

**PERCEIVED MANEGERIAL EFFECT OF SELECTED INTERNAL FACTORS ON
FINANCIAL SUSTAINABILITY OF NON-GOVERNMENTAL ORGANIZATIONS IN
KENYA: CASE OF KISUMU COUNTY**

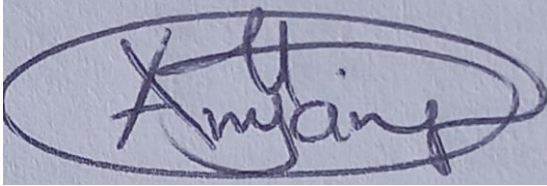
LILIAN OKATCH

**RESEARCH PROJECT REPORT SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS
ADMINISTRATION (FINANCE) OF THE UNIVERSITY OF NAIROBI**

2021

DECLARATION

This research project is my original work and has not been presented for any academic awards in any learning institution.



Signed:

Date: 15.11.2021

Lilian Anyango Okatch (REG **D61/85639/2016**)

Approval by supervisor

This research project has been submitted to me for examination with my approval as supervisor of the student.

Signed: 

Date: 16.11.2021

Mr. Barasa, Joseph Lumumba

ACKNOWLEDGEMENT

My sincere appreciation my very able supervisor Mr. Barasa Joseph Lumumba for his wonderful input and support he gave me when working on this research paper. I greatly thank my husband Zecky Ochola for the emotional and motivational support offered over and above the research period. Additionally, I would also appreciate active respondents who took their time to participate in filling in the questionnaire. You have done me great. Lastly, much appreciation to Mr. Michael Ager in support for data analysis.

Thanks to everyone.

ABSTRACT

For the last few years, there has been a global pressure on the Non-governmental Organizations to practice financial probity by simply adhering to the standard financial guidelines. The Non-Governmental organizations are registered with NGO Board and are not subject to corporate income tax since their activities are non-profit making and more often than not relieve the government of some of its public and social responsibilities however, there are strict guidelines put in place by the government of Kenya to ensure there is financial efficiency and stay in shape. WHO (1990), describes Non-Governmental organizations as voluntary groups which are independent, not-profit making and they are organized locally, nationally or internationally with an aim of promoting economic, social and environmental developments through lobbying and advocacy. The general objective of this study was to investigate perceived managerial effect of selected internal factors on financial sustainability of non-governmental Organizations in Kisumu County. This study was guided by the following research investigative questions: How perceived managerial effect of diversified sources of funding can affect financial sustainability? How perceived effective financial management can affect the financial sustainability? How perceived managerial effect of effective strategic planning on financial sustainability. Lastly, how perceived managerial effect effective leadership capabilities on the financial sustainability? The study used descriptive design which was successfully administered. The study planned to reach 55 respondents in Kisumu County out of which 42 of the respondents gave feedback which represents 76.3% response rate. This rate was achieved mainly because of proper field organization and coordination with the respondents hence the rate is considered satisfactory. The study showed that the research questions had positive relationship with the dependent variable whereby diverse sources of funding got a 4.907029 score, leadership and capabilities got a score 3.702381 while financial management practices got a 4.6706349. The findings further indicated that there was a positive relationship ($R = 0.356$) between the variables. To check the reliability of this study, then it was passed through the reliability test to check whether the two instruments would produce the same scores. The instrument is in two phases. One, reliable instrument shows the level of accuracy while the unreliable instrument shows the level of inaccuracy. Cronbach's alpha was used as it is the most reliable coefficient used to determine consistent estimates and it ranges between 0 and 1. The test is more reliable when the coefficient is high. Cronbach's Alpha was used in this study and the following findings were identified. Diverse source of funding scored a coefficient of 0.703; leadership capabilities scored 0.764 and financial management scored 0.708. Since all the values in the test were above 0.7 then study was reliable.

ABBREVIATIONS

CGK	County Government of Kisumu
DONGO	Donor organized NGO
HRM	Human Resource Management
INGO	International Non-Governmental
NGO	Non-Governmental Organization
TNGO	Transnational NGO
UNEP FI	United Nations Environment Programme Finance Initiative
WHO	World Health Organization
ANOVA	Analysis of Variance

TABLE OF CONTENTS

DECLARATION	ii
Approval by supervisor	ii
ACKNOWLEDGEMENT	iii
ABSTRACT.....	iv
ABBREVIATIONS	v
TABLE OF CONTENTS	vi
LIST OF FIGURES	ix
LIST OF TABLES	x
CHAPTER ONE	1
INTRODUCTION.....	1
1.1 Background to the Study.....	1
1.1.1 Financial Sustainability.....	3
1.1.2 Non-Governmental Organizations (NGO).....	4
1.1.3 Financial sustainability of NGO	5
1.2 Research Problem	6
1.3 General Objective	8
1.3.1 Specific Objectives	8
1.4 Merits of the study	8
CHAPTER TWO	10
LITERATURE REVIEW	10
2.1 Introduction	10
2.2 Theoretical Literature Review.....	10
2.2.1 Resource based theory	10
2.2.2 Leadership theory	12
2.2 Empirical Literature Review	13

2.2.1 Fund development.....	13
2.2.2 Community engagement	14
2.3 Determinants of Sustainability	15
2.3.1 Employee’s Expertise	15
2.3.2 Inadequate Competence Levels.....	16
2.4 Sustainability of NGOs in Kenya.....	17
2.5 Conceptual Framework.....	18
CHAPTER THREE	19
RESEARCH METHODS	19
3.1 Introduction	19
3.2 Research Design.....	19
3.3 Population.....	19
3.4.1 Sample size determination	20
3.5 Data Collection Methods.	20
3.6 Data Collection Procedure	21
3.7 Data Analysis Methods	22
3.8 Chapter Summary	23
CHAPTER FOUR.....	25
DATA ANALYSIS, PRESENTATION AND INTERPRETATION.	25
4.1 Introduction.....	25
4.2 Respondents Rate.....	25
4.3 Demographic Characteristics of the Respondents	26
4.3.1 Respondents Gender	27
4.3.2 Respondents Level of Education.....	28
4.3.3 Respondents Job Positions	29
4.3.4 NGO’s Years of Operations	30

4.4 Reliability Analysis	31
4.5 Statistical Analysis	31
4.5.1 Diverse Sources of Funding.....	32
4.5.2 Leadership Capabilities.....	33
4.5.3 Financial Management	34
4.5.4 Financial Management	35
4.6 Regression Analysis	35
CHAPTER FIVE	39
SUMMARY OF FINDINGS, DISCUSSIONS, CONCLUSION AND RECOMMENDATIONS.....	39
5.1 Introduction.....	39
5.1.2 Summary of the Study	39
5.3 Summary Discussion.....	41
5.3.1 Diverse funding	41
5.3.2 Leadership capabilities.....	42
5.3.3 Financial Management	43
5.4 Conclusions.....	44
5.5 Recommendations	45
5.6 Limitations of the Study	46
5.7 Recommendations for Further Research.....	47
REFERENCES.....	49
APPENDICES	57

LIST OF FIGURES

Figure 1: Conceptual framework	18
Figure 2 Rate of response	26
Figure 3 Gender of respondents	27
Figure 4 Level of Education	28
Figure 5 Rate of response per Job positions	29
Figure 6 NGO's Years of Operations	30

LIST OF TABLES

Table 1 Rate of response.....	25
Table 2 Gender of respondents	27
Table 3Rate of Education.....	28
Table 4 Rate of response per Job positions.....	29
Table 5 NGO’s Years of Operations.....	30
Table 6Reliability Analysis.....	31
Table 7 Descriptive Statistics on Diverse Sources of Funding.....	32
Table 8 Descriptive Statistics on Leadership capabilities.....	33
Table 9 Descriptive Statistics on Financial Management.....	34
Table 10 Descriptive Statistics on Strategic Planning	35
Table 11Regression Statistics	36
Table 12ANOVA Test	36
Table 13 Regression Coefficient.....	37

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Financial sustainability is essential to the effective functioning of an organization and ensures ability to generate values for owners and provide continuity of operations in the long term. Dresner (2008), demonstrates that environmental economist defines sustainability in term of depletion of capital for the earthly natural resources while liquidation for business setups. The rise of sustainability and sustainable development started in the year 1987. The United Nations World commission on Environment held a meeting with the recommendation of protecting the environment and economic developments to sustainable developments. The awareness of financial sustainability began at the end of 1990 era when world leaders together with other stakeholders had a discussion on economic and environmental issues. It is at this time they created UNEP FI as the first step. This body was tasked to raise awareness of financial industry in funding environmental conservations.

Non-Governmental organizations plays a great role in addressing development challenges faced in Africa today. The purpose of this study was to identify factors that can influence the sustainability of NGOs as one of the tools for social development. It therefore identifies leadership, funding, and needs-based programs as some of the key factors. Significantly, leadership is the most important factor as it instills teamwork among the staffs and lead by example. According to Thomas and Thomas (2000) a good leader should be accountable and

transparent to ensure improvement of sustainability. Funding becomes the second most important factor by ensuring accountability, transparency and resource mobilization that eventually leads to the achievement of the organizational mission and vision. Lekorwe and Mpabanga (2007) noted that too much dependency to donor funding and good leadership are the most major areas that affect sustainability and effective management. Lastly, needs-based programs which are demand driven, realistic, demonstrate usefulness to the community and is also designed to achieve the desired impact.

Atiti (2006) argues that sustainable organizations depend highly on well-structured programs that are vast and respond to the community needs. We note that nonprofit organizations are financially challenged due to dependency on government financial support and other foundations which impose funding cuts. Besel, Williams, and Klak, (2011), noted that organizations need to have proper organized strategies in place to sustain non-governmental organization hence avoid failures during funding cuts as experienced during the recession period. Continually, non-governmental leaders highly believe on government support for their survival however this comes with a lot of challenges. This was experienced by study done in Mississippi when health workers reported to have utilized more timing and resources to comply with the donor regulations which comes as part of grant agreement. Additionally, they also noted that organizations have very high expectations pegged on donor funding which negatively impacts on service delivery and poor state of retaining skilled staffs within the organization.

The year 1960, Kenya started the concept of Self-help groups which later turned to be Non-Governmental Organization. The then first president Mzee Jomo Kenyatta encouraged the grass root growth through the spirit of Harambee which was based on the teamwork contribution that has kept the groups grow Wanjohi (2010). Over the past decades, immense growth of non-governmental actors and developmental actors are noticeable. According to the Annual NGO Sector report, 2018/2019 as of 30th June 2019 indicates the list of NGOs whereby 11,262 are registered, 8,893 are Active, 2,468 are deregistered, and 113 are reinstated while 14 are dissolved as the list still grows.

1.1.1 Financial Sustainability

Financial sustainability seeks to offer value to the owners and provide continued operations in the long term Admati and Hewling (2014). In other words, an organization should have retained earnings that positively influence liquidity and solvency of the organization. Managers needs to consider setting up workable financial strategy to provide an adequate level of sustainability (Artus and Crockett, 1978). Hawkins (2006) documented how advancing access to financial services improved financial stability both in the long and short run whereby microfinance institutions in the Southern Africa Development community examines firm's process of birth, growth, maturity, and death. It explains how MFIs gained experience overtime to sharpen their business model that led them from inefficient and unsustainable state to sustainable and financially stable state which enabled consistent outreach support to the poor over time (Bayai, I., &Ikhide, S.2016).

