown below:

$$y = \alpha + \beta_1 X_1 + \beta_2 X_{2+} \beta_3 X_3 + \beta_4 X_4 + e$$

Where:

y = Outcome variable

α = Y Intercept

$\beta_{1-}\beta_4$ = the changes caused by the various independent variable constructs

X_1= Donations

X_2= Multiyear grants

X_3= Crowd funding

X_4= Foundations

e= error

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

Data analysis, results and discussion is covered in this section. Data analysis is guided by the main objective of the study. Regression analysis was adopted to address this objective amicably. The results were provided, interpreted, inferences drawn as well as the discussions provided. The aspects covered in this chapter include; the regression analysis results where; the assumptions of the regression model, ANOVA, Regression Model Summary, and the Regression Coefficients Results were provided as shown in the sections that follow;

4.2 Effect of the Funding Mix on the Financial Sustainability of Non-Profit Organizations

In a bid to address this objective, regression analysis was undertaken but the diagnostic tests were done first. The study tested the regression assumptions as shown below;

4.2.1 Testing of Regression Assumptions

They comprised of among others; linearity and normality of residuals as shown below;

4.2.1.1 Linearity of residuals

The study adopted the scatter plot to test this assumption. On the horizontal axis, ZPRED was plotted and ZRESID values on the other axis. It is upheld if the scatter plots assume a pattern that is not curvilinear (Novikov & Novikov, 2019). The linearity assumption was therefore upheld. The findings were as shown below;

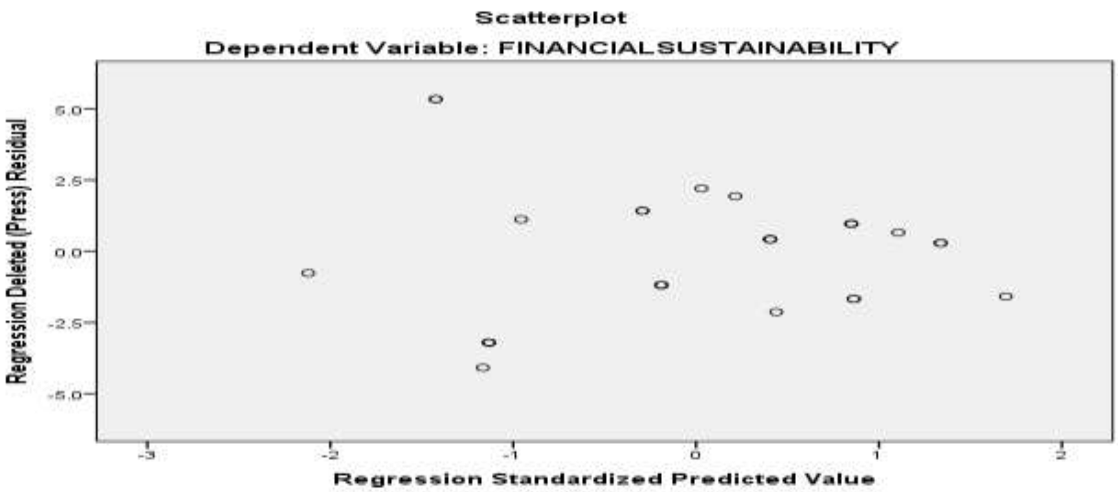


Figure 4.1: Linearity Assumption Test

4.2.1.2 Normality of residuals

The assumption was tested using Shapiro-wilk test. It is recommended for small samples (Mishra & Alok, 2017). For the assumption to be upheld, the p-value should be more than 0.05 (Igwenagu, 2016). The results were as shown in Table 4.1.

Table 4.1: Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
Financial Sustainability	Statistic	df	Sig.	Statistic	df	Sig.
	.217	28	.417	.869	28	.254

a. Lilliefors Significance Correction

The p-value was 0.254. This implied that the assumption was upheld.

