FACTORS INFLUENCING SUSTAINABLE FUNDING OF NON-GOVERNMENTAL ORGANIZATIONS IN KENYA: A CASE STUDY OF SISTERS MATERNITY HOME (SIMAHO) IN GARISSA

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DECLARATION

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

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

Mr. Mutuma Michubu.

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DEDICATION

This research is dedicated to all my family members and friends for their inspiration, support, encouragement and understanding throughout the research period.

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ABBREVIATIONS AND ACRONYMS

CBOs	-	Church based organization
CT	-	Complexity Theory
FS	-	Financial Sustainability
ID	-	Income Diversification
IG	-	Income Generation
MDR	-	Management of Donor Relationship
NGO	-	Non-governmental Organizations
RBV	-	Resource-Based View
SFM	-	Strategic Financial Management
SIMAHO	-	Sisters Maternity Home
SPSS	-	Statistical Package for Social Science
USAID	-	United States Agency for International Development

ABSTRACT

Sustainable funding has helped many NGO's implement diverse programmatic interventions which has not only benefited the communities but has also improved the standard of living. But tough economic times buoyed by global recession have in one way or another affected global funding. Many NGO's continue to cease operations by the day often due to lack of sustainable funding. The NGOs are overwhelmingly significant in most Africans search for their well-being, so deeply woven in the rhythms of their everyday lives and deeply entwined in their values, attitudes, perspectives and decision-making. Many new NGOs fall into the pitfall of un-sustainability, as they operate for a summer or for a few years and then fade away. The failure of NGOs to sustain their work stems from many inadequacies. A lack of financial resources contributes to their demise. The purpose of the study was to examine the factors that affect financial sustainability of NGOs in Kenya with specific reference to Sisters Maternity Home (SIMAHO) in Garissa. In this study, exploratory research design was adapted. The target population of this study included the management team of the SIMAHO in Garissa. Stratified proportionate random sampling technique was used to select 67 respondents. This study made use questionnaires for primary data collection. Quantitative data was analyzed using both descriptive and inferential analysis. Data collected through the open ended questions and analysis of documents was analyzed qualitatively through content analysis. The study also made use of various inferential statistics. The variable was factored in the multivariate regression model. The study found that donor relationship management contribute most to financial sustainability of nongovernmental followed by strategic financial management then income diversification while own income generation contributed the least to financial sustainability of nongovernmental organizations. The study recommends that in order to ensure that the NGOs remain sustainable, they should procure employees that are competent in strategic planning, plan implementation and financial analysis. The NGO management should increase their income sources from their usual ones. The management should ensure that they maintain a good relationship with the donors mainly by information management, ensuring there is accountability and meaningful communications.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The financial management processes of not for- profit organizations are generally dominated by conditions of resource scarcity. Such organizations have limited opportunities for generating additional income, but are faced with an ever increasing agenda of programme and activities on which such funds could be spent (Drucker, 2000). Sustainable funding means being able to be there for your beneficiaries in the long term. An organization is financially sustainable if its core work will not collapse if its external funding is withdrawn. Sustainable funding is a process that leads to the projects have longer life-spans and is further translated to impacts that are of beneficial to communities over a given period of time. Most donors are looking for a range of projects which can utilize the Sustainable Livelihoods approach to enhance activities aimed at supporting local communities to reduce poverty and disadvantage.

Organizations are required to use funds wisely for the purpose intended and improve the living standards of the populations meant to benefit. Often, uses of funds are diverted to serve other interest of the organization managers outside the scope and work plans of these projects. This has resulted in surprise audits where misuses of funds are suspected by donors and in the extreme cases bank accounts have been frozen to minimize the extent. Good management practices demand that obvious key management concepts and principles such as sustainability, accountability and transparency which are necessary for institutionalized formal procedures are put in place-administrative efficiency.

Most donors attach various restrictions to their funding including among others-sound financial management systems in place, good leadership with integrity, educated staff with experience an advantage and the strategic plans of the organization. Organizations lacking these ingredients have difficulties attracting donor funding.

Some donors will assess the capacity (systems and structures) of the organization to handle funds before funding can be approved. They also consider if the potential recipient has experience and knowledge to meet deliverables.

Conventional wisdom says that most nonprofits do not have sustainable funding models: that is, they cannot develop predictable, ongoing financial support that covers core operating expenses. The common image of nonprofits is that they are often led by an executive director who is not sure how he will find enough money to meet the year's budget and is perpetually pulling rabbits out of his hat to do so.

1.1.1 Financial Sustainability

Financial sustainability will be one of the key challenges for NGOs in the next decade: only those institutions that have sound financial structures and stable income flows will be able to fulfil their multiple missions and respond to the current challenges in an increasingly complex and global environment. Indeed, financial sustainability is not an end in itself; it aims to ensure a organization's goals are reached by guaranteeing that the institution produces sufficient income to enable it to invest in its future.

Sustainability therefore implies that society must use no more of a resource than can be regenerated. This can be defined in terms of the carrying capacity of the ecosystem (Hawken, 1993) and described with input-output models of resource consumption. Unsustainable operations can be accommodated for either by developing sustainable operations or by planning for a future lacking in resources currently required. In practice organisations mostly tend to aim towards sustainability by increasing efficiency in the way in which resources are utilised.

It is the core of organizational effectiveness and connected to all other key components (WCC, 2005). Sustainable strategies must therefore be considered in the areas of strategic direction, spiritual values, moral values, governance, management practices, human resources, impact of service delivery, financial resources and external relations. Sustainable organizations have been found to have at a minimum: A clear mission and strategic direction, the necessary skills to attract resources from a variety of local and international sources, skills and ability to manage resources effectively and efficiently and any effort at organizational regeneration (Ogara and Gitoho 2005).

NGO's in Kenya are regulated by The National Council of NGOs, popularly known as the NGO Council. This is a self-regulating, non-partisan body comprising all registered

NGOs. It was established in August 1993 under the Non-governmental Organizations Co-ordination Act, 1990 as a forum of all voluntary agencies. The NGO Council membership includes international, regional and national NGOs operating in Kenya and working with a host of CBOs and groups. These NGOs are active in a cross section of sectors including: agriculture, water, education, environment, health, human rights, gender and development, children's rights, poverty alleviation, peace, population, training, counseling, small scale enterprises, disability and many others.

The NGO Council provides overall leadership to the NGO sector. It champions the key values of probity, transparency, accountability, justice and good governance. It enhances the self-regulation of its members, and assists them to realize their potential in improving services that improve the socio-economical status of Kenyan society in pursuit of sustainable development.

While a number of NGO's in Kenya have achieved administrative efficiency, most have major difficulties. Efficiency cannot be guaranteed because of the nature of the NGO's themselves. Many of them are new, small and without guaranteed future. This is especially the case with local or national NGO's that are still struggling to put effective and efficient managements systems for good governance in place and whose survival largely depends on donor funding. There are also problems of legitimacy where NGO's may be easily set up. It all depends on whether one can write convincingly to donors. Such NGO's are weak and face the risk of lack of continuity.

In Kenya, NGO's have also sustainability and replicability challenges in their projects. Sustainability has become a buzzword within the development circles. It describes the ability of a given project to remain viable even after external support is terminated. Not all are able to achieve this fete.

1.2 Statement of the Problem

Experience reveals that the financial management processes of NGOs are generally weak and dominated by conditions of resource scarcity vis-à-vis the ever increasing agenda of social development activities on which such funds could be spent. Sustainable funding has helped many NGO's implement diverse programmatic interventions which has not only benefited the communities but has also improved the standard of living. But tough economic times buoyed by global recession have in one way or another affected global funding. Many NGO's continue to cease operations by the day often due to lack of sustainable funding. Many new others are also set-up any day it dawns leaving one with question marks than answers as to what's ailing the sector. Many new NGOs fall into the pitfall of un-sustainability, as they operate for a summer or for a few years and then fade away.

Unlike their for profit counterparts whose accounting system reflects the results of economic activities, expressing the efficiency with which the objective has been achieved, NGOs are mostly concerned with raising and expanding resources according to specific budget plans (Blazek, 1996). This state of affair has boxed the NGOs into a dependency syndrome which is threatening the sustainability of their programmes and their survival as institutions.

The reviewed studies have focused on different aspects of sustainable and the extent of its effects on the NGO fraternity. Further, most of them are on international scenes or on developed countries. To the researcher's knowledge, at the time of the study, no local or international studies had ever focused on the strategic responses adapted by NGO's in Kenya to the shorter life-spans. This is despite the ever increasing capacity building measures organized by various stronger donors like USAID, DFID, OXFAM, World Bank etc who time to time organize refresher courses for NGO's on best practices in the sector. This lacuna represents a significant gap in knowledge that must be bridged since NGOs provide an important component of education, health and other social developments in Kenya. It is in this light that the researcher aims to fill the existing gap by carrying out an investigation into the factors influencing sustainable funding in the NGO's with reference to Sisters Maternity Home (SIMAHO) in Garissa.

1.3 Purpose of the Study

The purpose of the study was to find out the factors that influence sustainable funding in NGO's in Kenya with specific reference to Sisters Maternity Home (SIMAHO) in Garissa.

1.4 Objectives

1. To determine the effect of income diversification on NGO's funding sustainability.
2. To establish the effect of strategic financial managements on NGO's funding sustainability.
3. To assess the effect of participation in income generating activities on NGO's funding sustainability.
4. To examine how the donor relationship management affects NGO's funding sustainability.

1.5 Research Questions

1. To what extent does income diversification contributes sustainable funding for NGO's?
2 What is the effect of strategic financial managements on NGO's funding sustainability?
3 To what extent does participation in income generating activities affect NGO's funding sustainability?
4 How does the donor relationship management affect NGO's funding sustainability?