Mimoza et al. (2019) suggests that financial sustainability is key to growth and consistent of service provision of non-governmental organizations. Silvanus and Solomon (2016), observed that inadequate capacity to resource mobilize funds don't highly impact on the sustainability but poor or lack internal control systems can positively impact on the financial sustainability of an organization as stated in the case of non-governmental organizations based in Nakuru County.

1.1.2 Non-Governmental Organizations (NGO)

Non-governmental organizations are active players in regional and national developments. David Lewis (2010), noted that non-governmental organizations inspire, create, and promote societal transformation, environmental and humanitarian improvements. Additionally, they are independent organizations free from government control and neither seeks to challenge the government inform of political parties. Amongst other functions, they also dedicated to protecting human rights as well as monitoring government performances and advocate for improvements. Non-governmental organizational coordination board was formed in 1992 per the Act (Cap19) of 1990 to facilitate, regulate and coordinate the operations of Non-governmental organizations that are based in Kenya. Annual NGO Sector report, 2018/2019 dated 30th June 2019 indicates the total list of NGOs registered as 11,262, 8,893 are Active, 2,468 are deregistered, and 113 are reinstated while 14 are dissolved.

Lee (2019), Weisbrod (1988), Kingma (1997) and Hansmann (1980), were able to develop theories behind the origin of Non -governmental organizations in society. The public good theory explains the NGO's role in satisfying the shortage of accessing the public goods needed by the citizens. Since the need for public good is greater than what government can provide, NGO

therefore comes in to fulfill the gap through the donations from donors. Hansmann (1980) came up with theory of contract failure to describe a situation where consumer of goods or services can't evaluate quality thus inspires the producer to produce a lower quality good or service. Due to this act, suboptimal economic condition is created. This act is necessitated by information asymmetry whereby producer has more information than consumer. In this case NGOS come to play as a trusted organization as it's believed that they have good corporate structured which can't lure them to fail in their obligations.

1.1.3 Financial sustainability of NGO

It is of high value to relate the concept of financial sustainability of NGOs and mostly their sources of funding. In many countries, NGOs largely depend on a minimal category of income. Almost all NGO's revenue falls within the government support, private aid or philanthropy, self-aid, and local generated income. All the categories are encouraged through appropriate regulatory mechanism. Financial stability however will include activities that will guarantee income resource base which is key for sustainability as a subject matter. It is however a mechanism used specifically generate future income for the purposes of acquiring an appreciating asset. If the asset is expected to generate income or appreciate for a later higher price sale in future (Adelino & Robinson, 2017). Karvonen (2010) claimed that investments influence financial sustainability of NGOs through impacting on cash flows or by creating leveraging marketing assets.

Kerine (2015) observed that financial position of most NGOs is affected by the gradual diminishing of donor funding. As a result, most NGOs are exploring the initiatives that are geared towards income generating activities to aid in sustainability. Karvonen (2010) noted that reduction of volatility and vulnerability of an NGO is accelerated by cash flows and organizations investments. Consequently, financial sustainability is influenced by investment directly through generating income. Sustained organizations actively seek opportunities to invest by developing diverse products and services as they plan. According to McKinsey 2010 survey, half of the CEO polled accepted that investments enhance their firms' ability to build corporate reputation.

1.2 Research Problem

Organizational sustainability is very critical for its growth. This involves diverse resource bases for NGO for this case, where they expand resources base so that they continue their institutional structures for intended client population. Currently, most NGOs do not have enough and appropriate continuous funding for their needs-based projects which touches on their production. The capacity to mobilize resources both locally is not sufficient for their sustainability. On the contrary, they have resorted to depending on donor funding which occasionally shift interventions to match the donor's priorities (Nyanje, 2016). Tough global times which shrunk donor funding, weak financial management system together with donor funding conditions has led to most organizations failing to match the targets. Khisa (2012) investigated factors affecting sustainability of donor funded communities in Bungoma County; Jhuthi (2015) researched on the determinants of implementation of non-governmental projects on world vision Osiligi Ipa as a case study in Kajiado which offered a conclusion to manager to start project when and only

donor funding is available for ease of implementation .Together with other more studies agreed that organizations finance systems, staffs competence and stakeholders affected NGOS's projects sustainability.

A financially stable NGO can be able to operate swiftly even after the pull out/withdrawal of donor support according Kisinga, (2014) In addition, the stable NGO can also provide effective and efficient services to the communities that they serve. The overreliance to donor support has created a huge problem to NGOs when the financial support comes to an end either due to time limit provided by the donor or other restrictions to reduce funding or completely withdraw of funding. This has created a limbo in terms of their operations thus a major failure that NGOs face due to inadequate funding which leads to instability in the long run.

According to Kenyan annual NGO sector report 2018-2019, sustainability is the power to improve the capacity of the current interventions/implementation plans to higher levels in the long run with an aim of reducing the financial risk, create diversification of resources and financial support to increase the impact of quality interventions. It provides an access tool to political and economic developments over a period that influences NGO sector viability in the country. This document referred to three dimensions of sustainability, One, organizational capacity which declined from 89% to 81% in 2018 – 2019. Secondly, collaboration and networking which remained at 40% indicating that there was no change and financial viability roe from 40% to 56%.

1.3 General Objective

The general objective of this study was to investigate perceived managerial effect of selected internal factors on financial sustainability of non-governmental Organizations.

1.3.1 Specific Objectives

- 1) To investigate perceived managerial effect of diversified sources of funding on financial sustainability.
- 2) To investigate perceived managerial effect of effective financial management on financial sustainability.
- 3) To investigate perceived managerial effect of effective strategic planning on financial sustainability.
- 4) To investigate perceived managerial effect effective leadership capabilities on the financial sustainability.

1.4 Merits of the study

Non-Governmental organizations emerged when the government was unable to facilitate the public obligations of its citizens which include service delivery and social development. This action created a gap which NGO came into bridge in that gap. Firstly, this study seeks to provide lessons to the longtime and new actors in the NGO sector on sustainability to have longer impacts to the community. Secondly, the finding will establish new areas of research and offer literature reviews. Lastly, the Kenyan government will benefit from this study by ensuring creation of effective policies towards NGO sector with the aim of facilitating the realization of

the 17 sustainable development goals which aims at achieving a better and more sustainable future for all as it addresses the global challenge while on the other hand vision 2030 which seeks to change Kenya from its current state to a modern middle income economy which will deliver great value of life by ensuring cleaner and safer environment.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents both theoretic and empirical review concepts with an aim of explaining the existing theories and studies and how they relate to the study being carried out. The review enables us to discover the gaps and how these gaps can be filled.

2.2 Theoretical Literature Review

The theoretical literature reviews indicated the factors hindering the sustainability, socio economic impacts as well as preview of some of the NGOs that have faded away in this region. A paper prepared by the World Bank (April 2009) in London shows that developing countries facing trade imbalance as well as rich nations which seeks to get capital deals due to global business declines. In conclusion, the impact of imbalance leads to poor countries rely more developmental assistance.

2.1.1 Resource based theory

The indicated theory seeks to explain why organizations perform differently in similar environments. It focuses on strategic resources such as assets (Tangible and intangible assets), threats and opportunities for sustainability. Barney (1995), observes that resource base view organizations to be bundle of resources. RBV relies on internal attributes to explain its strategies and performance. According to RBV, a firm can be considered organized depending on resources and capabilities in relation to the firm financial income. Amit and shoemaker, (1993), observes that resources offer legal protection and can independently operate from firm members

as they convert production output into input. Barney (1995) continues to observe that successful production process requires crucial inputs from capital investments, skilled employees, and managers.

Barney et al (1990), observes that organizational strategic assets are always of value, rare in nature hard to copy and doesn't have substitute. An organization needs strategic management skills to coordinate and execute their plans by taking an opportune advantage on internal resources such as special information, leadership capabilities and education. Internal resources are deemed to be eligible for legal protection as they can operate independently in production to convert input to output to satisfy needs (Grant, 1991). On the other, hand internal resources are critical in determination of strategic actions as compared to external resources. The strategic plan chosen by an organization should allow best exploitation of organizational competences in relation to the opportunities offered by external environment.

Lassen (2001), indicates that some level of sustainability can be achieved by organizations through accrual of retained earnings that would cover up the cost of operations both direct and indirect expenditures, uncertain expenses, and plan for future developments/growth. NGOs should create a policy and strategy of retaining funds ether through donor funding, income generating activities to create buffer stock. Lassen (2001) further recommends, that one single source of funding should not account to more than 60% of fund structure as in case of eventualities or pull out the impact to the organization would be very severe.

2.1.2 Leadership theory

Leadership and organization are concepts that managers take into consideration to effectively run organizations. This is because NGO's have unique characteristics that requires unique leadership play to attain goals Lewis, (2003). He continues to observe that volunteering forms part of the NGO's everyday management where the commitments is not primarily through remunerations. This requires special leadership fundamentals to manage it. Human sources of the NGO's require atmosphere that relies on trust as noted by Burgos (2012). Proulx, Hager & Klein (2014) indicated that NGO setup is institutional with board members, written rules, and procedures which an appropriate authority must follow and guide. Since NGOs are non-profit making their sources of revenue is also considered a factor differentiating it from other organizations that make sales for profit generations. Their main sources of income are basically donations and fund raising.

Hickman (1998), noted that leadership variables are the process by which a leader influences the behaviour of people or a particular group. This theory recognises leadership in three titles like trait (specific characters), behavioural (specific behaviour), and contingency (situation determined by best style of leadership). Most importantly in conclusion, this analysis focused on motivational climate within an organization, the atmosphere denoting trust and confidence with volunteers' willingness about being responsible effectively. It also elaborates leadership in terms of being respectful, democratic, and participative in making decisions and risk-taking capabilities which in turn will attract more resources and volunteers.

2.2 Empirical Literature Review

2.2.1 Fund development

Non-Governmental organizations must consider innovative techniques of fundraising such as fostering good rapport with investors and donors to address financial strains when funding motives change along with time. Due to such eventualities, nonprofit making organizations began collaborations to respond to funding challenges environment as they reduce funding sources Connolly & York (2002); Renz et al., (2010). Kirk and Nolan (2010) suggest that risks of resilience of external funding sources and streams contends that in contrast to for profit consistent participation and commitment, developing and communicating a strategic plan to show the community advisors how to incorporate and generate trust and sense of ownership amongst board and community at large.

Timothy Mann (2007), provides a literature review that guides senior leadership with the development of fund-raising strategies and understanding of donor motives towards giving. The paper cites 6 theories towards the donor motives namely charitable giving theory, organizational identification theory, social identification theory, economic theory, service-philanthropic giving theory and relationship marketing theory. Timothy Mann (2007), concludes that most universities should develop effective ways of creating alumni network base to enhance a lifelong relationship which eventually will lead to sustainable life and continuous operations as opposed to concentrate their efforts in pursuing short term strategies of raising funds geared toward their normal operations (fixed costs).

2.2.2 Community engagement

Most NGO's develop programs that are community based. Community involvements is very essential in sustainability of such programs. There are basically three factors that will influence the sustainability of an NGO depending on the community approach. These factors are program itself, host and the community. World Bank (2010) recognized community participation as critical in sustainability of an NGO. It offers ways for the community to learn from change to change and to be responsive positively to the needs of the organization. Community engagement is not only geared towards measurement of effectivity but also building ownership and accountability by participating to improve performances and outcome.