4.2.1.3 Multicollinearity

It was tested using VIF. According to Flick (2015), serious multicollinearity problems exist when VIF is greater than 10. The results were as shown in Table 4.2;

Table 4.2: Multicollinearity Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		β	Std. Error				Tolerance	VIF
	(Constant)	48.188	1.694		28.442	.000		
1	Donations	1.579	.089	1.406	17.733	.000	.968	1.033
	Grants	1.263	.068	1.215	18.468	.000	.750	1.334
	Crowd funding	.408	.027	.478	15.277	.000	.551	1.815
	Foundation	.145	.031	.168	4.597	.000	.649	1.541

a. Dependent Variable: Financial Sustainability

In this study, the assumption was upheld as the VIF was less than 10.

4.2.1.4 Auto-correlation of residuals

It was tested using the Durbin-Watson's d test. The "d" value should be between 1.5 and 2.5 (Kumar, 2018).

Table 4.3: Test of Auto-correlation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.981[a]	.963	.962	.41501	1.891

a. Predictors: (Constant), Donations, Grants, Crowd funding, Foundation
b. Dependent Variable: Financial Sustainability

The value of "d" was 1.981 which implies that the assumption of auto-correlation of residuals was upheld.

4.2.1.5 Homoscedasticity

The assumption was tested by use of the scatter plot (Mishra & Alok, 2017). According to Igwenagu (2016), the assumption is upheld if the residuals do not assume a pyramid pattern. It was as shown in Figure 4.2;

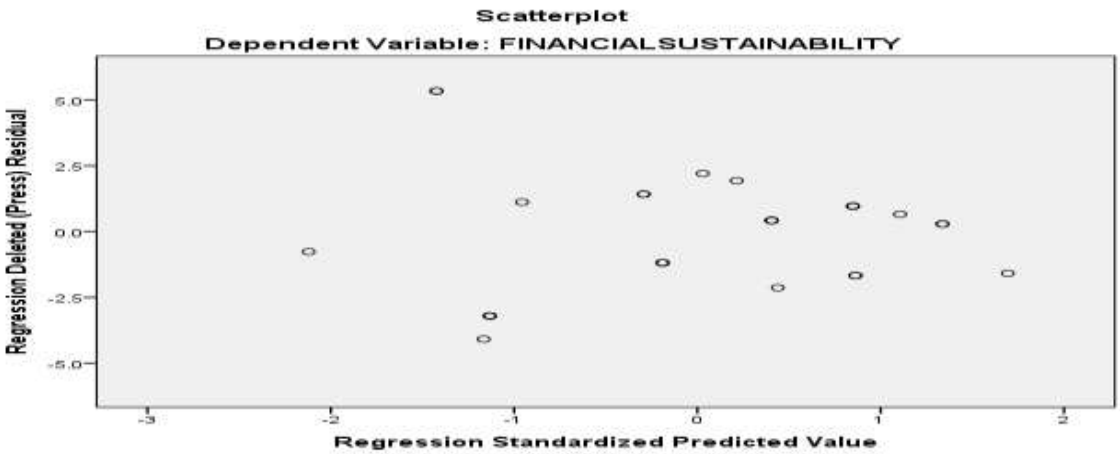


Figure 4.2: Homoscedasticity Assumption Test

As per the above scatter plot, the assumption was upheld.

4.2.2 Regression Model Summary

If the value of R is large, it implies that a strong relationship exists (Flick, 2015). The results were as shown in Table 4.4;

Table 4.4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.981[a]	.963	.962	.41501

a. Predictors: (Constant), Donations, Grants, Crowd funding, Foundation
b. Dependent Variable: Financial Sustainability

The adjusted R-square value was 0.962. It implies that the regression model explains 96.2% of financial sustainability of Non-Profit Organizations from the following predictor variables (i.e. donations, grants, crowd funding and foundations).