1.5 Significance of the Study

The study would be important not only to Sisters Maternity Home (SIMAHO) but also other managers in the NGO sector. It would help them understand the strategic practices and how its understanding can help different and diverse NGO's sustain funding long afterwards.

The study would also help other managers know the methods used in gathering and applying various strategic practices, which would help them improve their management styles. The study also highlights other important relationships that require further research; this is be in the areas of relationships between funding and conditions attached by most donors and the impact it can have for not achieving the requirements.

The results of this study would also be invaluable to researchers and scholars, as it forms a basis for further research. The students and academics would use this study as a basis for discussions on sustainable funding and the strategic processes it call for. The study is a source of reference material for future researchers on other related topics; it would also help other academicians who undertake the same topic in their studies.

1.7 Delimitation of the Study

The study focused on the strategic financial management practices and issues in Nongovernmental organizations (NGOs) in Kenya by focusing more specifically on Sisters Maternity Home (SIMAHO). The respondents of this study included the management team of the Sisters Maternity Home (SIMAHO) in Garissa.

1.8 Limitations of the Study

As a part time student who needs to balance with studies with full time employment, the researcher was not able to undertake an extensive and exhaustive research limiting the researcher to a small sample and less research time. The researcher is a self-sponsored student relying on savings to progress his studies and therefore there was a limitation on financial resources.

There were challenges during data collection where some target respondents failed to give the required information. The researcher however worked at winning the confidence of those involved in this research by giving them the reasons for the research and assuring them of confidentiality.

1.9 Assumptions of the Study

The researcher assumed the following during the study.

1. Organizations acknowledge the risks associated with unsustainable funding.
2. Organizations have put in place financial and project management procedures.
3. Organization as routine measures, undergo an audit periodically aimed at ensuring internal controls are not compromised.

4. That the information given that was given by the respondents was true facts as per the status in these organizations.
5. Respondents in the selected organizations would co-operate and submit relevant documentations.

1.10 Definitions of Significant Terms

It is also important to define some technical terms which were used in the study. These are:-

Funds- Sum of money saved for a particular purpose;

Financial Management- All the efforts and measures designed to manage fraud.

Fund raising costs: These are amounts spent to induce others to make voluntary contributions to the NGO. It includes expenditure on advertising and direct merit materials, agent's charges for acting as fund raiser on behalf of the NGO.

Risk Management: Is a comprehensive and systematic approach aimed at identifying, measuring and controlling an entity's exposure to accidental loss, theft and liability involving human, financial, physical and natural resources. The term has been used with reference to organization re-orientation towards attainment of financial sustainability.

Strategy: The many definitions of strategy found in the management literature fall into one of four categories namely plan, pattern, position, and perspective. According to these views, strategy is a plan or a means of getting from here to there, a pattern in actions over time, a position, which in essence reflects decisions to offer particular products or services in particular markets and a perspective, that is, a vision and direction, a view of what the company or organization is to become (Nickols, 2000).

Strategic financial management: Strategic financial management involves planning, organizing, controlling and reporting on the financial resources of an organization to achieve organizational goals (David, 1989). Strategic financial management has been used to imply a deliberate and integrated set of actions or strategies aimed at increasing the long term well being and strengths of an Organization relative to its competitors financially.

Sustainability: This term has been used in the study to mean the ability of a NGO to secure and manage enough resources, human and financial to fulfill its mission effectively in the long term.

Financial sustainability can be gauged by an organization's net income (the surplus of revenues over expenses); liquidity (the cash available to pay bills); and solvency (the relationship of assets and debt or liabilities).

1.11 Summary

This chapter has addressed the importance of financial strategies as a powerful means of obtaining sustainability in NGOs. The chapter clearly outlines the purpose of the study and the research objectives to guide the study within the specified geographical and time scope. The chapter explores the objectives of this study and outlines the research questions to be addressed by the study. The chapter also gives the statement of the problem, the significance and scope of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents review of literature on sustainable funding with reference to non-profit organizations. The sources of literature include books, journal and web articles. The chapter is organized according to the main areas of the study.

2.2 Theoretical Review

Despite the fact that NGOs are classified as non-profit making organizations, they still remain economic institutions in that they use society's scarce resources (land, labour and capital) to produce goods and services of value. These organizations have operating costs, impose costs on society to the extent that they use contributions and voluntary services to provide superior value to society and need a reliable flow of revenue to finance their mission and be financially sustainable.

The currently dominant view of business strategy resource-based theory or resource-based view (RBV) of firms is based on the concept of economic rent and the view of the company as a collection of capabilities. This view of strategy has a coherence and integrative role that places it well ahead of other mechanisms of strategic decision making (Kay, 2005).

The resource-based view (RBV) offers critical and fundamental insights into why firms with valuable, rare, inimitable, and well organized resources may enjoy superior performance (Barney, 1995). Its current prominence is reflected not only by its dominance in the academic journals, by its inclusion in leading strategic texts which warrants the conclusion that it is widely taught to students and practitioners in undergraduate, masters' and executive programs.

Building on the RBV, Hoopes, Madsen and Walker (2003) suggest a more expansive discussion of sustained differences among firms and develop a broad theory of competitive heterogeneity. The RBV seems to assume what it seeks to explain. This dilutes its explanatory power. For example, one might argue that the RBV defines, rather than hypothesizes, that sustained performance differences are the result of variation in resources and capabilities across firms. The difference is subtle, but it frustrates understanding the Resource Based View's possible contributions (Hoopes et al., 2003). The Resource Based View's lack of clarity regarding its core premise and its lack of any clear boundary impedes fruitful debate. Given the theory's lack of specificity, one can invoke the definition-based or hypothesis-based logic any time. Again, we argue that resources are but one potential source of competitive heterogeneity. Competitive heterogeneity can obtain for reasons other than sticky resources (or capabilities) (Hoopes et al. 2003). Competitive heterogeneity refers to enduring and systematic performance differences among close competitors.

The RBV uses firms' internal characteristics to explain firms' heterogeneity in strategy and performance. A firm is an organized, unique set of factors known as resources and capabilities, and RBV theory cites two related sources of advantages: resources and capabilities. Resources are a firm's accumulated assets, including anything the firm can use to create, produce, and/or offer its products to a market. Resources are eligible for legal protection (as such, firms can exercise property rights over them; Amit and Schoemaker, 1993); can operate independently of firm members (Camisón, 2005); and intervene as factors in the production process to convert input into output that satisfies needs (Grant, 1991).

2.3 Empirical Review

This section reviews literature on what other have established on the factors influencing sustainable funding of non-governmental organizations by looking on issues such as income diversification, strategic financial managements, participation in income generating activities and donor relationship management.

2.3.1 Income Diversification

Diversification of funding sources is essential to increase the stability of Nongovernmental organizations income streams. As a response to the economic crisis, tapping international funding streams might be more important than ever (Kurosaki, 2003). In particular, funding from international governments and their respective bilateral aid agencies has provided excellent opportunities for the NGOs. With the funding challenge most Nongovernmental organizations have responded with the same entrepreneurial spirit, good planning and hard work that brought them success in their core activities (Barrett, Bezuneh, Clay and Reardon 2000).

They have expanded fund-raising activities directed at the general public, tapped new corporate donors for monetary and in-kind support, and held one-time events. They have redesigned program implementation strategies to include cost-recovery components whereby the beneficiaries of the program pay part, and sometimes all, program costs (Henin, 2002). And today we even see Nongovernmental organizations owning and managing restaurants, tour companies, banks, clinics and other businesses.

One definition of income diversification, perhaps closest to the original meaning of the word, refers to an increase in the number of sources of income or the balance among the different sources (Jenkins and Yakovleva, 2006). Thus, a organizations with two sources of income would be more diversified than an organization with just one source, and a organization with two income sources, each contributing half of the total, would be more diversified than a organization with two sources, one that accounts for 90 percent of the total (Joshi et al. 2002; Ersado 2003).

For many Nongovernmental organizations, social enterprise serves as a strategy to diversify their funding base, decrease reliance on donors, and recover or subsidize program costs. In these cases, the social enterprise offers a means to reduce program deficits and employ resources more efficiently (Rao and Holt, 2005). Nongovernmental organizations seeking means to diversify income may set modest financial objectives.

There are neither magic answers, nor simple solutions and every Nongovernmental organization is unique (Clark, 2007). But there are ideas, information and sources of practical support for Nongovernmental organizations wanting to broaden their income base and explore sustainable funding not as a single source of income - but as a process comprising several related parts (Migros 2008).

Diversification should begin with a strategic analysis of the status quo, the institutional strengths, specificities and opportunities, as well as a scan of the competitive environment. Pre-existing additional income streams should be included in the overall evaluation (Lavie, 2006). Apart from undertaking an appropriate analysis of cost effectiveness and risk of various activities, institutions need to assess the appropriateness of these activities in relation to the Nongovernmental organizations' mission and culture.

The leadership's commitment to this process is of crucial importance. The leadership is best placed to project a vision and build the case for diversification activities, as well as engage the broader church community in the process (Reisch, Spash and Bietz, 2008). Nongovernmental organizations leaders also play an important role in shaping the necessary change processes related to diversification, be it a cultural change or an organizational change. Many activities to increase and generate new income sources need new expertise, which does not necessarily always exist within the institution. Churches may recruit professionals from outside the congregation or invest in the development of staff to acquire these skills (Dauncey, 2009). When external staff is recruited, it is important that they understand the specificities of the research and education environment or are integrated in an established team. Professionalization is relevant at all levels, including human resources management, knowledge transfer activities, research administration, financial management, etc.

A gradual approach to structured development of staff capacity may be best adapted considering the fact that the potential to invest in human resources is reduced in times of financial constraints (Ciliberti, Pontrandolfoa and Scozzi, 2008). Given the high relevance of building up these skills for successful income diversification however, targeted support from governments towards this end would have a high leverage effect.