The concept of sustainability has been applied at both personal and business level. This seeks to ensure that the future generation can meet their own needs without depending on donors/support from government (UNEP 1987: p.48). In the business world today, sustainability is important for growth and development in support to systems, strategies for long-term achievements and productivity into the future, Sutton (2000).

2.2.3 Funding Diversification

Boas (2012) describes diversification of sources funding as planned activities that tend to reduce the dependency on either income or donation. The aim of diversification will improve more reliable decision making that will last for a longer period. Rasler (2007) argues that sustainability involves different measures of both internal and external factors of an organization in terms of capacity building, government policies and reliable donors. The gradual process of attaining sustainability levels is quite involving which can lead to despair but continuing to depend on

donor funding is suicidal Cannon(1999). Organizations are urged to promote other diversified areas of income generating methods to earn other incomes for sustainability.

Dhanani & Connolly, C. (2015) advises the Non-governmental organizations to consider innovative techniques that will enable address the challenge of sustainability. Due to the changes in the donor world today and harsh economic time's Non-governmental organizations have developed innovative and competitive strategies to compete within the stiff environment to offer services effectively and efficiently to community and stakeholder at large Renz et al., (2010).

2.3 Determinants of Sustainability

It is of high value to relate the concept of financial sustainability of NGOs and mostly sustainability determinants. Financial sustainability is critical in maintenance of organizational operations and programmes at large. We have several factors that would trigger sustainability.

2.3.1 Employee's Expertise

Garavan and McGuire (2010) noted that human resource operations offer great role in sustainability of any organization. Professionals under the human resource department face performance challenges in case of shift from an established organization to non-established organization. This is due to the direct proportion between the ratio of employees and their performance toward the organization. Since skills and talents are immobile and non-transferable, it proves to be a challenge when shift occurs since this is a strategic asset meant to this organization to gather the competitive advantage in the long run hence sustainability is eroded.

Okorley and Nkrumah (2012) noted managerial leadership, technical competence and staff motivations are critical to the survival of NGOs. They suggest peer to peer training, on job training and good financial training can lead to the achievement of human resource capacity. Having all the skills and capacity in place, the organization is exposed to several advantages that attracts foreign and local donors to support their initiatives which improves growth, public image and corporate governance issues.

2.3.2 Inadequate Competence Levels

UNAIDS, 2001; Kang'ethe, 2014b holds that each work setup should have the minimum set limits of education and competency levels required to attain efficient and effective service delivery to the community. Lack of proper education and competency level is slightly recorded due to the poverty levels experienced in most counties. According to the ministry of labour on their 2020 basic report on informal sectors skills and occupations survey (ISSOS) indicates that there is severe shortage of employment levels. This also affects the Non-Governmental organizations in terms of lack of qualified workers. Reduced or minimal funding from the donor and time-based projects stretches employees to leave Non-governmental organizations in search for better and greater opportunities which leaves the Non-governmental organizations in vulnerable state that they can barely attract stable and long serving skilled labour force responsible for organizational growth.

Christmann (2000) noted that there are best practices that management can use to sustainability and competitiveness and reduce costs that would negatively impact the organizations resources. Porters (1980) clarifies the distinction between cost and differentiation advantages. Cost

advantage can be achieved by adopting best practices that focus on organization input processes like the current implementations plans. On the other hand, differentiation advantage can result from environmental management which focuses on results. The differentiation leads to potential in increasing revenue, donor attraction which results to growth and sustainability in the long run.

2.4 Sustainability of NGOs in Kenya

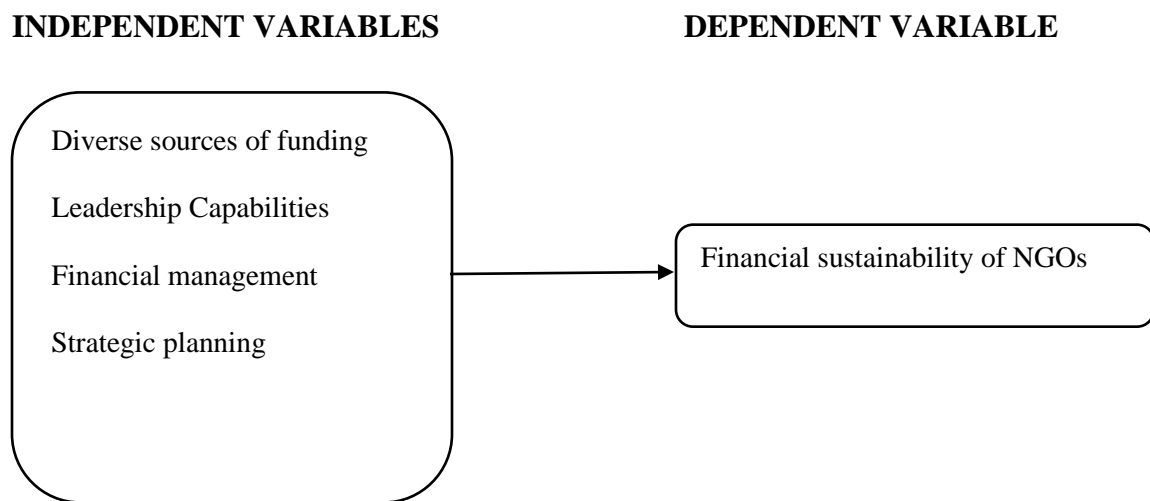
Thomas and Thomas (2000) defined “sustainability” as being able to continue surviving with the available strategic resources (vision and mission) that offer clear guidance in terms of decision making, proper strategies to meet the organizational goals and objectives. Lee and Mitchell (1999) defined “sustainability “as an organizational capacity to offer services to for a long period of time and still offer value to the stakeholders/owners. Traditional based approach seeks to explain the concept of sustainability in relation to projects which tend to focus on public sector interventions. The approach focusses on improving the internal managerial systems which include planning, controlling, directing and execution of planned activities.

The current situation of Non-governmental is structured to suit client driven needs as opposed to traditional approach which is static this is according to Lee and Mitchell (1999). They recommended five main characteristics necessary for capacity building in organizations. Firstly, the management of Non-governmental organization needs to have strategies for revenue enhancing activities, effective and efficient polices for proper resources next is marketing strategies to adapt with the ever-changing environment and demand from clients and stakeholders and lastly proper skilled employees and well information systems (EPR system) to enable generate reports for compliance purposes.

2.5 Conceptual Framework

This chapter elaborates the dependent and independent variable such as financial management, leadership capabilities and approaches to strategic management as indicated below.

Figure 1: Conceptual framework



Source: (Author 2020)

CHAPTER THREE

RESEARCH METHODS

3.1 Introduction

The section explains the processes involved in research design, area of study, targeted population, and sampling methods throughout the study. It also entails the sample size, research approach/methodology and tools of data collection, analysis, and ethical considerations of the study.

3.2 Research Design

The cross-section descriptive design was used to carry out the survey especially questionnaires to collect data to determine factors that are affecting financial sustainability of local Non-governmental organization in Kenya. Mugenda & Mugenda (1999), asserts that a research survey tends to gather data from selected number of people from a population by seeking to know people's behavior, perception, attitudes, and values with an aim of addressing study problems. Surveys ease data collection from specific population with an aim of meeting the specific research objectives.

3.3 Population

Mugenda & Mugenda (2003), asserts that the targeted population entails positioning of the chosen people that the researcher would use to come up general results or final conclusions. The study was carried out in Kisumu County with focus on the Local NGOs existing in Kisumu.

Population in this case touches on “all members of a particular group of individuals (events, organizations, institutions or other subjects being studied) that one wishes to describe, or about which one wishes to generalize” Fraenkel, Wallen & Sawin, (1999, p.4). The study had 30 directors from the few selected NGOs, 75 respondents drawn from each organization and 5 respondents drawn from NGOs with dwindling financial sustainability.

3.4 Sampling Design

The study included only local NGOs that agreed to take part in filling in questionnaires by willingly giving out necessary information and consent and lastly the sober and sane informants. On the other hand, the study excluded local NGOs that operate from other Sub counties and those that declined to offer their participation to the study.

3.4.1 Sample size determination

Fishers et al 2001; method of sampling was used.

$$n = \frac{z^2 PQ}{d^2} \dots\dots\dots 1$$

z = standard normal deviate at rate of (1.96) which corresponds to 95% confidence level

p = the proportion in the target population with a specific characteristic

d = the degree level of accuracy at 5 % (0.05)

$$q=1 - p$$

$$p=0.8\%$$

$$n = (1.96)X(1.96)0.8X(1 - 0.8)$$

$$0.05^2$$

$$n=245$$

This study engaged a population of less than 10,000 i.e. (78) Yamane formula was applied

$$nf = \frac{n}{1} + (n/N)$$

n=Estimated population size (i.e., 55)

$$nf = \frac{n}{1} + n/N$$

$$nf = \frac{245}{3.45}$$

$$nf = 71$$

$$10\% \text{ non-responses} = 0.1 * 71 = 7$$

$$71 + 7 = 78$$

3.5 Data collection Tools

The method involved computer typed questions presented to the respondents with less guidance from the researcher as it was self-explanatory with clear instructions. Questionnaire was structured to cover all areas or sections of organization's sustainability matters. The questionnaire was structured with simplicity to offers easy time in data collection. The process of distribution was be done from office to office or via email whichever is easier for the respondents.

3.6 Data Collection Procedure

A survey tool inform of questionnaire paper was prepared and mailed to a sample of the top managers, financial managers of the local NGOs, as well as to some selected informants in Kisumu, for the purpose of knowing the level of knowledge on matters pertaining organizational

sustainability. A survey tool used to collect data from respondents on matters pertaining sustainability to NGOs and compare or weigh in with the results from the previous studies or reports. We worked with 75 NGOs being part of NGOs already registered. Purposive sampling will be done to select the key informants to this study. We aim to meet staff with 2 years and above experience in the NGO sector as they have acquired basic experiences and in-depth knowledge in the day-to-day operations.

3.7 Data Analysis Methods

The process of data analysis involved in this study was to ensure that the data collected is in the right order, required structure and data collected has desirable meaning to the researcher (Mugenda and Mugenda, 1999). The filled in questionnaires were proofread and checked for completeness then coded. The coded questions were then entered in a computer package. Both descriptive and inferential statistics was used in this study. This research will determine factors affecting organizational sustainability in Kisumu. The used factor analysis methods as way of condensing data into just few variables as well explanatory factor analysis and Likert scale analysis.

Descriptive statistics involved use of percentages, standard deviations as captured in the list of tables and figures in chapter 4. Regression analysis being our inferential statistics link has been used to show the effect of various factors affecting sustainability of NGOs in Kisumu County. The systematic arrangement of data and figures collected was collected to aid in data analysis using comparative tools such like frequencies and percentage resulting from the questionnaire and the results were organized and presented using pie charts, bar graphs and tables through

designed Microsoft Excel. Results are relayed through use of tables and bar graphs which will be designed through Microsoft Excel. It's through the result that the researcher has been able to draw conclusions.

The model is as shown below:
$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$$

Whereby Y = Financial sustainability measured by Financial Ratios (Liquidity)

X_1 = Diverse sources of funding measured by Likert scale index.

X_2 = Leadership Capabilities measured by Likert scale index.

X_3 = Financial management measured by Likert scale index.