4.2.3 Assessing the Fit of Multiple Regression Model

ANOVA was adopted to assess the fit of multiple regression model. It is used to compare the variability in scores that exists between the different groups as well as the variability that exists within each group (Awang, 2012). The results were as follows;

Table 4.5: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	606.491	4	151.623	880.334	.000[b]
	Residual	23.252	135	.172		
	Total	629.743	139			

a. Dependent Variable: Financial sustainability

b. Predictors: (Constant), foundation, crowd funding, grants, Donations

As per Table 4.5, the F-ratio was 880.334 and p was 0.000. This implies that financial sustainability of Non-Profit Organizations can be predicted from donations, grants, crowd funding and foundation.

4.2.4 Regression co-efficients

This are estimates of the population parameters that are unknown. It describes the association between the study variables (Igwenagu, 2016). The regression coefficient analysis table is as shown in the Table below;

Table 4.6: Regression co-efficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		β	Std. Error			
	(Constant)	48.188	1.694		28.442	.000
1	Donations	1.579	.089	1.406	17.733	.000
	Grants	1.263	.068	1.215	18.468	.000
	Crowd funding	.408	.027	.478	15.277	.000
	Foundation	.145	.031	.168	4.597	.000

a. Dependent Variable: Financial Sustainability

The study established that donations led to improvement in financial sustainability (β=1.579, $p < 0.05$). The findings resembles that of Prakash (2018) that donations leads to improvement in financial sustainability. Grants led to improvement in financial sustainability (β=1.263, $p < 0.05$). The study findings are similar to that of Mbuya and Osodo (2018) that grants leads to improvement in financial sustainability. On crowd funding, the study found that crowd funding led to improvement in financial sustainability (β=0.408, $p < 0.05$). The findings resembles that of Onsongo (2012) that crowd funding leads to improvement in financial sustainability. Foundation led to improvement in financial sustainability (β=0.145, $p < 0.05$). The results are in tandem with that of Wachira (2016) that foundation leads to improvement in financial sustainability.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of findings on the effect of the funding mix on the financial sustainability. This chapter also details the conclusions as well as the recommendations.

5.2 Summary of Findings

The adjusted R-square value was 0.962 which implies that the regression model explains 96.2% of financial sustainability of Non-Profit Organizations from donations, grants, crowd funding and foundation. ANOVA results revealed that financial sustainability of Non-Profit Organizations can be predicted from donations, grants, crowd funding and foundation. The study established that donations, grants, crowd funding and foundation led to improvement of financial sustainability.

5.3 Conclusions

The study concluded that donations, grants, crowd funding and foundation have a significant positive effect on financial sustainability of Non-Profit Organizations. The financial sustainability improves when the funding mix that comprises of donations, grants, crowd funding and foundation is used.

5.4 Recommendations

Foundations should be part of the funding mix of the Non-Profit Organizations. Donations, grants as well as crowd funding should be part of the funding mix of the Non-Profit Organizations. A large proportion of the Non-Profit Organizations funding mix should comprise of donations because it had the highest significant positive effect on financial sustainability.

5.5 Suggestions for further studies

A further study to be conducted on the same topic but in other counties besides Nairobi County. This will help to find-out whether the same results will be upheld. The funding mix adopted in this study comprised of; donations, grants, crowd funding and foundations. Further studies should adopt other funding mix besides donations, grants, crowd funding and foundations and how they affect financial sustainability.

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APPENDICES

Appendix I: Secondary Data Collection Sheet

This sheet is designed to assist in collecting data to determine the **"effect of funding mix on the financial sustainability of non-profit organizations in Nairobi County, Kenya"**. The information sought is solely meant for academic purposes.

NAME OF THE NON-PROFIT ORGANIZATION__ _ _ _ _ _ _ _ __ _ _ _ _ _ _ _ _					
	Financial Year (s)				
	16/17 (1)	**17/18 (2)**	**18/19 (3)**	**19/20 (4)**	**20/21 (5)**
Total liabilities					
Current assets					
Total operating revenue					
Donations (Amount)					
Multiyear grants (Amount)					
Crowd funding (Amount)					
Foundations (Amount)					