The success of income diversification strategies largely depends on the ability of the institution's leadership to communicate effectively with the church community as well as with external stakeholders. Nongovernmental organizations need to reinforce awareness around the range of activities they undertake and the added value they create for society, helping potential partners to evaluate funding options (Hargrave and van de Ven, 2006).

External communication should also contribute to reinforcing the image and specific profile of an institution. Communication can also usefully be undertaken at sector level, upholding the value of higher education for the wider economy.

Risk management constitutes a major driver for income diversification for Nongovernmental organizations (Beringer, Wright and Malone, 2008). The perception that it is necessary to spread financial risks is commonly shared among Nongovernmental organizations, especially in the light of the consequences of the economic crisis and on the basis of pessimistic expectations regarding future trends in funding coming from "traditional" sources. Developing additional funding streams becomes necessary to mitigate negative consequences of a sudden drop in income or to fuel further growth of the church's activities.

Nongovernmental organizations also tend to approach income diversification as a means to gain more flexibility in their internal financial management. Income generated by the institution often responds to different rules in terms of allocation, types of use allowed, etc. There is a commonly shared perception that additional income sources may involve fewer administrative requirements, although this is not necessarily so in reality. High fragmentation of donor funding exacerbates this issue, with different donors often having complex and different rules and requirements (Amsler, 2009). This demands swift action by donors to streamline funding modalities across the different funding entities.

Large, broadly based Nongovernmental organizations are generally better equipped to diversify their funding sources than smaller NGOs. They can take advantage of their recognizable name and logo. They have more technical skills on which to build commercial activities. They have more contacts and connections with outside groups with which to form partnerships. And internally they have more experience adopting new programs and adapting to organizational change. These Nongovernmental organizations also often have a greater need to seek outside funding because of their higher costs for support services and overhead (Daub, 2007). On the other hand, smaller NGOs have the advantage that relatively small amounts of self-generated funds can make a big difference in ensuring their financial viability.

2.3.2 Strategic Financial Managements

Financial management in Nongovernmental organizations is concerned with ensuring funds are available when needed and that they are obtained and used in the most efficient and effective way to the benefit of the Nongovernmental organization (Waddell, 2000). From an organizational point of view, the process of financial management is associated with financial planning and financial control. Financial planning seeks to quantify various financial resources available and plan the size and timing of expenditures. Financial management practices requirements can impose a significant burden on NGOs (Page, 1984). Managing the movement of funds in relation to the budget is essential for a NGO. At the corporate level, the main aim of the process of managing finances is to achieve the various goals a NGO sets at a given point of time (Linton, 2005). Financial managers aim to boost the levels of resources at their disposal.

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. The financial instruments of the organization mainly comprise Available for sale financial assets– These are investments in equity securities and government securities (Ahrens and Chapman, 2006). Originated loans and receivables– These are loans and receivables created by the organization for providing money to a debtor. These include debtors, prepayments and grants receivable. Financial liabilities- The Organization has financial liabilities, which consist mainly of trade creditors and unexpended grants. Used appropriately, financial management tools can help an organisation to deliver its mission better and to ensure the best and most beneficial use of resources. The consequences of bad financial management are therefore very serious. Good financial management requires sound organisational planning and the set-up and implementation of workable systems, policies and procedures which can respond to, accommodate and overcome the financial challenges a Nongovernmental organization may face. All organizations need money. Alongside staff, money is the one thing that takes up most management time.

Nongovernmental organizations usually exist because they have a mission: to cure the sick, to advance a profession, to discover new technologies, to educate the public. As

Ebrahim (2005) argues, the end of project funding all too often means beneficial impacts that should have been sustained are lost. Establishment of trust funds which gather financial resources together on either an individual NGO or collective model. Investing those resources provides long-term income from interest or a combination of interest and principal.

Meeting financial goals is essential to fulfilling this mission, but is not the top priority. Managers must ask a 'chicken and egg' question: Which comes first, the programmes to fulfill the mission, or the income (earned and voluntary) to finance the programmes? It is important to recognize that aspirations and financial resources are related, and that it is management's task to co-ordinate the two (Edwards and Hulme, 1995). All Nongovernmental organizations require a financial management system, however, many Nongovernmental organizations may only have an accounting or bookkeeping system.

Accounting or bookkeeping are a subset of financial management. Financial management is generally the responsibility of the finance manager however all section managers should contribute to and benefit from a financial management system. The role of the finance manager is a key role within an organization. The financial manager must also be able to maintain perspective so that activity and administrative objectives are directed towards achieving organisational goals. The finance manager is in a position to have a bird's eye view of the day-to-day operations of the organisation and will be able to see trends, strengths, weaknesses and opportunities for improvement (Gray et al, 2006). This unique position allows the finance manager to play an active role in strategic planning. Strategic planning focuses on the long-term goals and objectives of the Nongovernmental organization and should, at a minimum, include the Board of Directors and the key management staff of the organization.

Naidoo (2004) and Unerman and O'Dwyer (2006) concluded that ethical environments are more important than codes of conduct in influencing finance managers in organizations when resolving ethical dilemmas. Catasus and Grönlund (2005) found that management's attitude toward internal control was significant when accountants were asked to evaluate the control environment of an organization. A more important issue, however, is whether these internal control factors are actually related to misrepresented financial information. Numerous empirical studies have looked into both the needs of financial reporting and management skills in public accounting information. Skoog (2003) carried out a research on visualizing value creation through the management control of intangibles; Power (2004) – analyses the financial management of everything; while Waddell (2006) carried out a study on the complementary resources: the win-win rationale for partnerships with Nongovernmental organizations. These studies found that organizations are more apt to voluntarily disclose negative earning surprises preemptively, compared to positive earnings surprises. This is consistent with the thought that managers face an asymmetric loss function.

Sound financial management practices, good governance, and accountability are essential building-blocks for driving improvement and better-value for money in faith based organizations. Gray et al (2006) has surveyed Nongovernmental organizations, civil society and accountability: making the people accountable to capital and Ebrahim (2005) report on Accountability myopia: losing sight of organizational learning. Financial statements are intended to be understandable by readers who have a reasonable knowledge of business and economic activities and accounting and who are willing to study the information diligently (Linton, 2005). Financial statements may be used by users for different purposes: Owners and managers require financial statements to make important business decisions that affect its continued operations. Financial analysis is then performed on these statements to provide management with a more detailed understanding of the figures.

Earlier research has shown that management control, such as accounting, have a stabilizing function (Huque and Rahman, 2003; Jackson, 2009). Financial management play an important role in supporting new programs to be diffused in practice. Some even argue that programs can only be fulfilled to the extent that they can be realized through technologies (Gray et al, 2006). As a consequence, technologies become imperative in terms of realizing the program (Ahrens and Chapman, 2006). The development of management control research the past decade has been associated with strategic, informal and non-financial aspects of organizational control systems, often though in combination with more tactical, formal and financially oriented aspects (Waddell, 2000). That is, albeit the trend is to leave management accounting as a stand-alone method for management to the inclusion of a more strategic perspective on control, both perspectives co-exist in practice.

2.3.3 Donor Relationship Management

Donor Relationship Management is not just a tool to collect data from donors; it is a holistic strategy, a methodology of collecting, organizing and analyzing every aspect of your donors. Burnett (2002) recognized the need for what he termed relationship fundraising – dealing with donors individually, recognizing each donor as unique in terms of giving history, motivation for giving, and the overall standard of care expected from the charities being supported. The entire relationship with a donor, he argued, should be viewed holistically and fundraising decisions taken in light of the perceived value of the overall relationship. Recognizing the benefit of a future income stream, NGOs are not afraid to invest in their donors and allow them greater flexibility over the content, nature, and frequency of the communications they receive. This might make people feel important.

Although the initial costs of implementing such a strategy are undoubtedly higher, the benefits in terms of an enhanced pattern of donor loyalty—and therefore the future revenue stream—far outweigh this investment. Donors should be able to choose when communication is initiated and the form that it might take. It seems that one way in which NGOs might achieve this goal is to ensure that they give ongoing and specific feedback to donors as to how their funds have been put to use, in particular the benefit that has resulted for the beneficiary group (Plummer, 2009). If this feeling of impact on the cause is not strengthened, it seems less likely that donors will view other causes as being more deserving than those they already support.

Donors viewing the communications they receive as informative, courteous, timely, appealing, and convenient appear to remain loyal for a greater period of time. The issue then becomes how best to achieve this perception (Matten and Moon, 2008). The donor, ideally, should be able to select the pattern of communication he or she wishes to receive.

Some NGOs offer donors the opportunity to specify how frequently they would like to hear from the organization, whether they would like news about how their gift has been employed, whether they would like such news but not additional letters asking for money, and so on. Such practices are likely to improve perception of the quality of communication received and thereby enhance loyalty (Wilson, 2003).

Furthermore, it seems clear that NGOs could also offer donors some choice over whether or not they wish to be asked for a specific sum. Some donors may welcome guidance about the appropriateness of certain gift levels. Others may prefer to take such decisions themselves and not be prompted by the NGO (Hobson, 2006). Obviously, where specific sums are requested, NGOs should be sure they are appropriate given the financial ability of the donor (Sargeant and Woodliffe, 2007).