X_4 = Strategic planning measured by Likert scale index.

β_0 =coefficient of Y constant of 1

β_1 =coefficient showing the change on Y

β_2 = coefficient showing the change on Y

β_3 = coefficient showing the change on Y

ε = this represents error term

3.8 Chapter Summary

Waiganjo et al. (2012) noted that organizations with well-structured vision and mission are mostly preferred by most donors. Donor funding is marked with a lot of restrictions as the funding can never last forever as its time bound. Most donors have restriction that are super tough but still the NGOs still fall within the trap due to the limited ways of funding. Since most of them depend on donor funding as sole source, the organization are in risky state incase donor

pulls out or cease to offer support which can either gradual (time limit factor per signed agreement) or impromptu.

This uncertain state has brought in the concept of unsustainable organizations. Therefore, NGOs are advised to seek other sources of funding like self-ways such like social enterprise, proposal writing, and fundraising functions. This strategy will help the organization to grow even beyond the donor support period. Communities will also be able to receive social services thus the objective of NGO is met.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION.

4.1 Introduction

This chapter outlines the study findings as discussed under several thematic sections according to the study objectives and questions. It continues to explain the empirical findings and results in two ways. Firstly, is to investigate the perceived managerial effects of selected internal factors and secondly the financial sustainability of Non-Governmental organizations.

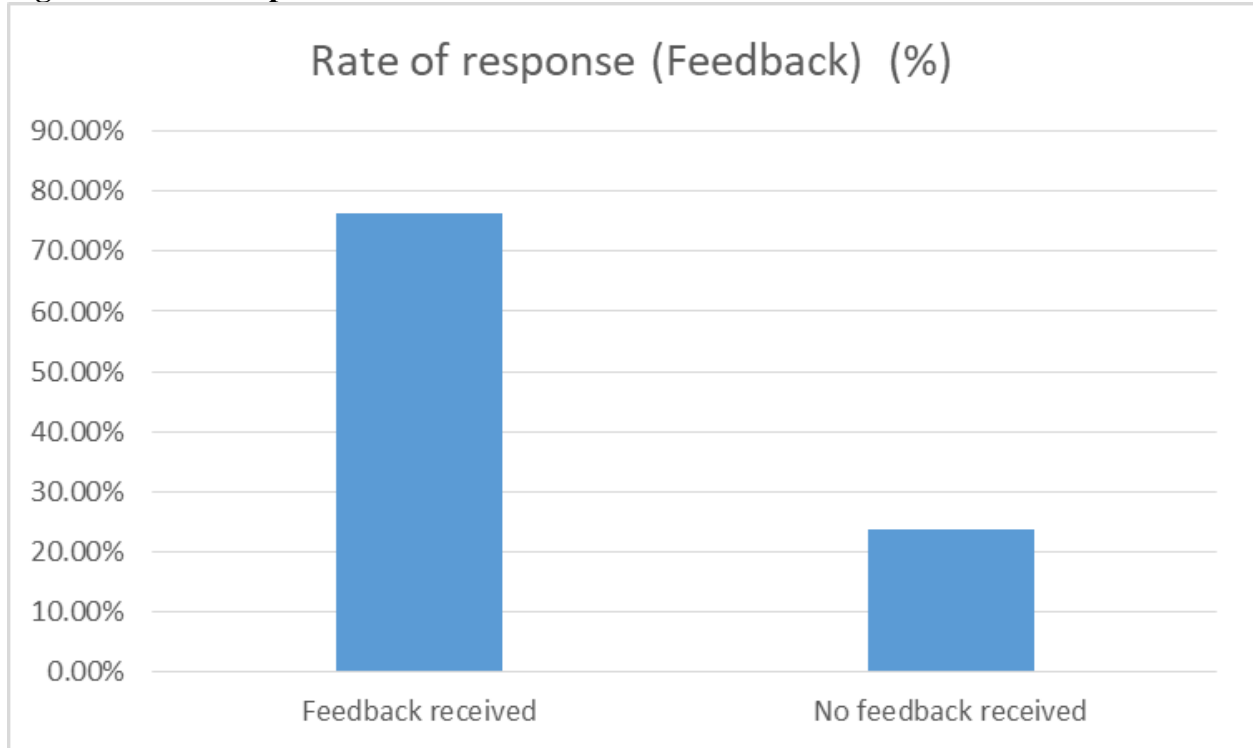
4.2 Respondents Rate

This study planned to reach 55 respondents in Kisumu County out of which 42 of the respondents gave feedback which represents 76.3% response rate. Mugenda & Mugenda (2003) observed the following response rate as adequate when it hits 50%, good at 60% and very good at above 70%. The rate of 76.3% was achieved mainly because of proper field organization and coordination with the respondents hence the rate is considered satisfactory.

Table 1 Rate of response

Description	Number of respondents	Percentage (%)
Total Planned Respondents to be reached	55	100%
Feedback received	42	76.3%
No feedback received	13	23.6%

Figure 2Rate of response



Source: (Author 2020)

4.3 Demographic Characteristics of the Respondents

This study obtained background information in order to understand the participants and their environment. The obtained data obtained was inform of gender, level of education, job positions, and the number of years the NGO has been in operation.

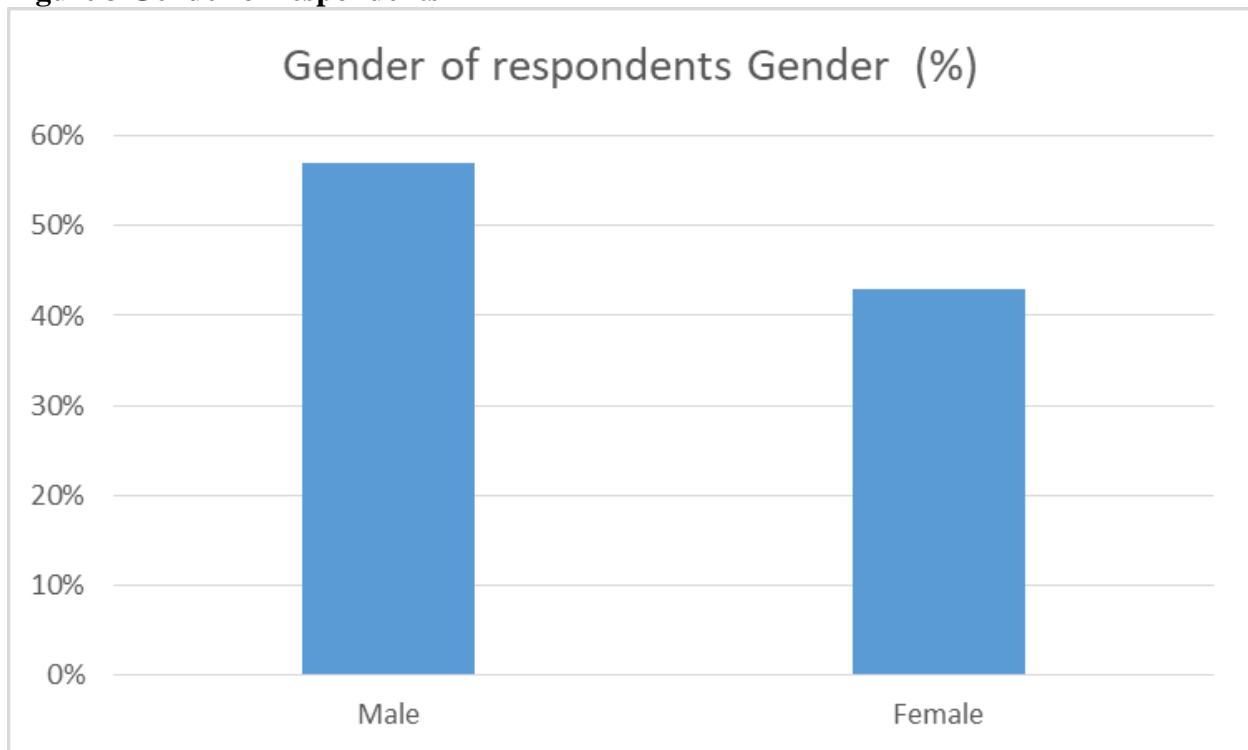
4.3.1 Respondents Gender

This study obtained the gender background information to understand the participants and their environment as per the two thirds gender rule. The findings revealed that 57% were male while 43% were female hence both genders were adequately represented.

Table 2 Gender of respondents

Gender(F/M)	Number of respondents	Percentage (%)
Male(M)	24	57%
Female(F)	18	43%

Figure 3 Gender of respondents



Source: (Author 2020)

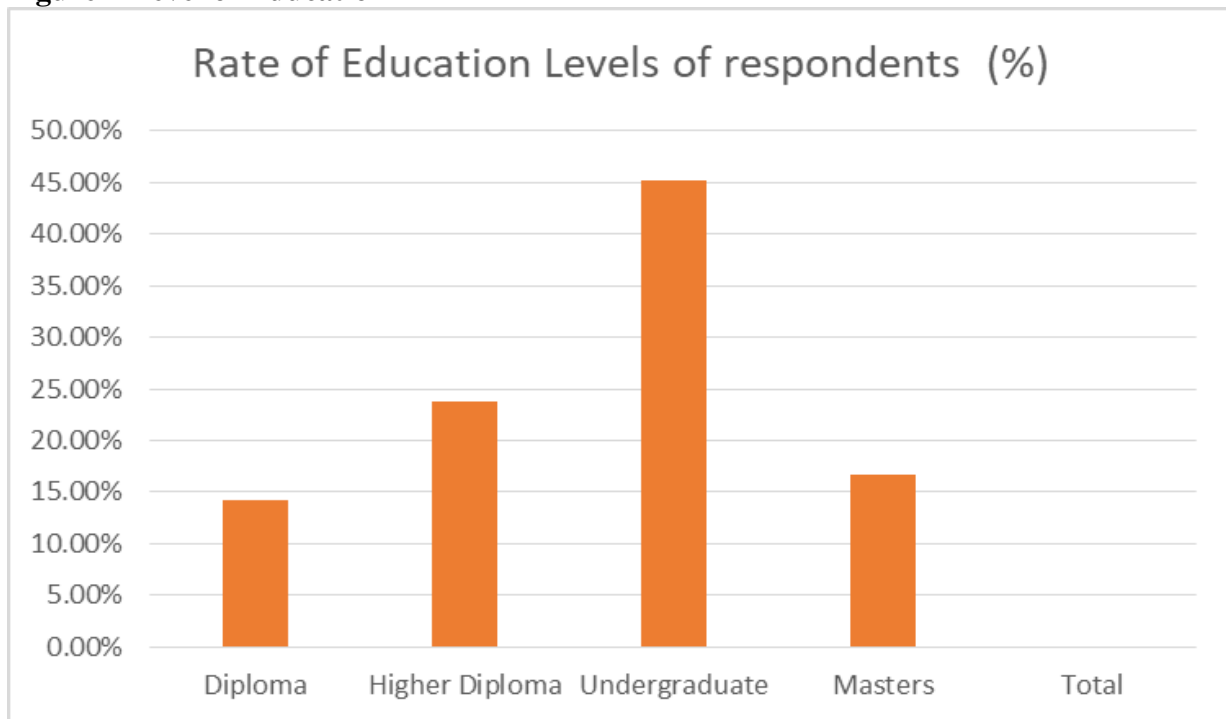
4.3.2 Respondents Level of Education

This study was able to obtain the background information in relation to level of education as a way of ensuring that the respondents can read, comprehend, and able to fill in the questionnaires with ease. The level of education was as follows; undergraduate at 45.23%, master's level at 16.7%, higher diploma at 23.81% and diploma at 14.29% which means most respondents were able to comprehend and respond as required.