Liljander and Strandvik (2005) proposed that the relationship quality construct is critical in guiding relationship management, and Sasso (2003) suggested that relationship quality and its understanding will guide the field of services management in general. The fundraising variant of relationship marketing, relationship fundraising (Burnett, 2002a; Sargeant and Jay, 2004), also places developing quality perceptions at the heart of developing donor loyalty. Indeed, an understanding of the processes and the development of the "relationship quality" within the charity-donor dyad is considered central to implementing any relationship fundraising marketing strategy (Bennett and Barkensjo, 2005a; Shabbir *et al.*, 2007). Although some research has focused on beneficiary perceived relationship quality (Bennett and Barkensjo, 2005a), the influence of quality perceptions of donor satisfaction and behaviour (Bennett and Barkensjo, 2005b) and the development of the relationship quality construct (Shabbir *et al.*, 2007), little empirical enquiry has explored the role that relationship quality may have in assisting the effects of identity-based constructs.

Religiosity and relational independent self-construal are selected as two important identity-based constructs which may impact on future giving intentions through the mediating effect of relationship quality. Despite the importance of these constructs in charitable giving behaviour, there is a lack of knowledge concerning their role in improving donor-perceived relationship quality. The powerful influence of these constructs is evident in the success of faith-based and medical charities in the UK. Faith-based giving, for instance attracts £4.6bn in the UK (Blackmore, 2005). Medical charities have consistently remained the largest recipients of individual donations in the UK for the past decade (Pharoah, 2006). Faith-based charities also appeal to the religious or spiritual identity, whereas medical charities commonly use relational-based self identity appeals, often by reminding donors of the value of familial utility (Sargeant *et al.*, 2006). The effect on charity of both of these constructs is also well known in global giving cultures and has consistent

Nonprofit sector donors tend to have relationships with two to three organizations. These relationships are stable, typically based upon (often deeply) personal commitments to the mission of each organization they support. As with customers in the for-profit world, a nonprofit's existing donors are frequently their most valuable donors, and can be a key engine for growth. While the nonprofit world is rapidly evolving technologically, with the emergence of sophisticated online donor management and analytical tools, the ability to create a single donor view of giving throughout and across the organization remains elusive.

As Nongovernmental organizations began to recognize the true value of maintaining and upgrading a donor's relationship and support, the roles of acknowledgment, recognition, and stewardship shifted from being rote activities to being strategic actions (Clarke, 2006). The field of donor relation management became the responsibility of the professional staff and the principles of donor relations were integrated into the many aspects of the development and institutional advancement programs at charitable organizations and Nongovernmental organizations.

Dependence on grants and donations can also inhibit the autonomy of NGOs to choose which program activities to undertake and to select the most effective intervention strategies to achieve program goals (Bekkers, 2005). To a certain extent, all donors have their own agenda, i.e., their own views as to which problems are important and the best intervention strategies to address these problems. NGO managers may be compelled to "follow the money" and allow donors to dictate the scope and direction of their activities, or else receive no funds at all.

Another problem is that many grants and donations carry restrictions on the types of expenses that they may cover. The most common restriction is to cover only direct program costs, but not the cost of support services or other overhead costs incurred by the NGO. The NGOs must "contribute" these costs on their own, or at least cover an increasing share of these costs over time. The uncertain continuity of donor funding, be it short term or long term, makes it extremely difficult for NGO managers to plan and implement their organization's core activities. It also may force a NGO to live a project-to-project existence, being unable to make long term plans to expand core activities or to improve the quality of program services (Bateson, Nettle and Roberts, 2006).

The various processes and procedures involved in the delivery of aid has made both donors and developing countries realize that development impacts were affected by these overwhelming transactions. Thus, armed with the intention of effectively delivering aid through efficient use of scarce resources, multilateral and bilateral donors together with their partner countries decided to harmonize their operational policies, procedures and practices with the conscious effort of aligning development support with country-owned development frameworks. Financial sustainability involves all the elements and functions of an organization and every major decision made within the organization. As the work of NGOs broadens and becomes more complex, concerns about their capacity and sustainability will loom much larger and have more significant implications for development processes. Nonprofit organizations, like all institutions, wrestle continually with the question of how to keep going and to improve their lot, especially during today's difficult economic times. In short, nonprofits must constantly strive for sustainability. The need to strengthen the financial sustainability of NGOs and civil society organisations to fulfil multiple and increasingly complex roles has been identified time and again by NGOs themselves, by donor agencies and by governments (Fowler, 2000; Kaplan, 1999). Organizations must recognize that their stakeholders and their stakeholders' needs may change over time, and they must consciously change and adapt as needed.

Evidence about cost of intervention is critical for program decision-making, because it provides evidence about potential for sustainability. According to a UNDP representative, NGO financial sustainability is probably the most talked about issue at the nonprofit organizations' stakeholder meetings (PIANGO, 2000). It is one thing to be able to access funds and quite another to have the capacity to deliver what has been agreed to. Alongside finance, NGOs recognise the need to develop their own capacity in a number of areas. Fowler (2000) further argues that it will be a long time before NGOs find avenues of sustainable self financing to replace official development assistance. There are two main routes through which funds are transferred to NGOs: the indirect route in which resources are provided to NGOs which then work with NGOs' partners' in the country concerned; and the direct route in which funds are given directly to NGOs via the donor's country office.

Donor relationship is therefore important in meeting the needs on the NGOs. Providing people with the opportunity to invest in creating a better future for the communities is an incredible gift. While some of the tasks required to successfully raise money are tedious and can seem like drudgery (creating databases and maintaining good files comes to mind), the real joy in fundraising is being able to talk with donors and prospects about our shared vision for a better community. Donor funding is still overwhelmingly provided through project funding (Gunnarson, 2001). Projects have a finite funding lifetime and within this framework the issue of core administrative costs remains a very difficult area for negotiation. Essentially, the view from the NGOs sector is that whilst it is possible to access project funding from donors, it is difficult if not impossible to obtain funding for core administration costs such as salaries, the cost of renting a building, vehicles for project use and so forth. The end of project funding all too often means beneficial impacts that should have been sustained are lost.

The role of NGOs as important determinant of giving and pro-social behaviour is undisputed. The antecedent qualities of religiosity to foster and harness pro-social and giving behaviour are well documented, and a full exposition of this work is beyond the scope of this study. Indeed, the concept of charity and the development of pro-social behaviour is a common denominator in global faiths, and therefore religion and charity are often perceived to "go hand in hand" (see Batson et al., 1993, Bateson et al., 2006). Each global religion has its own unique tradition of giving, but all place a strong emphasis on nurturing altruistic ties with charity, and the heart of faith-based giving is often a sense of selflessness, sacrifice and an afterlife in which deeds are accounted for (Emmons and Paloutzian, 2003). Indeed, receiving a return on charity in the afterlife is a powerful driver of religious giving motivations. Christiano (2000) and Brooks (2003) assert that religious establishments have been instrumental in shaping the nature, character and quality of social capital. This is because religious institutions encourage a sense of duty and obligation to maintain and sustain relationships with the needy and the poor (Brooks, 2003). However, Brooks (2004) also highlights the heterogeneity of religious sentiment in giving behaviour and offers several explanations for understanding religiosity's effects on charitable giving.

Seeking demonstrable utility or simply wanting to help those in need and seeing a positive change as a result in the recipient's condition (Sargeant et al., 2006) is considered to be a key motive in religious giving and indeed in explaining general giving behaviour (Brooks, 2003). Alternatively, a self-serving principle guiding religious giving, where religious givers seek to enhance the faith condition of the recipient, has also been proposed. Also, a religiously induced altruistic personality may develop into habitual giving behaviour. Brooks (2004) argues that no real consensus in understanding religiosity's effects has been reached and the mere search for a feeling of self-fulfilment through what Andreoni (1989) refers to as warm glow is rather simplistic. Notably, faith-based giving attracts a substantial ratio of overall individual giving in many countries.

2.3.4 Participation in Income Generating Activities

Nongovernmental organizations experience difficulty in finding sufficient, appropriate and continuous funding for their work (Jacobsen, 2005). They find accessing donors as challenging as dealing with their funding conditions. They perceive there to be certain cartels of individuals and Nongovernmental organizations that control access to donor funds. They have limited resource mobilization skills and are often not looking for funds that are available locally, preferring to wait for international donors to approach them.

Local Resource Mobilization provides potential for Nongovernmental organizations to raise funds from local businesses, individuals, government and locally generated income (Edwards and David, 1995). To do this nongovernmental organizations must have strong governance and accountability mechanisms, clear strategies and local credibility. There is a high dependency of donors and a tendency to shift interventions to match donor priorities. There is a lack of financial, project and organizational sustainability. Nongovernmental organizations must be concerned with three aspects of sustainability: enduring impact, the continuity of resources, and the viability of the organisation. Sustainability within each category requires 'insightful agility'; overall sustainability depends on creating a 'virtuous spiral' linking the three categories in a positively reinforcing way (Viswanath, 2000). The conference noted that there is often a wide gap between what Nongovernmental organizations say, what NGOs do, and how people perceive Nongovernmental organizations. Despite all the rhetoric about participatory development and building stronger civil society, very often Nongovernmental organizations tend to ignore actively communicating with and listening to their local constituency.

Business activities generate income for Nongovernmental organizations through "rent" on factors of production, and the skilful combination of these factors in "income generation programmes". The very idea of dabbling in business speculation and risk-taking with an eye on profit making appears to be anathema to Nongovernmental organizations (PRUS, 2001). Many simply do not have the skills to do any kind of business - that's why they are there in the Nongovernmental organization sector, anyway. It is clear that many NGOs are working in areas where both markets and government policy have failed. The works of such NGOs need to be supported with public funds, whether they are from international donors, government sources, or an as yet unlikely source - the public or various "publics". The time has come for the NGO community to consider going to the or publics to raise funding for their work. If NGOs are to concentrate on what they can do best - social work, then Marketing and Fundraising become boundary management activities, which are of utmost importance, and yet should not demand too much time from NGO leaders, who very frequently may not have the best skills and attitudes for such work (CRDA, 2001b).