Table 3 Rate of Education

Item	Number of respondents	Percentage (%)
Diploma	6	14.29%
Higher Diploma	10	23.81%
Undergraduate	19	45.23%
Masters	7	16.7%
Total	42	100.0%

Figure 4 Level of Education



Source: (Author 2020)

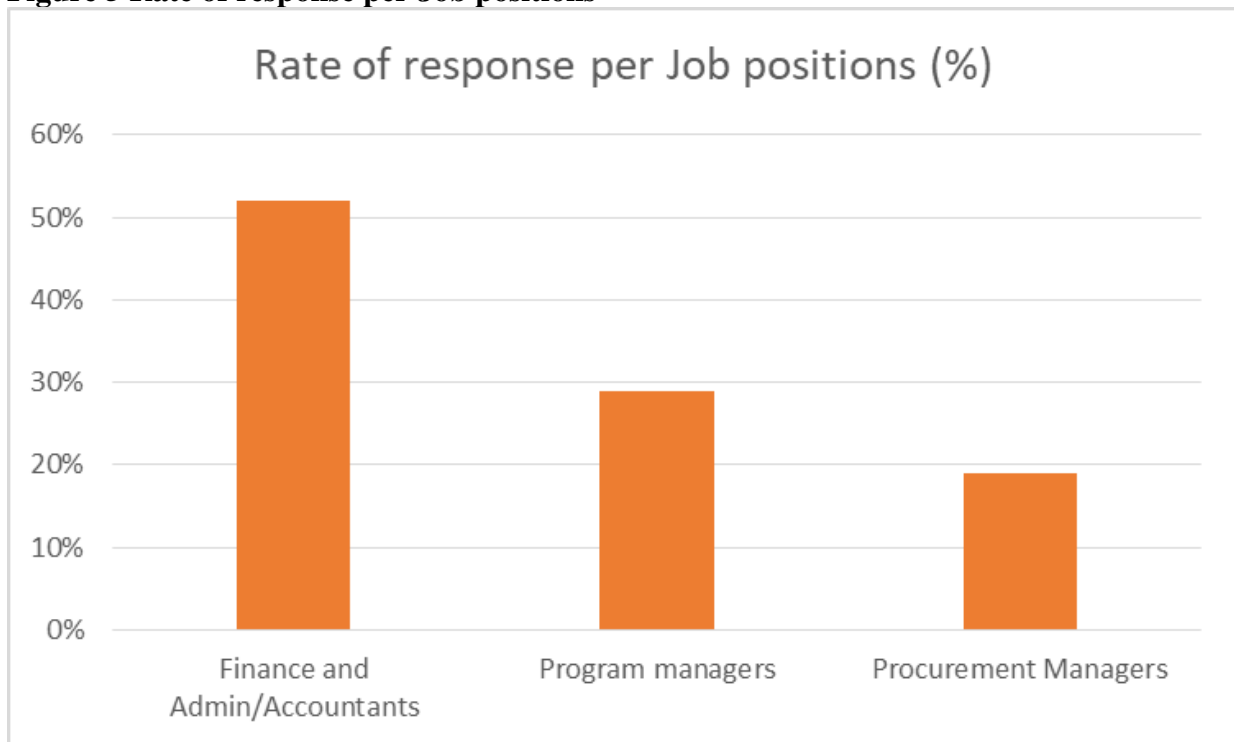
4.3.3 Respondents Job Positions

The questionnaire required the respondents to indicate their positions and their understanding of financial processes. The findings indicate that most respondents were finance /accountants at 52%, program managers at 29% and while procurement managers at 19%.

Table 4 Rate of response per Job positions

Item	Number of respondents	Percentage (%)
Finance and Admin/Accountants	22	52%
Program managers	12	29%
Procurement Managers	8	19%

Figure 5 Rate of response per Job positions



Source: (Author 2020)

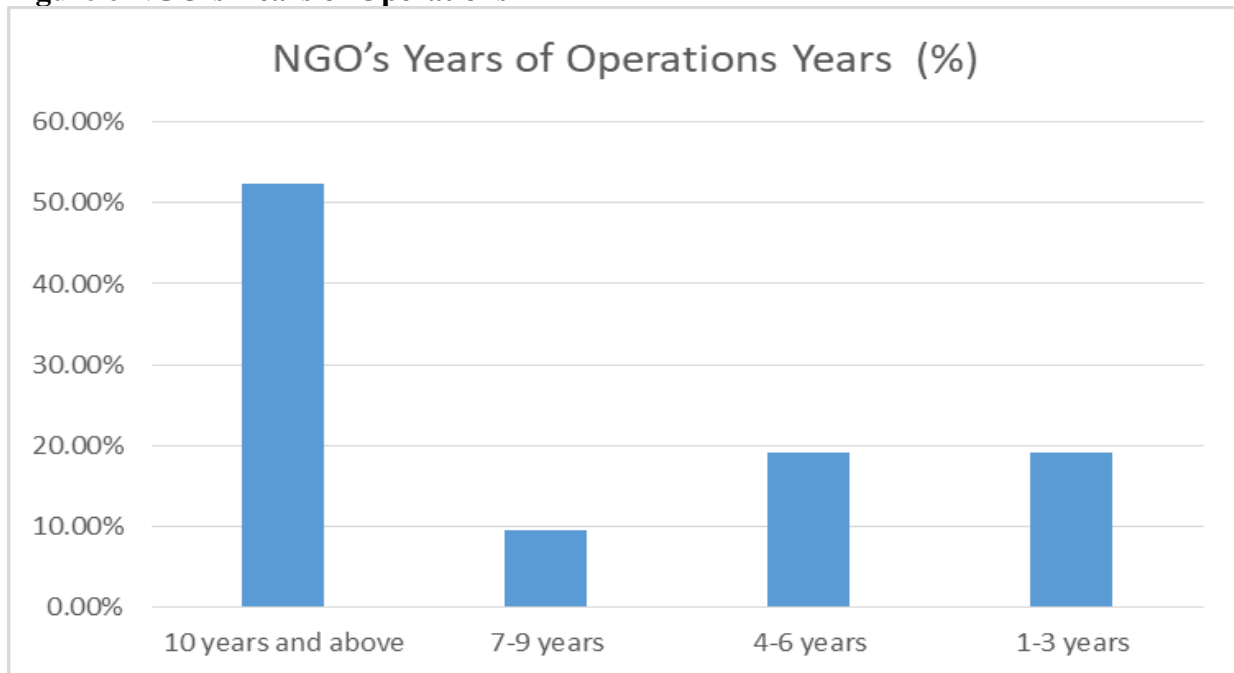
4.3.4 NGO's Years of Operations

The questionnaire required the respondents to indicate their NGO's years of existence since registration. The findings indicate that most NGOs that had existed for a period over 10 years at a rate of 52.38% followed by those organization which had existed for a period between 7-9 years at rate of 9.52 % lastly those organization which existed within the period of 4-6 years and 1-3 years at a similar rate of 19.05 % each.

Table 5 NGO's Years of Operations

Years	Number of respondents	Percentage (%)
10 years and above	22	52.38%
7-9 years	4	9.52%
4-6 years	8	19.05%
1-3 years	8	19.05%

Figure 6 NGO's Years of Operations



Source: (Author 2020)

4.4 Reliability Analysis

Reliability can be achieved when two instruments produce the same scores. Bagozzi (1994) observed that reliability of an instrument can be in two phases. One, reliable instrument shows the level of accuracy while the unreliable instrument shows the level of inaccuracy. Cronbach's alpha was used as it is the most reliable coefficient used to determine consistent estimates and it ranges between 0 and 1. The test is more reliable when the coefficient is high. Cronbach's Alpha was used in this study and the following findings were identified. Diverse source of funding scored a coefficient of 0.703; leadership capabilities scored 0.764 and financial management scored 0.708. According to Nunnally & Bernstein (1994), since all the values in the test were above 0.7 then study was reliable.

Table 6 Reliability Analysis

Description	Cronbach Alpha	Results
Diverse source of funding	0.703	Accepted
Leadership capabilities	0.764	Accepted
Financial Management	0.708	Accepted

4.5 Statistical Analysis

This section aims to indicate Likert responses for the independent variables as indicated in the tables below. The overall study indicates the higher mean of 5 on areas of diverse sources of funding, leadership capabilities, financial management and sustainability.

4.5.1 Diverse Sources of Funding

Respondents were required to show their levels of acceptance or disagreements to the aspect of how diverse source of funding can affect the financial sustainability of NGOs in Kisumu County. A five-point Likert-Type scale was used starting from 1 as “Disagree Strongly” to 5 as “Agree Strongly” whereby the following rates were obtained from the study. Mean rate ranging between 4.44 - 4.97, a standard deviation 3.94 - 4.45 lastly, median and mode rates at 4.00 – 5.00. The general finding shows that the respondents believe in proper use of strategic resources for successful attainment of sustainability with a high rate of 4.97619.

Table 7 Descriptive Statistics on Diverse Sources of Funding

Descriptions	Mean	STD Deviation	Median	Mode
1) Are you better off when getting funding from several donors?	4.905	4.397	5	5
2) Do you believe that single source of funding can affect organization’s Sustainability?	4.952	4.429	5	5
3) Do you face donor restrictions on financial funding?	4.928	4.413	4	4
4) Do your work plans get affected when donors pull out funding?	4.429	3.940	4	4
5) Would you recommend several sources of funding to reduce dependency to donors?	4.952	4.429	4	4
6) Do you believe sustainability can be achieved by proper use of strategic resources available within the organization	4.976	4.451	4	4
7) Do you believe on self/internal income generated activities can lead to sustainability of an organization	4.952	4.429	4	4

4.5.2 Leadership Capabilities

Respondents were required to show their levels of acceptance or disagreements to the aspect of leadership capabilities can affect the financial sustainability in NGOs based in Kisumu County. A five-point Likert-Type scale was used starting from 1 as “Non inclusive”, 2 as “To a Little Extent”, 3 as “To a Moderate Extent”, 4 as “To a Great Extent” and 5 being “To a Very Great Extent”. The study shows that different leadership styles have great impact on financial sustainability by attaining a mean of 4.952381 as the highest, followed by most leaders make great decisions that can affect the organization sustainability at a rate of 4.928571, finally is the leadership type i.e., Democratic, and authoritative attaining both rates at 4.904762 and 3.904762 respectively and lastly a rate of 4.857143 on mobilization of funds. All these points factored a positive relationship between the leadership capabilities and sustainability.

Table 8 Descriptive Statistics on Leadership Capabilities

Descriptions	Mean	STD Deviation	Median	Mode
1) Do you believe a good leader should be able to mobilize funds?	4.857	4.353	5	5
2) Do you believe that different leadership styles can influence its operations and eventually sustainability?	4.952	4.429	4	4
3) Do you believe that most leaders make choices and decisions that can affect the sustainability?	4.929	4.413	4	4
4) Would you recommend having Authoritative leader?	3.905	3.586	4	4
5) Would you recommend having democratic leader?	4.905	4.397	4	4

4.5.3 Financial Management

Respondents were required to show their levels of acceptance or disagreements to the aspect of financial management and how it can affect the financial sustainability of NGOs in Kisumu County. A five-point Likert-Type scale was used starting from 1 as “Unimportant” and 5 as “Very Important”. The study showed that financial management plays a great part in sustainability with high mean rate of 4.9761905 in supporting a case on ensuring that there reduced misuse of fund to enable sustainability being achieved.