NGOs with excess assets can use them to generate income which may be used as the NGO determines. They consider renting buildings, providing consultancy, offering training, trading on their name or with locally made products. Killick (2001) pointed out that the participatory element embodied in the development strategy of NGOs might not always enhance the economic benefit of women beneficiaries of an economic development program. It requires the accountability of an organisation towards their members to increase the economic benefit. She emphasized that higher member accountability of an organisation brings larger socio-economic benefit to their beneficiaries. Communities have assets, wisdom, labour, time, and skills to be applied to their own development programmes.

Income generating programs (IGPs) are intended to enable NGOs to attain 'self-sufficiency' by providing economic inputs and activities like agriculture, service provision (e.g. food vending, charcoal making) or trade (Norton and Foster, 2001). The idea behind self-sufficiency or self-reliance is that most NGOs are able to support themselves and should not be forced to depend on assistance while awaiting their return. Governments therefore allow NGOs to pursue income generating activities. In a few cases, IGPs are linked to a policy of local integration, where NGOs are helped to pursue their livelihoods as part of the host community.

2.4 Conceptual Framework

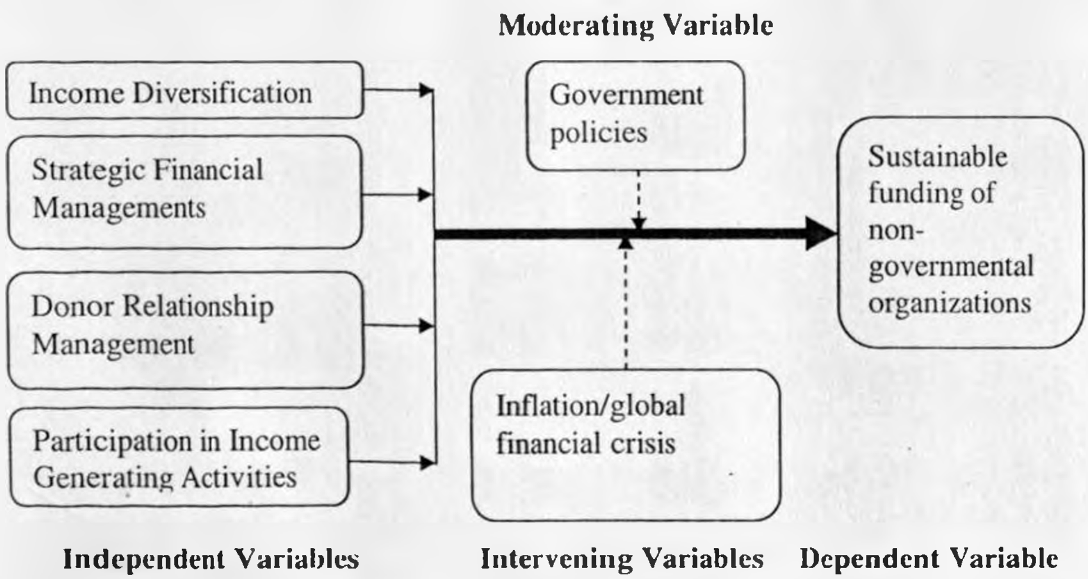

Figure 1: Conceptual Framework

The conceptual model indicates that, attainment of Financial Sustainability in NGOs would require Strategic Planning analysis and Competitive Position/Strength Analysis to provide a basis for fostering strategic financial management. This would promote orientation of the organizations towards adaptation of Strategic and Financial Planning and Sound Management of Resources/Costs. At the same time, the need for change adaptation arises in terms of: Own Income Generation; Income Diversification, and; Management of Donor Relationship. It is anticipated in this study that the foregoing factors will minimize challenges associated with the dependency syndrome in the wake of reduced donor support and subsequently promote financial sustainability of the NGOs. It can, thus, be argued that Financial Sustainability (FS) of NGOs depends on: Strategic Financial Management (SFM), Own Income Generation (IG), Income Diversification (ID) and Management of Donor Relationship (MDR).

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter sets out various stages and phases that were followed in completing the study. It involves a blueprint for the collection, measurement and analysis of data. This section is an overall scheme, plan or structure conceived to aid the researcher in answering the raised research question. In this stage, most decisions about how research was executed and how respondents were approached, as well as when, where and how the research was completed. Therefore in this section the research identified the procedures and techniques that were used in the collection, processing and analysis of data. The chapter describes the research design and methodology that was used to guide the study under the following sub-headings: the research design, target population, sample and sampling design, data collection instruments, data collection procedures and data analysis procedures.

3.2 Research Design

According to Kerlinger (1986) "research design is the plan and structure of investigation so conceived so as to obtain answers to research questions or test the research hypotheses. The plan represents the overall strategy used in collecting and analyzing data in order to answer the research questions. Cooper and Schindler (2003) summarizes the essentials of research design as an activity and time based plan; always based on the research question; guides the selection of sources and types of information; a framework for specifying the relationship among the study variables and outlines the procedures for every research activity.

In this study, exploratory research design was adapted. The exploratory research design using case study method is primarily used in qualitative studies to provide the overall strategy for collecting and analyzing in-depth textual data in order to gain adequate understanding of the problem from the perspectives of the research participants (Hubermann 2002).

3.3 Target Population

Target population is the specific population about which information is desired. According to Ngechu (2004), a population is a well defined or set of people, services, elements, events, group of things or households that are being investigated. Mugenda and Mugenda, (2003), explain that the target population should have some observable characteristics, to which the researcher intends to generalize the results of the study. The target population of this study included the management team of the Sisters Maternity Home. This comprised:

Table 1: Target population

	Frequency	Percentage
Top level managers	14	6.3
Middle level managers	47	21.1
Low level managers	162	72.6
Total	**223**	**100.0**

3.4 Sampling Procedure and Sample Size

Ngechu (2004) underscores the importance of selecting a representative sample through making a sampling frame. From the population frame the required number of subjects, respondents, elements or firms was selected in order to make a sample. The sampling frame for any probability sample is a complete list of all the cases in the population from which a sample is drawn (Saunders et al., 2007). A sample is a smaller and more accessible sub set of the population that adequately represents the overall group, thus enabling one to give an accurate (within acceptable limits) picture of the population as a whole, with respect to the particular aspects of interests of the study. Sample of responding staff was drawn from 298 possible respondents.

From the population frame the required number of subjects, respondents, elements or firms was selected in order to make a sample. Stratified proportionate random sampling technique was used to select the sample. According to Oso (2009), stratified proportionate random sampling technique produce estimates of overall population parameters with greater precision and ensures a more representative sample is derived from a relatively homogeneous population. Stratification aims to reduce standard error by providing some control over variance.

The study grouped the population into three strata i.e. top, middle and low level managers. From each stratum the study used simple random sampling to select 67 respondents. Stratified random sampling technique was used since population of interest is not homogeneous and could be subdivided into groups or strata to obtain a representative sample. Statistically, in order for generalization to take place, a sample of at least 30 elements (respondents) must exist (Cooper and Schindler, 2003). Saunders et al (2007) argue that if well chosen, samples of about 10% of a population can often give good reliability. Other literatures have shown that sample size selection to a great extent is judgmentally decided. The selection was as follows.

Table 2: Sampling Frame

	Frequency	population proportion to size (PPS)	Sample size
Top level managers	14	0.3	4
Middle level managers	47	0.3	14
Low level managers	162	0.3	49
Total	223	0.3	67

3.5 Data Collection Methods and Procedures

This study used questionnaires for primary data collection. The questionnaires were used because they are straightforward and less time consuming for both the researcher and the participants (Owens, 2002). The Questionnaires had a number of sub-sections that are sub-divided based on the major research questions except the first sub-section (section A) that is meant to capture the background information of the participants like gender, marital status, age, working experience, level of education. Other sections cover the main areas of the study. Questionnaires are appropriate for studies since they collect information that is not directly observable as they inquire about feelings, motivations, attitudes, accomplishments as well as experiences of individuals (Borg and Gall, 1996). Satyanarayana (1983) stated that a questionnaire is useful in obtaining objective data.

This is largely because the participants are not manipulated in any way by the researcher. According to Borg and Gall (1996) questionnaires have the added advantage of being less costly and using less time as instruments of data collection. The questionnaires were administered through drop and pick-later method to the sampled population.

In analysis of document, the researcher must bring out the document type (for example: report, records etc), the kind of document it is (government or institution document), its dates, where written, author and title. The aim of the document, the factual information contained, why the document is a valuable source of information, how the document can be used, what the document does not answer and could be answered by the author should all be brought out (Marshall, and Rossman, 1998). In this study, the researcher dealt with the selected organization's narrative and financial records to establish financial sustainability issues over the last 5 years and any other document that may contribute to answering the research objectives.

3.6 Piloting (Instrument Validation)

Before embarking on fieldwork, a pilot study was carried out to pre-test the instruments. This was done in order to assess the clarity of items, validity and reliability of the instruments (Mulusa 1988). It is after the pilot testing that the main survey followed.

3.6.1 Validity of the research instrument

To ascertain the validity of questionnaire, a pilot test was carried out (Cronbach, 1971). This was done by administering the questionnaire onto the pilot group. The content validity of the research instrument was evaluated through the actual administration of the pilot group. In validating the instruments, 20 staff were selected. The population units used in the pilot study was not included in the final sample. The study used both face and content validity to ascertain the validity of the questionnaires. Face validity is actually validity at face value. As a check on face validity, test/survey items are sent to the pilot group to obtain suggestions for modification. Content validity draws an inference from test scores to a large domain of items similar to those on the test (Polkinghorne, 1988). Content validity is concerned with sample-population representativeness. i.e. the knowledge and skills covered by the test items should be representative to the larger domain of knowledge and skills (Cronbach, 1971).