Table 9 Descriptive Statistics on Financial Management

Descriptions	Mean	STD Deviation	Median	Mode
1) Do you believe that financial monitoring of expenses and income can lead to sustainability?	4.857	4.353	5	5
2) Does you believe that when an organization has approved work plans and budgets can to guide in implementations?	4.952	4.429	5	5
3) Do you receive approvals before any expenditures are incurred within the organization?	4.929	4.413	4	4
4) Do you believe having an idea of retaining funds can lead to sustainability?	3.905	3.586	4	4
5) Do you feel having several sources of funding can be led to financial sustainability	4.905	4.397	4	4
6) Do you believe that proper internal controls can reduce misuse of funds and lead to sustainability?	4.976	4.451	4	4

4.5.4 Financial Management

Respondents were supposed to indicate the level to which the aspect of strategic planning can affect the financial sustainability of NGOs in Kisumu County. A five-point Likert-Type scale was used starting from 1 as “Unimportant” and 5 as “Very Important”. The study shows that strategic planning plays a great role in sustainability. Most respondents believed that organizations attained sustainability when stakeholders had expertise and an organization had well-structured vision and mission. Both variables attained with mean of 4.952381 and 4.857143 respectively.

Table 10 Descriptive Statistics on Strategic Planning

Descriptions	Mean	STD Deviation	Median	Mode
1) Do you believe on a well-structured mission and vision can lead to financial sustainability?	4.857	4.353	4	4
2) Do you believe having stakeholders' expertise can lead to financial sustainability?	4.952	4.429	4	4

4.6 Regression Analysis

This study used regression analysis test to ascertain the perceived managerial effects of selected internal factors on financial sustainability of NGOs in Kisumu County. This model elaborated the existed relationship between the independent and dependent variables using coefficient of determination (R^2) and correlation coefficient (R). The findings indicated a positive relationship of $R = 0.35614$ in between the variables. Additionally, the adjusted R^2 of 0.127 was also noted which simply means that the model could only explain 13% of the variations while 87% was unexplainable.

Table 11 Regression Statistics

Regression Statistics	
Multiple R	0.356
R Square	0.127
Adjusted R Square	0.058
Standard Error	0.849
Observations	42

The ANOVA test was done to evaluate the significance of this study. The test was to identify the statistical significance between the variables to reject the null hypothesis by use of P-Values and F-values. This study indicates a high F-Value of 1.84 to compare the effect of the joint variables meaning the study is significant enough. While the P-Value was 0.156 meaning the results obtained are statistically significant.

Table 12 ANOVA Test
ANOVA

	<i>DF</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	3	3.974	1.325	1.84	0.156
Residual	38	27.359	0.719		
Total	41	31.333			

Where:

DF –Degree of freedom

SS-Sum of Squares

MS-Mean Squares

F=F values

Significance F=P-values

The table below reveal the regression coefficients and most have a positive coefficient unlike that of leadership where most people disagreed on having an authoritative leader over a democratic one. The confidence level was varied.

Table 13 Regression Coefficient

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	1.001	0.755	1.326	0.193
Diverse Funding	0.152	0.065	2.332	0.025
Leadership Capabilities	(0.009)	0.040	(0.228)	0.820
Financial Management	0.015	0.045	0.322	0.749

The results predicts that sustainability would change by one unit incase independent variable also changes by one unit. This study agrees with how the independent variables vary from each other and how the model fits in the data collected and analyzed. The best rate should be between 0 and 1 thus this findings shows 1.0001243.

The regression model used:

$$Y = \beta_0 + \beta_2 x_2 + \beta_3 x_3$$

$$Y = 1 + 0.151x_1 + 0.00915x_2 + 0.014575x_3$$

Where

Whereby Y = Financial sustainability measured by Financial Ratios (Liquidity)

X1 = Diverse sources of funding measured by Likert scale index.

X2 = Leadership Capabilities measured by Likert scale index.

X3 = Financial management measured by Likert scale index.

X4 = Strategic planning measured by Likert scale index.

β_0 =coefficient of Y

β_1 =coefficient showing the change on Y

β_2 = coefficient showing the change on Y

β_3 = coefficient showing the change on Y

ε = this represents the term error

4.7 Chapter Summary

The chapter points out discussions in the following sections: rate of response, demographic characteristic, reliability test analysis, statistical analysis and regression analysis on the factors perceived to influence financial sustainability of NGOs in Kisumu. The analysis of data involved the progressive process of editing, coding, and interpretation with an aim of ensuring that useful information is extracted which led to several conclusions. The tabulated data was in a quantitative way a relationship was established between the sustainability of NGOs and the internal factors namely, diverse sources of funding, leadership and capabilities, financial management and strategic planning.

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSIONS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The section provides us with the findings of the study, related areas of discussions, conclusions and recommendations based on the findings of data collected from Kisumu County. My reviews and recommendations are indicated according to the research question.

5.1.2 Summary of the Study

This study aimed at investigating the perceived managerial effects of selected internal factors on financial sustainability of NGOs based in Kisumu. Special focus being based to investigate perceived managerial effect of diversified sources of funding on financial sustainability, secondly was to investigate perceived managerial effect of effective financial management on financial sustainability next was to investigate perceived managerial effect of effective strategic planning on financial sustainability lastly, to investigate perceived managerial effect effective leadership capabilities on the financial sustainability.

A total of 55 pieces of questionnaires were distributed on email and hand delivery however only 42 pieces of questionnaires were fully filled and returned. The general result from this study shows an overall response rate based at 76.3% whereby 43% were female while 57% were male.

In addition, respondents had different levels of education standing at 45% on undergraduates, 16.7% on masters, 23.81% on higher diploma and 14.29% as diploma. The study continually sought to know the respondents' positions by reaching at 52% on finance and administration officers /accountants, 29% as program managers and 19% as procurement officers. Lastly, there were organizations with longer time of existence of 10 years and above which scooped 52.38%, 9.52% was for organizations ranging between 7-9 years and 19.05 % was attained by the organizations whose years were ranging from 4-6 years and 1-3 years respectively.

The study showed that diverse source of funding, leadership capabilities and financial management influence sustainability in variations. This study was reliable in the sense that diverse source of funding scored a coefficient of 0.703; leadership capabilities scored 0.764 and financial management scored 0.708. Since all the values in the test were above 0.7 then study was reliable. The overall study indicates the higher mean of 5 on areas of diverse sources of funding, leadership capabilities, financial management and sustainability. To evaluate the relevance of this study, the ANOVA test was applied with F-value of 1.84 and P-value of 0.156 being obtained.

5.3 Summary Discussion

The main reason for discussion is to interpret, explain the importance of this study findings and how it relates to already done work this field, the shortcomings of the study, lagging areas of engagements and recommendations.

5.3.1 Diverse funding

Kerine (2015) noted that possibility of attaining the financial sustainability levels doesn't necessarily depend on securing more funds from several donors or diversified sources, but it also depends more on internal organizational processes and operational capabilities. Similarly, there seems to be an existing connection between financial sustainability and other internal factors that relate with the management and operations of Non-governmental organizations. According to Bray (2010), factors such as good leadership, good publicity and good relations with community can as well lead to financial viability. Kerine (2015) continues to do that good practice of monitoring financial activities against programmatic/planned budgets shows an appealing value of NGO's and this helps drive the vision and mission to higher levels.

Several studies have been carried out by scholars in relation to the issue of sustainability. Karanja (2014) carried out a study in Isiolo County-Kenya with the main objective of determining factors that would influence sustainability to NGOs in this area. The descriptive research design was used where most respondents agreed that overreliance of donor funding really led to most NGOs impromptu closure. The study further recommends that NGOs could only survive well in situations of having several donors on board who bring in more funds for

sustainability purposes. On the other hand, the funds should be well utilized as planned to achieve the funds purposes and objective.

Secondly, Tomno (2013) did his study in Baringo County-Kenya with an objective of knowing how donor funding affects sustainability of NGOs based in this area. This study used the purposive sampling technique with majority of respondents supporting the fact that most NGOs are dependent on external donor funds. It poses threat of flexibility and independence in terms of programming. The study results attested to the fact that most NGOs grapple with challenge of governance that leads to weak ways of coming up with interventions that would support sustainability. Hence, recommends good governance structures and proper internal controls can lead to sustainability. Lastly, Gunderson (2011), in a study on best practices for Not-for-Profit Internal Controls: There conclusions was advising the NGOs to stop too much dependency on donor funding but get engaged in essential actions that will lead to continuity of business in case of crisis or donor pullout.

5.3.2 Leadership capabilities

Most responses from this study positively agree of having good leadership capabilities can lead to organizational financial sustainability. Okorley &Nkrumah (2012), in their case study based in Ghana showed the close relationship between human resources capabilities (skilled workers) and sustainable organizations hence, recommended that human resources capabilities are vital to attain sustainability. Iwu et al., (2015), also in the study based in South Africa confirmed the existence of relationship between retaining skilled staffs and organizational sustainability.

Specifically, the findings revealed that different leadership styles can influence its operations and eventually sustainability. The findings further confirmed that most leaders make choices and decisions that can affect the sustainability of an NGO with respondents prefer having a democratic leader over an authoritative leader.

Sontag, Staple Foote and Morganti (2012), noted that leadership and community engagement is important towards achieving sustainable needs. Engaging the community in leadership areas and service provision sections provides key resources in terms of expertise and experiences towards attainment of organizational goal as this engagement forms part of ownership to the community. The community members in most cases act as good stewards towards donor funding process as they indicate the need of funds and can also prove if funds were well utilized to offer satisfaction to the donor that their funding yielded value to the underserved within the community. Since donors' motives vary from time to time, strong bond is created to continually offer support to this organizations. As such organizations are advised to develop strategies to minimize cost and maximize service delivery which leads to good public image that will yield sustainability in the long run.

5.3.3 Financial Management

Most of the respondents agreed that financial updates or reviews of expenses and income can lead to sustainability. Specifically, the findings revealed that when organizations have approved work plans and budgets can guide in implementation that maintains check and balances within an organization. The idea of retaining funds also featured as a contributing factor to sustainability. Omeri (2015), in the Kenyan based study showed that organizations that were sustainable in

nature had other sources of generating income apart from their main source. Therefore, study recommends that organizations will do well when they have their own developmental ways/methods of raising funds as opposed to relying in donor funding for sustainability.

Mutinda and Ngahu (2016) did their study in Nakuru County with an aim of knowing factors that would influence sustainability. Their study did not show any positive significant effect that resource mobilization would cause to influence the sustainability of an organization but rather they found out that internal factors had greater impact on sustainability. In this relation they offered a recommendation to organization to strengthen policies towards the internal policies and practices that will ensure transparency, value for money in managing donor funds as this will attract more donors, new funding agencies and other community support to attain sustainability levels.