The instruments were administered by the researcher after which a discussion was made to determine the suitability, clarity and relevance of the instruments for the final study. Ambiguous and inadequate items were revised in order to elicit the required information and to improve the quality of the instruments. Furthermore, to enhance the validity of the instruments, two university lecturers who are experts in the area of financial management were asked to appraise the instruments

3.6.2 Reliability of the research instrument.

The Split-half method was used to establish reliability of the instruments. The method involves splitting each instrument into two halves (odd and even items) then calculating the Pearson's correlation coefficient(r) between the responses (scores) of the two halves. This was done using both the instruments separately. The scores for all odd and even numbered items for each of the 20 respondents in the pilot study were computed separately. The correlation obtained was, however, represent the reliability coefficient of only half of the instrument. Hence a correction was made to obtain reliability of the entire instrument.

3.7 Operationalization of Variables

Table 3: Operationalization of Variables

Variable	Indicators	Measure	Scale	analysis Tools
Strategic financial management	1) Financial planning 2) Financial analysis 3) Plan implementation 4) Asset selection 5) Stock selection 6) Investment monitoring	1) Did they have financial planning competence? 2) Did they have financial analysis 3) Did they have plan implementation competence 4) Are they competent in asset selection 5) How is their stock selection skills 6) Did they have investment monitoring skills	Ordinal scale Ordinal scale Likert Ordinal scale Ordinal scale Ratio/ interval Ordinal/interval Ordinal/Nominal	Mean

Own income generation	1) Social entrepreneurship 2) Unrestricted income generating activities 3) Business activities	1) Level of participation in social entrepreneurship 2) Presence of unrestricted income 3) Level of participation in business activities	Ordinal scale Ordinal/interval Likert Scale	Mean
Income diversification	1) Fundraising and development plan 2) Tapping international funding streams 3) Corporate donors sourcing 4) Owning and managing businesses	1) Number of fundraising and development plan activities 2) Level of tapping of international funding streams 3) Amount of corporate donors sourcing 4) Number of businesses owned	Ordinal/interval Ordinal scale Likert Ratio/ interval	Mean
Donor relationship management	1) Donor Segmentation 2) Enhanced meaningful communications 3) Use information management 4) Providing accountability 5) Implementing a comprehensive recognition program	1) Level of donor segmentation 2) Level of meaningful communications 3) Presence of information management 4) Level of accountability 5) Level of implementing of a comprehensive recognition program	Ordinal/interval Likert Ordinal/interval Ratio/ interval Ordinal scale	Mean

3.8 Data Analysis

The collected data was analyzed using both quantitative and qualitative data analysis methods. Quantitative method involved both descriptive and inferential analysis. Descriptive analysis such as frequencies and percentages were used to present quantitative data in form of tables and graphs. Data from questionnaire was coded and logged in the computer using Statistical Package for Social Science (SPSS V 17.0). This involved coding both open and closed ended items in order to run simple descriptive analyses to get reports on data status. Descriptive statistics involves the use of absolute and relative frequencies, measures of central tendency and dispersion.

Data collected through the open ended questions and analysis of documents was analyzed qualitatively through content analysis. The collected data was first transcribed before coding the data into themes or categories. This involved breaking down the data into manageable pieces, sorting and sifting while searching for types, classes, sequences, processes, patterns or themes. The aim of this process was to assemble or reconstruct the data in a meaningful or comprehensible fashion (Jorgensen, 1989). The categorizing was typically based on the major research questions guiding the study. Generalization from the themes about the phenomena in question and discussion in the light of the available literature was then made.

The study also made use of various inferential statistics. The variables were factored in the multivariate regression model. The measures of the independent variables, using the rating/Likert scales was converted to mean values and then to percentages to permit the application of linear regression model. Statistical significance of the independent variables was determined by using the F-test. Using the regression Durbin Watson test for autocorrelation of models residuals, t-test for coefficients significances were also tested. The regression equation ($\mathbf{Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon}$):

Whereby $\mathbf{Y}$ = Funding Sustainability (**FS**)

$\mathbf{X_1}$ =Strategic Financial management (**SFM**)

$\mathbf{X_2}$= Donor Relationship Management (**DRM**)

$\mathbf{X_3}$= Own Income Generation (**IG**)

$\mathbf{X_4}$= Income Diversification (**ID**)

ε = Error Term

3.9 Summary

Chapter three describes the nature of the study as exploratory in order to enable the researcher to learn more about the problem. The study chapter also refers to the population of interest. Data collection method was through questionnaires and secondary data sources being in the library and the different organizations internal data. A pilot study was conducted and the data was analyzed using descriptive statistics and presented on tables, bar charts and line graphs.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter discusses the interpretation and presentation of the findings. The purpose of the study was to analyze the factors that influence sustainable funding in NGO's in Kenya with specific reference to Sisters Maternity Home (SIMAHO) in Garissa. The researcher made use of frequency tables and figures to present data.

4.1.1 Response Rate

The researcher targeted a sample of 67 management staff from the NGOs out of which 64 responses were obtained. This represented a 94.9% response rate. This is a reliable response rate for data analysis as Babbie (2002) posited that any response of 50% and above is adequate for analysis.

Table 4: Response Rate

	Frequency	**Percentage**
Responded	64	94.9
Did not respond	3	4.1
Total	**67**	**100**

4.2 Reliability Test

A pilot study was carried out to determine reliability of the questionnaires. The pilot study involved 20 respondents from the target population. Reliability analysis was subsequently done using Cronbach's Alpha which measures the internal consistency by establishing if certain items within a scale measure the same construct.

Table 5: Reliability Analysis

	Cronbach's Alpha	Number of Items
Strategic Financial management	0.729	6
Own Income Generation	0.857	5
Income Diversification	0.796	5
Donor Relationship Management	0:803	6

Cronbach Alpha was established for every variable which formed a scale. The table above shows that own income generation had the highest reliability (α=0.857), followed by donor relationship management (α=0.803), then income diversification (α=0.796) while strategic financial management had the least value (α=0.729). This illustrates that all the four scales were reliable as their reliability values exceeded the prescribed threshold of 0.6. Gliem and Gliem (2003) established the Alpha value threshold at 0.6.

4.3 Demographic Information

As part of the general information, the research requested the respondents to indicate their gender, age bracket, education level and working experience.

Table 6: Gender of the respondents

	Frequency	Percentage
Male	17	27.1
Female	47	72.9
Total	**64**	**100.0**

On the gender of the respondents, the study found that 72.9% of the respondents were male while females only formed 27.1% of the respondents. This shows that most of the managers in the NGO were male.

Table 4.7: Age bracket of the respondents

	Frequency	Percentage
25 - 30 Years	5	8.1
31 - 34 years	16	24.3
35 - 40 years	12	18.9
41 - 44 years	14	21.6
45 - 50 years	12	18.9
Over- 51 years	5	8.1
Total	**64**	**100**

According to Table 4.1 above, 24.3% of the respondnets were aged between 31 - 34 years, 21.6% were aged between 41 – 44 years those aged between 35 - 40 years and 45 - 50 years were 18.9% while those aged between 25 - 30 years and over- 51 years were 8.1%. From these findings we can deduce that majority of the managers were middle aged.

Table 8: Highest education level

	Frequency	Percentage
Postgraduate degree	33	51.4
Bachelors Degree	24	37.8
Diploma/certificate	7	10.8
Total	**64**	**100.0**

The researcher had also asked the respondents to indicate their highest level of education. From the findings, 51.4% of the managers had a postgraduate degree, 37.8% had a bachelors' degree while 10.8% had a diploma/certificate. This shows that the respondents are well informed and can give relevant information on the subject matter of the study.

Table 9: Working Experience in the Organization

	Frequency	Percentage
1-2 Years	24	37.8
2-4 Years	28	43.2
5 years and above	9	13.8
Total	**64**	**100.0**

The study also sought to determine how long the respondents had been working with the organization. According to the findings, 43.2% of the respondents reported that they had been working with their organizations for 2-4 years, 37.8% indicated between 1 and 2 years, while 13.8% indicated they had been working with their current NGO for 5 years and above. These findings clearly show that majority of the respondents had been working with the NGOs for long enough to understand their operations.

Table 4.10: The trend of measures of sustainability for the NGO in the last five years

	Mean	Std Dev
Cash Flows	3.4694	1.05717
Cost Recovery Rate	3.9286	4.32268
Unrestricted Income	3.1837	1.17839

The study also sought to determine the trend of measures of sustainability for the NGO in the last five years. From the findings, majority of the respondents felt that cost recovery rate was improving as shown by a mean score of 3.9286 while cash flows and unrestricted income were stable/constant as shown by a mean score of 3.4694 and 3.1837 respectively.

4.4 Strategic Financial Management

Table 11: Extent to which strategic financial management affect the financial sustainability of the NGO

	Frequency	Percentage
Very great extent	5	8.1
Great extent	16	24.3
Moderate extent	12	18.9
Little extent	14	21.6
Not at all	12	18.9
Total	**64**	**100.0**

The researcher also requested the respondents to indicate the extent to which strategic financial management affect the financial sustainability of the NGO. According to the findings 24.3% of the respondents reported that strategic financial management affect the financial sustainability of the NGO to a great extent, 21.6% said to a little extent, those who said to a moderate extent or not at all were shown by a 18.9% while 8.1% said strategic financial management affect the financial sustainability of the NGO to a very great extent.