5.4 Conclusions

Sustainability is indeed a key issue on NGOs as many are formed and exit within short period of time without meeting their stipulated needs and obligation of its formation. NGOs really need to be keen on this matter as it affects daily operations in terms of inability to retain available strategic resources. Example in this case being competent staffs. Most NGOs have competent staff that they are unable to sustain or maintain in employment in cases when donor withdraws funding. This forces staff movement to be high leaving the organization with scrap or zero staffs to maintain the organization as the skills are not transferable. In the long run the organization's stability is eroded making the organization to be unattractive to donors or any funding agencies. I

recommend that organizations should have better strategies in place to retain strategic resources as this will eventually lead to sustainability.

The study revealed that indeed having a diverse source of funding will improve sustainability of NGOs. This is through having several donors and own internal ways of raising funds. This way they will be able to retain the skilled staffs to tap in the skills for competitive advantage within the sector. “Donors funds people” in the sense that these staffs will be able to attract more funds towards the organization the broader the organization the powerful it becomes. The managers within the organizations are advised to develop strategies of retaining funds or getting indirect income to be ploughed in income generating avenues which leads to growth and further sustainability. Additionally, leadership capabilities and sustainability can be achieved through having good leaders who have different leadership styles and make dynamic decisions.

5.5 Recommendations

The study examined how sustainability of NGOs based in Kisumu County are affected by the internal factors such as diverse sources of funding, leadership capabilities, financial management and strategic planning. Based on the analysis the study concludes that NGOs should diversify their activities and invest in profitable activities to enable them to generate their own income to sustain them when donors are not available. Management needs to ensure application of best financial practices to improve sustainability of the organization. More Kenyan companies should work together in channeling their social responsibilities through existing NGOs rather than starting their own foundations.

Good leaders are very important in daily operations of the organization to ensure financial retention and sourcing of funds from other places. Management should also ensure that adequate number partners both donors and corporates work together for improvement of organization. Kanyinga & Mitullah (2006), noted that most NGOs greatly depends on external sources of funding which affects them in case of pullout. The managers within the organizations are advised to develop strategies of retaining funds or getting indirect income to be ploughed in income generating avenues which leads to growth and further sustainability.

5.6 Limitations of the Study

The study examined how sustainability of NGOs based in Kisumu County are affected by the internal factors such as diverse sources of funding, leadership capabilities, financial management and strategic planning however there were challenges that were encountered. There exists a significant capacity limitation among NGOs in terms of human resources and lack of expertise to resource mobilize that would encourage the organizations to ensure diverse sources of funding is achieved. Beverly et al (2012:128) noted that most NGOs remain inactive in implementation of the planned projects due to inability to mobilize the required funds for proper implementation. This problem is mainly triggered by the inadequate networking skills between NGO sectors as all organizations compete for the available resources independently as opposed to working together to achieve synergy.

David and William (2005) noted that leaders aren't born but made through the way they critically develop to change the organization. Leaders play key role in delivery of organizational core functions by providing direction. Therefore, leaders are required to have knowledge and

human resource skills necessary for successful implementation of set plans. We note that there existing limitation of inability to measure the required key competence and human resources skills that would match success of the organization. The study doesn't indicate the percentage level required by each organization to attain the organizational competitive advantage.

5.7 Recommendations for Further Research

Due to the changes in the donor world, most donors prefer to fund networks as opposed to single or individual organization to achieve their funding purpose efficiently and effectively. Networks also embrace accountability and transparency. Therefore, NGOs are advised to embrace Networks, coalitions which have strong mission and vision, have proper operational guidelines to attract donors and to offer confidence that the funds invested will be of value to the intended users or community.

Leadership competencies, knowledge and human resource skills are important to the organizational success and financial sustainability at large. Since it's not possible to measure the percentage level of required level of competence and skills for successful implementation of organizational goals and objectives, organizations are urged to nature or retain the available resources as skills. The organizations should embrace knowledge management systems to enable them to tap the already existing skills in the organization.

This research only covered a section of Kisumu County as part of Kenya with only specific internal factors that were on check. Non-governmental world is revolving with emergence of digital growth, emergence of respiratory diseases that affect the health sector, economic sectors,

and countries at large. Researchers should have more factors other than the above and should be looked at and government laws should be revised through parliament to boost financial sustainability of NGOs.

REFERENCES

- Adams, R, Fujii, A., & Mackey, A. (2005). Research methodology: Qualitative research. *Mind and context in adult second language acquisition: Methods, theory, and practice*, 69-101.
- Adelino, M., Ma, S., & Robinson, D. (2017). Firm age, investment opportunities, and job creation. *The Journal of Finance*, 72(3), 999-1038.
- Amit, R., & Shoemaker, P. (1993). Specialized assets and organizational rent. *Strategic Management Journal*, 14(1), 33-47.
- Annual NGO sector report (2018/2019). www.ngobureau.go.ke
- Artus, J. R., & Crockett, A. D. (1978). *Floating exchange rates and the need for surveillance*. International Finance Section, Department of Economics, Princeton University.
- Atiti, A. (2006). Exploring organizational learning and change for sustainability. The nature of success: success for nature 2006. Retrieved July, 20, 2010.
- Bagozzi, R. P., & Yi, Y. (2012). Specification, evaluation, and interpretation of structural equation models. *Journal of the academy of marketing science*, 40(1), 8-34.
- Barney, J. B. (1995). Looking inside for competitive advantage. *Academy of Management Perspectives*, 9(4), 49-61.
- Bayai, I., & Ikhide, S. (2016). Life cycle theory and financial sustainability of selected SADC microfinance institutions (MFIs). *The journal of Developing Areas*, 50(6), 121-132.
- Barney, J. B., & Hoskisson, R. E. (1990). Strategic groups: Untested assertions and research proposals. *Managerial and decision Economics*, 11(3), 187-198.
- Bass, B. M. (1996). *New paradigm of leadership: An inquiry into transformational leadership*. US Army Research Institute for the Behavioral and Social Sciences.

- Batti, R. C. (2014). Challenges facing local NGOs in resource mobilization. *Humanities and Social Sciences*, 2(3), 57-64.
- Besel, K., Williams, C. L., & Klak, J. (2011). Nonprofit sustainability during times of uncertainty. *Nonprofit management and leadership*, 22(1), 53-65.
- Byrness, F. C., & Byrness, K. J. (1978). Agricultural extension and education in developing countries: Rural development in a changing world.
- Cannon, J. P., & Perreault Jr, W. D. (1999). Buyer–seller relationships in business markets. *Journal of marketing research*, 36(4), 439-460.
- Christmann, P. (2000). Effects of “best practices” of environmental management on cost Advantage: The role of complementary assets. *Academy of Management Journal*, 43(4), 663 - 680.
- De Wit, B., & Meyer, R. (2010). *Strategy synthesis: Resolving strategy paradoxes to create competitive advantage*. Cengage Learning EMEA.
- Doppelt, B. (2017). *Leading change toward sustainability: A change- management guide for business, government, and civil society*. Routledge. London: Oxford university press
- Dhanani, A., & Connolly, C. (2015). Non-governmental organizational accountability: Talking the talk and walking the walk? *Journal of Business Ethics*, 129(3), 613-637.
- Dresner, S. (2008). *The principles of sustainability*. Earthscan. London: Oxford university press
- Duncan, W. J. (1978). *Organization behavior*. Boston: Houghton Mifflin co.
- Duodu, S. A. (2009). *Knowledge and attitudes of NGOs towards their tax obligations—a study of selected NGOs in the Sekondi-Takoradi Metropolitan area, Western Region, Ghana* (Doctoral dissertation, University of Cape Coast).

- Dzomira, S. (2014). Internal controls and fraud schemes in not-for-profit organizations: a guide to good practice. *Research Journal of Finance and Accounting*, 5(2), 118-126.
- Etzioni, A. (1965). *Modern organizations*. New Delhi: prentice hall
- Fraenkel, J. R., & Wallen, N. E. & Sawin, E. (1999). *Visual statistic: a conceptual primer*. Boston: Allyn and bacon
- Garavan, T. N., & McGuire, D. (2010). Human resource development and society: Human resource development's role in embedding corporate social responsibility, sustainability, and ethics in organizations. *Advances in Developing Human Resources*, 12(5), 487-507.
- Grant, R. M. (1991). The resource-based theory of competitive advantage: implications for strategy formulation. *California management review*, 33(3), 114-135.
- Hakes, J. K., & Sauer, R. D. (2006). An economic evaluation of the Moneyball hypothesis. *Journal of Economic Perspectives*, 20(3), 173-186.
- Hansmann, H. B. (1980). The role of nonprofit enterprise. *The Yale law journal*, 89(5), 835- 901.
- Hawkins, D. (2006). *Corporate social responsibility: balancing tomorrow's sustainability and today's profitability*. Springer.
- Hickman, G. R. (1998). *Leading organizations: Perspectives for a new era*. Sage.
- Inuwa, D. I. I. (2016). Concept of Research Methodology in Academic Research Report Writing.
- Jhuthi, B. (2015). *Determinants of implementation of non-governmental projects in Kenya: a case of World Vision Osiligi Ipa in Kajiado County* (Doctoral dissertation, University of Nairobi).
- Kang'ethe, S. M. (2014). Exploring social work gaps in Africa with examples from South Africa and Botswana. *Journal of Social Sciences*, 41(3), 423-431.

- Kanyinga, K., & Mitullah, W. (2007). *The non-profit sector in Kenya. Nairobi, Kenya: Institute for Development Studies, University of Nairobi.*
- Karanja, J., & Karuti, J. (2014). Assessment of Factors Influencing Financial Sustainability of Non-Governmental Organizations in Isiolo County, Kenya. *International Journal of Economics, Commerce and Management United Kingdom*, 2(9).
- Karvonen, L. (2010). *The personalisation of politics: A study of parliamentary democracies.* Ecpr
- Karwowski, E., Shabani, M., & Stockhammer, E. (2020). Dimensions and determinants of financialisation: Comparing OECD countries since 1997. *New Political Economy*, 25(6), 957-977.
- Kassah, A. K. (2008). Begging as work: A study of people with mobility difficulties in Accra, Ghana. *Disability & Society*, 23(2), 163-170. DOI: [10.1080/09687590701841208](https://doi.org/10.1080/09687590701841208)
- Kerine, L. (2015). Factors Influencing Financial Sustainability of Non-Governmental Organizations: A survey of NGOS in Nakuru County, Kenya. *International Journal of Economics, Commerce and Management*, 3(9), 704-743.
- Kisinga, F., & Act, C. (2014). Non-profit Sector set for major changes PBO Bill signed into Law. *Quest for and Enabling Environment for Civil Society Organizations in Kenya.*
- Lassen, H., & Medley, P. (2001). *Virtual population analysis: a practical manual for stock assessment* (No. 400). Food & Agriculture Org.Press.
- Lee, T. W., Mitchell, T. R., Holtom, B. C., McDaneil, L. S., & Hill, J. W. (1999). The unfolding model of voluntary turnover: A replication and extension. *Academy of Management Journal*, 42(4), 450-462.

- Lekorwe, M., & Mpabanga, D. (2007). Managing non-governmental organizations in Botswana. *The Public Sector Innovation Journal*, 12(3), 1-18.
- Lewis, D. (2010). Nongovernmental organizations, definition, and history. *International encyclopedia of civil society*, 1056-1062.
- Malouche, M. (2009). *Trade and trade finance developments in 14 developing countries post September 2008-A World Bank Survey*. The World Bank.
- Mann, T. (2007). College fund raising using theoretical perspectives to understand donor motives. *International Journal of Educational Advancement*, 7(1), 35-45.
- Martinet, A. C. (2010). Strategic planning, strategic management, strategic foresight: The seminal work of H. Igor Ansoff. *Technological Forecasting and Social Change*, 77(9), 1485-1487.
- Mason, E. S., & Asher, R. E. (2010). *The World Bank since Bretton Woods*. Brookings Institution Press.
- Metin, H., & Coskun, A. (2016). The effect of leadership and organizational culture on effectiveness of NGOs: an empirical study. *Nile Journal of Business and Economics*, 2(2), 3-16.
- Milelu, E. (2018). *Factors affecting financial sustainability for non-governmental organizations in Nairobi, Kenya* (Doctoral dissertation, United States International University-Africa).
- Mugenda, O. M., & Mugenda, A. G. (1999). *Research methods: Quantitative and qualitative approaches*. Acts press. Nairobi Kenya
- Mugenda, O. M., & Mugenda, G. A. (2003). *Research methods*. Acts press. Nairobi Kenya

- Mutinda, S. M., & Ngahu, S. (2016). Determinants of financial sustainability for non-governmental organizations in Nakuru County, Kenya. *IOSR Journal of Business and Management*, 18(9), 81-88.
- Mutinda, S. M., & Ngahu, S. (2016). Determinants of financial sustainability for non-governmental organizations in Nakuru County, Kenya. *IOSR Journal of Business and Management*, 18(9), 81-88.
- Myerson, R. B. (2014). Rethinking the principles of bank regulation: A Review of Admati and Hellwig's The Bankers' New Clothes. *Journal of Economic Literature*, 52(1), 197-210.
- Nyanje, S. O., & Wanyoike, D. (2016). An analysis of factors affecting the implementation of non-governmental organization projects in Nakuru County, Kenya. *International Journal of Economics, Commerce and Management*, 4(5), 851-870.
- Okorley, E. L., & Nkrumah, E. E. (2012). Organizational factors influencing sustainability of local non-governmental organizations. *International Journal of Social Economics*.
- Omeri, L. K. (2014). *Factors influencing financial sustainability of non-governmental organizations: a survey of NGOs in Nakuru County* (Doctoral dissertation).
- Orme, J. G., & Combs-Orme, T. (2009). *Multiple regression with discrete dependent variables*. Oxford University Press.
- Page, K., & Officer, P. B. (2012). The impact of economic conditions on the financial sustainability of social security schemes.
- Pfeffer, J., & Sutton, R. I. (2000). *The knowing-doing gap: How smart companies turn knowledge into action*. Harvard business press.

- Quayes, S. (2012). Depth of outreach and financial sustainability of microfinance institutions. *Applied Economics*, 44(26), 3421-3433.
- Renz, D. O. (2016). *The Jossey-Bass handbook of nonprofit leadership and management*. John Wiley & Sons.
- Rose, L. (2014). Community knowledge: the building blocks of collective impact. *The Philanthropist*, 26(1).
- Rottkamp, D. M., & Bahazhevskva, N. (2016). Financial sustainability of not-for-profits. *The CPA Journal*, 86(4), 8-9.
- Rubin, R. S., Munz, D. C., & Bommer, W. H. (2005). Leading from within: The effects of emotion recognition and personality on transformational leadership behavior. *Academy of management journal*, 48(5), 845-858
- Saunders, M. N., & Lewis, P. (2012). *Doing research in business & management: An essential guide to planning your project*. Pearson.
- Sibanda, L., Iwu, C. G., & Benedict, O. H. (2015). Factors influencing academic performance of university students. *Демографія та соціальна економіка*, (2), 103-115.
- Sontag-Padilla, L., Staplefoote, B. L., & Gonzalez Morganti, K. (2012). Financial sustainability for nonprofit organizations: A review of the literature.
- Thomas, M., & Thomas, M. J. (2000). Critical factors affecting sustainability of CBR programmes.

- Tomno, K. P. (2013). *Influence of funding on the Sustainability of Local Non-governmental Organizations' Programs in Baringo County, Kenya* (Doctoral dissertation, University of Nairobi).
- Turnbull, J., Lea, D., Parkinson, D., Phillips, P., Francis, B., Webb, S., & Ashby, M. (2010). Oxford Advanced Learner's Dictionary. *International Student's Edition*.
- Wanjohi, A. (2010). SME Policy Kenya: Issues and Efforts in Progress.
- Waiganjo, E. W., Mukulu, E., & Kahiri, J. (2012). Relationship between strategic human resource management and firm performance of Kenya's corporate organizations. *International Journal of Humanities and Social Science*, 2(10), 62-70.
- Wangithi, W. E., & Muceke, N. J. (2012). Effect of human resource Management practices on psychological contract in Organizations. *International Journal of Business and Social Science*, 3(19), 117-122.
- Weisbrod, B. A. (1986). Toward a theory of the voluntary nonprofit sector in a Three-sector economy. In *The economics of nonprofit institutions*. Oxford University Press.
- Zhao, J., & Lu, J. (2019). The crowding-out effect within government funding: Implications for within-source diversification. *Nonprofit Management and Leadership*, 29(4), 611-622.

APPENDICES

Appendix 1: Letter from the University

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS MASTERS PROGRAMME
MBA PROPOSAL/PROJECT SUPERVISION ALLOCATION FORM

SECTION A: (To be completed by the student)

Name of student: Okoth Lilian Anyango Reg. No.: DEI/135639/2016
 Department: School of Business - Finance & Accounting

Specialization (Tick as appropriate)

i) Marketing	<input type="checkbox"/>
ii) Human Resource Management	<input type="checkbox"/>
iii) Strategic Management	<input type="checkbox"/>
iv) International Business	<input type="checkbox"/>
v) Insurance/Risk Management	<input type="checkbox"/>
vi) Entrepreneurship	<input type="checkbox"/>
vii) Finance	<input checked="" type="checkbox"/>
viii) Accounting	<input type="checkbox"/>
ix) Operations Management	<input type="checkbox"/>
x) Management Information Systems	<input type="checkbox"/>
xi) Procurement & Supply Chain Management	<input type="checkbox"/>

Mobile phone: 0726 666 806 Email: anyangelilian55@gmail.com
 Proposed title of Study: Impact of donor funding on growth of local NGOs in Kenya

Name of preferred Supervisor(s): (i) _____ (ii) _____ (iii) _____

Signature of student: [Signature] Date: 22/01/2020

SECTION B: (For Official Use only. To be completed by the Department)

i) Name of Supervisor Allocated:
 Supervisor: Joseph Barasa Mobile No.: 0729-233340
 Co-Supervisor (if any): _____ Mobile No.: _____
 Moderator: James Nganya Mobile No.: _____

Proposal Presentation/Submission Dates:
 Proposal Presentation: _____ Oral Defence: _____ Project Report Submission Date: _____

ii) **Approved by Thematic Coordinator:**
 Name: DAVID OKIO Signature: [Signature] Date: 17/01/2020

Approved by Chairman of Department:
 Name: [Signature] Signature: [Signature] Date: 17/02/2020

NOTE:

- A student shall not commence proposal writing before allocation of University supervisor.
- Original Transcript, Fees Statement and Synopsis should be attached to this form. This form is available in the Department, SOB website or Ambank House. Students get their copy later from the Department after allocation is done.
- The approved copy of this form must be attached to the proposal when submitting for moderation and presentation and when submitting the final project.
- Original to be filed in the Department.
- Turnitin report **MUST** be attached to the proposal when submitting for moderation, presentation and when submitting the final project.
- Each student **MUST** fill in the attached declaration form on plagiarism and collusion.

This study is a requirement for the partial fulfillment of the Master of Business Administration at the University of Kisumu. The purpose of this study is to examine the “PERCEIVED MANAGERIAL EFFECT OF SELECTED INTERNAL FACTORS ON FINANCIAL SUSTAINABILITY OF NON-GOVERNMENTAL ORGANIZATIONS IN KENYA: CASE OF KISUMU COUNTY” The findings will be useful for reinforcement of sustainability concept among the NGOs.

The information provided will solely be used in academics. Confidentiality is assured to all respondents.

Appendix II: Questionnaire

GENERAL QUESTIONS (Section 1)

Kindly fill in this section.

1. Gender of Respondent _____

2. Name of the organization (Optional) _____

3. Department in organization _____

4. Years of existence of this NGO? _____

<1, 1-3, (4-6) (7-10) Over 10 years

5. Kindly indicate your position in the organization _____

6. Your highest level of education _____

Below are questions related to sustainability of NGOs. Kindly fill in with the correct choices as grouped below.

1=strongly disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree

	Strongly agree (1)	Agree (2)	Uncertain/ Not applicable (3)	Disagree (4)	Strongly Disagree (5)
(Section 2) Diverse sources of funding					
Brief...Several sources of funding					
1) Are you better off when getting funding from several donors?					
2) Do you believe that single source of funding can affect organization's Sustainability?					
3) Do you face donor restrictions on financial funding?					
4) Do your work plans get affected when donors pull out funding?					
5) Would you recommend several sources of funding to reduce dependency to donors?					
6) Do you believe sustainability can be achieved by proper use of strategic resources available within the organization					

7) Do you believe on self/internal income generated activities can lead to sustainability of an organization					
(Section 3) Leadership Capabilities Brief.... <i>Leadership Capabilities means the ability of a leader to incorporate the skill and ability to resource mobilize for funds to survive and increase the organizations value over time.</i>					
1) Do you believe a good leader should be able to mobilize funds?					
2) Do you believe that different leadership styles can influence its operations and eventually sustainability?					
3) Do you believe that most leaders make choices and decisions that can affects the sustainability?					
4) Would you recommend having Authoritative leader?					
5) Would you recommend having democratic leader?					

<p>(Section 4) Financial management</p> <p>Brief... <i>Financial management is the ability to manage finances (cash received vs cash spent) effectively and efficiently</i></p>					
<p>1) Do you believe that financial monitoring of expenses and income can lead to sustainability?</p>					
<p>2) Does you believe that when an organization has approved work plans and budgets can to guide in implementations?</p>					
<p>3) Do you receive approvals before any expenditures are incurred within the organization?</p>					
<p>4) Do you believe having an idea of retaining funds can lead to sustainability?</p>					
<p>5) Do you feel having several sources of funding can be led to financial sustainability?</p>					

6) Do you believe that proper internal controls can reduce misuse of funds and lead to sustainability?					
(Section 5) strategic planning Brief... <i>strategic planning is the direction chosen by the organization thus plans are underway to meet the set goals and objectives.</i>					
1) Do you believe on a well-structured mission and vision can lead to financial sustainability?					
2) Do you believe having stakeholders' expertise can lead to financial sustainability?					
3) Do you believe engagement from employees can lead to financial sustainability?					

Financial Sustainability section

	Questions	2017	2018	2019
1	How many sources of funding did you have?			
2	Aggregate income received from	2017	2018	2019

	a) Donors (in Kenya shillings)			
	b) Donations (in Kenya shillings)			
	c) Local Income (in Kenya shillings)			
	d) Others (in Kenya shillings)			
	Total (in Kenya shillings)			
3	Aggregate Expenses	2017	2018	2019
	a) Total Current Assets (in Kenya shillings)			
	b) Total Current Liabilities in Kenya shillings)			
	Total (in Kenya shillings)			