Table 4.12: Extent that aspects of strategic financial management affect the financial sustainability of the NGO

Financial management	Mean	Std Dev
Strategic planning	4.4082	0.75760
Financial analysis	3.6323	1.39930
Plan implementation	4.2653	0.96912
Asset selection	3.1837	.85370
Stock selection	1.5633	1.39730
Investment monitoring	3.3503	1.36747

The study inquired on the extent that aspects of strategic financial management affect the financial sustainability of the NGO. From the findings, majority of the respondents felt that the aspects of strategic financial management affect the financial sustainability of the NGO to a great extent include strategic planning, plan implementation and financial analysis as shown by a mean score of 4.4082, 4.2653 and 3.6323 respectively. They also indicated that investment monitoring and asset selection affect the financial sustainability of the NGO to a moderate extent as shown by a mean score of 3.3503 and 3.1837 respectively while stock selection affect the financial sustainability of the NGO to a little extent as shown by a mean score of 1.5633.

4.5 Income Diversification

On the effect of income diversification, the study sought to establish the importance of various drivers for income diversification in the NGO and also the effectiveness of various income diversification strategies in enhancing financial sustainability at organization

Table 4.13: Importance of various drivers for income diversification in the NGO

	Mean	Std Dev
Risk management	3.9327	.90118
Mitigation of negative consequences of a sudden drop in income	3.6327	1.14323
Fueling further growth of the NGO's activities	4.1755	1.07962
Gaining more flexibility in the internal financial management	3.6327	1.14323
Reducing the danger that a withdrawal of funding forces the organization to close down	4.3559	0.95204
Increasing the longer-term reliability of the income stream	3.5719	1.11188
Reducing the impact of exchange rate fluctuations on income in local currency	3.1531	1.12242
Reducing the impact of economic downturns	3.0102	.94700
Being able to decide how to generate and spend financial resources without restrictions	3.7931	1.05916
Being able to fund projects according to your priorities	3.8755	0.58821
Being able to say no to some sources of income because they do not fit in the organization´s values	4.0776	0.68135

On the importance of various drivers for income diversification in the NGO, majority of the respondents indicated that the drivers for income diversification that were important include reducing the danger that a withdrawal of funding forces the organization to close down as shown by a mean score of 4.3559, fueling further growth of the NGO's activities as shown by a mean score of 4.1755, being able to say no to some sources of income because they do not fit in the organization's values as shown by a mean score of 4.0776, risk management as shown by a mean score of 3.9327 and being able to fund projects according to priorities as shown by a mean score of 3.8755.

Other drivers rated as important include being able to decide how to generate and spend financial resources without restrictions as shown by a mean score of 3.7931, mitigation of negative consequences of a sudden drop in income and gaining more flexibility in the internal financial management as shown by a mean score of 3.6327 each and increasing the longer-term reliability of the income stream as shown by a mean score of 3.5719. However, reducing the impact of exchange rate fluctuations on income in local currency and reducing the impact of economic downturns were rated as less important as shown by a mean score of 3.1531 and 3.0102 respectively.

Table 4.14: Effectiveness of various income diversification strategies in enhancing financial sustainability at organization

	Mean	Std Dev
Social entrepreneurship	3.3714	0.77326
Fundraising and development plan	3.9306	0.78915
Tapping international funding streams	4.2755	0.58821
Corporate donors sourcing	4.0776	0.68135
Owning and managing businesses	3.5347	0.95220

The study also sought to determine the effectiveness of various income diversification strategies in enhancing financial sustainability at organization. According to the findings, majority of the respondents reported that the income diversification strategies enhancing financial sustainability at the organization to a great extent include tapping international funding streams, corporate donors sourcing, fundraising and development plan and owning and managing businesses as shown by a mean score of 4.2755, 4.0776, 3.9306 and 3.5347 respectively while social entrepreneurship had a moderate extent as shown by a mean score of 3.3714.

4.6 Donor Relationship Management

The study further sought to find out how donor relationship management affect the financial sustainability of the organization.

Table 15: Extent that donor relationship management affect the financial sustainability of the organization

	Frequency	Percentage
Very great extent	5	8.1
Great extent	28	43.2
Moderate extent	17	27.07
Little extent	9	13.5
Total	**64**	**100.0**

The researcher also requested the respondents to indicate the extent that donor relationship management affect the financial sustainability of the organization. According to the findings, 43.2% indicated that donor relationship management affects the financial sustainability of the organizations to a great extent, 27.2% said to a moderate extent, 13.5% said to a little extent while 8.1% of the respondents said donor relationship management affects the financial sustainability of the organizations to a very great extent.

Table 4.16: Extent that various aspects of donor relationship management affect financial sustainability of NGO

	Mean	Std Dev
Donor Segmentation	3.4286	1.20992
Enhanced meaningful communications	4.0633	1.31560
Use information management	4.2653	1.18017
Providing accountability	4.1653	1.18017
Implementing a comprehensive recognition program	3.5408	1.14125

The study also wanted to establish the extent that various aspects of donor relationship management affect financial sustainability of NGO. From the results in the above table, the majority of respondents indicated that the aspects of donor relationship management affect financial sustainability of NGOs to a great extent include use information management, providing accountability, enhanced meaningful communications and implementing a comprehensive recognition program as shown by a mean score of 4.2653, 4.1653, 4.0633 and 3.5408 respectively while donor segmentation affect to a moderate extent as shown by a mean score of 3.4286.

4.7 Participation in Income Generating Activities

Table 17: Extent that participation in income generating activities affect the financial sustainability of the organization

	Frequency	Percentage
Very great extent	16	24.3
Great extent	19	29.7
Moderate extent	12	18.9
Little extent	12	18.9
Total	**64**	**100.0**

The respondents were also requested to indicate the extent that participation in income generating activities affect the financial sustainability of the organization. According to the finding, majority of the respondents (29.7%) indicated that participation in income generating activities affect the financial sustainability of the organization to a great extent, 24.3% said to a very great extent while those who said to a moderate extent and little extent were shown by 18.9%.

Table 4.18: Influence of participation in income generating activities on financial sustainability of NGO

	Mean	Std Dev
Unrestricted income generating activities	3.5327	0.091
Business activities	4.1539	0.361
Trust or endowment fund	3.6054	0.491
Public contributions	2.7452	0.738
Corporate alliances	3.6722	0.097

The study further sought to establish the influence of participation in income generating activities on financial sustainability of NGO. From the study findings, majority of the respondents said that business activities, corporate alliances, trust or endowment fund and unrestricted income generating activities affect the financial sustainability of NGO to a great extent as shown by a mean score of 4.1539, 3.6722, 3.6054 and 3.5327 respectively while public contributions affect to a moderate extent as shown by a mean score of 2.7452.

4.8 Regression Analysis

In this study, a multiple regression analysis was conducted to test relationship among variables (independent) on implementation of strategic decisions. The research used statistical package for social sciences (SPSS V 17.0) to code, enter and compute the measurements of the multiple regressions.

4.8.1 Model Summary

Table 4.19: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.913	0.834	0.751	0.4538

Source: Research, 2012

The four independent variables that were studied, explain 75.1% of the financial sustainability as represented by the adjusted R^2. This therefore means that other factors not studied in this research contribute 24.9% of the financial sustainability. Therefore, further research should be conducted to investigate the other factors (24.9%) that affect financial sustainability of NGOs.

4.8.2 ANOVA Results

Table 4.20: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.542	2	1.293	6.219	.0212
	Residual	9.182	35	2.325		
	Total	3.735	37			

Source: Research, 2012

The significance value is 0.0212 which is less that 0.05 thus the model is statistically significance in predicting how various factors affect financial sustainability of NGOs. The F critical at 5% level of significance was 3.17. Since F calculated is greater than the F critical (value = 6.219), this shows that the overall model was significant.

4.8.3 Regression Coefficient

Table 4.21: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1					
(Constant)	1.308	1.342		1.623	0.357
Strategic Financial management	0.558	0.310	0.172	4.342	.0276
Own Income Generation	0.785	0.322	0.067	3.542	.0202
Income Diversification	0.620	0.245	0.148	3.458	.0249
Donor Relationship Management	0.731	0.156	0.210	3.532	.0285

Source: Research, (2012)

Multiple regression analysis was conducted as to determine the relationship between financial sustainability and the four variables. As per the SPSS generated table above, the equation ($\mathbf{Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon}$) becomes:

$Y= 1.308+ 0.558X_1+ 0.785X_2+ 0.620X_3+0.731X_4$

The regression equation above has established that taking all factors into account (strategic financial management, own income generation, income diversification and donor relationship management) constant at zero, financial sustainability of nongovernmental organizations will be 1.308. The findings presented also shows that taking all other independent variables at zero, a unit increase in Strategic Financial management will lead to a 0.558 increase in financial sustainability of nongovernmental organizations; a unit increase in own income generation will lead to a 0.785 increase in financial sustainability of nongovernmental organizations; a unit increase in income diversification will lead to a 0.620 increase in Financial sustainability of nongovernmental organizations and a unit increase in donor relationship management will lead to a 0.731 increase in financial sustainability of nongovernmental organizations. This infers that own income generation contribute most to financial sustainability of nongovernmental followed by donor relationship management then income diversification while strategic financial management contributed the least to financial sustainability of nongovernmental organizations.

At 5% level of significance and 95% level of confidence, donor relationship management had a 0.0285 level of significance; strategic financial management showed a 0.0276 level of significance; income diversification showed a 0.0249 level of significance and own income generation style showed a 0.0202 level of significance. This shows that all the variables were significant ($p<0.05$) with own income generation being the most significant and donor relationship management the least significant.

CHAPTER FIVE

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presented the discussion of key data findings, conclusion drawn from the findings highlighted and recommendation made there-to. The conclusions and recommendations drawn were focused on addressing the purpose of this study which was to analyze the factors that influence sustainable funding in NGO's in Kenya with specific reference to Sisters Maternity Home (SIMAHO) in Garissa. From the analysis and data collected, the following discussions, conclusions and recommendations were made.

5.2 Summary

5.2.1 Strategic Financial Management

The study deduced that strategic financial management affects the financial sustainability of the NGO to a great extent. The aspects of strategic financial management affect the financial sustainability of the NGO to a great extent include strategic planning, plan implementation and financial analysis. This is in agreement with Waddell (2000) that financial management practices requirements can impose a significant burden on NGOs. Good financial management requires sound organizational planning and the set-up and implementation of workable systems, policies and procedures which can respond to, accommodate and overcome the financial challenges a nongovernmental organization may face. Ebrahim (2005) also found that establishment of trust funds which gather financial resources together on either an individual NGO or collective model. Investing those resources provides long-term income from interest or a combination of interest and principal.

5.2.2 Income Diversification

On income diversification, the study found that the drivers for income diversification that were important include reducing the danger that a withdrawal of funding forces the organization to close down, fueling further growth of the NGO's activities, being able to say no to some sources of income because they do not fit in the organization's values, risk management and being able to fund projects according to your priorities. This is in line with Kurosaki (2003) that diversification of funding sources is essential to increase the stability of nongovernmental organizations income streams. As a response to the economic crisis, tapping international funding streams might be more important than ever. In particular, funding from international governments and their respective bilateral aid agencies has provided excellent opportunities for the NGOs.

It was clear that the income diversification strategies enhancing financial sustainability at the organization to a great extent include tapping international funding streams, corporate donors sourcing, fundraising and development plan and owning and managing businesses. This agrees with Barrett, Bezuneh, Clay and Reardon (2000) that with the funding challenge most nongovernmental organizations have responded with the same entrepreneurial spirit, good planning and hard work that brought them success in their core activities. They have expanded fund-raising activities directed at the general public, tapped new corporate donors for monetary and in-kind support, and held one-time events.

5.2.3 Donor Relationship Management

The study further found that donor relationship management affects the financial sustainability of the organizations to a great extent. This agrees with Burnett (2002) who recognized the need for what he termed relationship fundraising – dealing with donors individually, recognizing each donor as unique in terms of giving history, motivation for giving, and the overall standard of care expected from the charities being supported.

The aspects of donor relationship management affect financial sustainability of NGOs to a great extent include use information management, providing accountability, enhanced meaningful communications and implementing a comprehensive recognition program. This agrees with Plummer (2009) that donors should be able to choose when communication is initiated and the form that it might take. According to him, it seems that one way in which NGOs might achieve this goal is to ensure that they give ongoing and specific feedback to donors as to how their funds have been put to use, in particular the benefit that has resulted for the beneficiary group. If this feeling of impact on the cause is not strengthened, it seems less likely that donors will view other causes as being more deserving than those they already support. Further, Matten and Moon (2008) observes that donors viewing the communications they receive as informative, courteous, timely, appealing, and convenient appear to remain loyal for a greater period of time. The issue then becomes how best to achieve this perception.

5.2.4 Participation in Income Generating Activities

The study also deduced that participation in income generating activities affect the financial sustainability of the organization to a great extent. It is clear that business activities, corporate alliances, trust or endowment fund and unrestricted income generating activities affect the financial sustainability of NGO to a great extent. These findings are in line with World Bank (2000) income generation is a key programmatic strategy to address the need to find alternative means to make a living in a dignified way: it aims at creating opportunities for the use of resources among NGOs in a meaningful way and with the objective of becoming less dependent, more self-reliant and able to offer services to the community they serve. Further, according to CRDA (2001) NGOs need to develop more business-like operations, focusing on the most practicable forms of enterprise structure but without losing their priority of seeking to benefit the poor and other disadvantaged groups.

The four independent variables that were studied, explain 75.1% of the financial sustainability as represented by the adjusted R^2. The findings presented also shows that taking all other independent variables at zero, a unit increase in Strategic Financial management will lead to a 0.558 increase in Financial sustainability of nongovernmental organizations; a unit increase in own income generation will lead to a 0.785 increase in Financial sustainability of nongovernmental organizations; a unit increase in income diversification will lead to a 0.620 increase in Financial sustainability of nongovernmental organizations and a unit increase in donor relationship management will lead to a 0.731 increase in Financial sustainability of nongovernmental organizations. This infers that donor relationship management contribute most to financial sustainability of nongovernmental followed by strategic financial management then income diversification while own income generation contributed the least to financial sustainability of nongovernmental organizations. At 5% level of significance and 95% level of confidence, Donor Relationship Management had a 0.0285 level of significance; Strategic Financial management showed a 0. 0276 level of significance; Income Diversification showed a 0. 0249 level of significance and Own Income Generation style showed a 0. 0202 level of significance hence the most significant factor.

5.3 Conclusion

The study concludes that strategic financial management such as strategic planning, plan implementation and financial analysis affects the financial sustainability of the NGOs. The drivers for income diversification include reducing the danger that a withdrawal of funding forces the organization to close down and fueling further growth of the NGO's activities.

The study further concludes that the income diversification strategies enhancing financial sustainability at the NGOs to a great extent include tapping international funding streams, corporate donors sourcing, fundraising and development plan and owning and managing businesses.

The study also concludes that donor relationship management such as use information management, providing accountability, enhanced meaningful communications and implementing a comprehensive recognition program affects the financial sustainability of the NGOs. The study also deduced that participation in income generating activities such as business activities, corporate alliances, trust or endowment fund and unrestricted income generating activities affect the financial sustainability of the organization. The study finally concludes that own income generation contribute most to financial sustainability of nongovernmental followed by donor relationship management then income diversification while strategic financial management contributed the least to financial sustainability of nongovernmental organizations.

5.4 Recommendations

From the study findings, it was clear that strategic financial management such as strategic planning, plan implementation and financial analysis affects the financial sustainability of the NGOs. The study therefore recommends that in order to ensure that the NGOs remain sustainable, they should procure employees that are competent in strategic planning, plan implementation and financial analysis that are seen to affect the financial sustainability to a great extent.

The study further recommend that since income diversification strategies enhance financial sustainability at the organizations to a great extent, the NGO management should increase their income sources from their usual ones. Such ventures could include owning and managing businesses, corporate donors sourcing, tapping international funding streams and fundraising activities.

The study also recommends that since donor relationship management affects the financial sustainability of the organizations, the management should ensure that they maintain a good relationship with the donors mainly by information management, ensuring there is accountability and meaningful communications.

In order to enhance financial sustainability that the study found to influence financial sustainability, the study recommends that the NGOs should participate more in more income generating activities such as corporate alliances, and unrestricted income generating activities that will go a long way in enhancing their sustainability.

5.5 Areas of Further Research

The study recommends that further research should be done on the effect of financial strategies on the financial sustainability of all the nongovernmental organizations in Kenya so as to allow for generalization. Further studies should be done on the effect of effect of financial strategies on the financial sustainability of profit making organizations.

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APPENDICES

Appendix 1: Research Questionnaire

Section A: Background Information

1. Your gender: Male [ ] Female [ ]
2. Your age bracket (Tick whichever appropriate)

   Below 24 Years [ ] 25 - 30 Years [ ]

   31 - 34 years [ ] 35 - 40 years [ ]

   41 - 44 years [ ] 45 - 50 years [ ]

   Over- 51 years
3. What is your highest education level? (Tick as applicable)

   Primary certificate [ ] Secondary certificate [ ]

   Diploma/certificate [ ] Bachelors' degree [ ]

   Postgraduate degree [ ] Others-

   specify...............................
4. Working Experience in the Organization

   a) 1-2 years ( ) b) 2-4 years ( )

   c) 5 years and above ( )
5. What is the trend of the following measures of sustainability for your NGO in the last five years?

	Greatly Improving	Improving	Stable/ constant	Deteriorating	Greatly Deteriorating
Cash Flows					
Cost Recovery Rate					
Unrestricted Income					

STRATEGIC FINANCIAL MANAGEMENT

6. To what extent does strategic financial management affect the financial sustainability of your NGO?

   Very great extent [ ] Great extent [ ]

   Moderate extent [ ] Little extent [ ]

Not at all! [ ]

7. To what extent do the following affect financial sustainability of your NGO?

Financial management	Very great extent	Great extent	Moderate extent	Little extent	Not at all
Strategic planning					
Financial analysis					
Plan implementation					
Asset selection					
Stock selection					
Investment monitoring					

INCOME DIVERSIFICATION AND FINANCIAL SUSTAINABILITY

8. How important are the following driver for income diversification in your NGO? Use a scale of 1-5 where 1= very important and 5 = unimportant

	1	2	3	4	5
Risk management					
Mitigation of negative consequences of a sudden drop in income					
Fueling further growth of the NGO's activities					
Gaining more flexibility in their internal financial management					
Reducing the danger that a withdrawal of funding forces the organization to close down					
Increasing the longer-term reliability of the income stream					
Reducing the impact of exchange rate fluctuations on income in local currency					
Reducing the impact of economic downturns					

Being able to decide how to generate and spend financial resources without restrictions					
Being able to fund projects according to your priorities					
Being able to say no to some sources of income because they do not fit in the organization´s values					

9. How effective are the following income diversification strategies in enhancing financial sustainability at your organization? Use a scale of 1-5 where 1= very effective and 5 = ineffective

	1	2	3	4	5
Social entrepreneurship					
Fundraising and development plan					
Tapping international funding streams					
Corporate donors sourcing					
Owning and managing businesses					

DONOR RELATIONSHIP MANAGEMENT

10. To what extent does donor relationship management affect the financial sustainability of your organization?

Very great extent [ ] Great extent [ ]

Moderate extent [ ] Little extent [ ]

Not at all [ ]

11. To what extent do the following affect financial sustainability of your NGO?

	Very great extent	Great extent	Moderate extent	Little extent	Not at all
Donor Segmentation					
Enhanced meaningful communications					