EFFECTS OF THE GLOBAL FINANCIAL CRISIS ON THE FINANCING OF NON-GOVERNMENTAL ORGANIZATIONS IN KENYA

BY

ROBERT NGUYO

D61/62985/2010

A RESEARCH PROJECT SUBMITTED IN FULLFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTERS IN BUSINESS ADMINISTRATION SCHOOL OF BUSINESS UNIVERSITY OF NAIROBI

NOVEMBER 2014

DECLARATION

This research project is my original work and has not been submitted for a degree in any other University.

Signed-- Date--

Robert N. Nguyo

REG No: D61/62985/2010

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

Signed-- Date--

Mr. Mirie Mwangi

Department of Finance and Accounting,

ACKNOWLEGEMENT

This project would not have been completed without the support and guidance from a number of people. My special thanks go to Mr. Mirie Mwangi, my supervisor, who with patience, wisdom and dedication guided me through the research project. I also thank other Lecturers in the school of accounting who nurtured me into my academic life.

The academic path is very challenging: sometimes you fumble, stagger and even fall, but rise up again and continue. I would like to acknowledge and thank those you have encouraged me to rise every time. This includes my wife, colleges at work, my brothers and sisters, fellow students and friends.

DEDICATION

This project proposal is dedicated to my wife Lilian Kiamba, parents and son Lemuel Wendo for their prayers and encouragement, also for being an inspiration to me and moral support throughout the entire MBA programme and especially during this research project. May the lord, God almighty bless you abundantly.

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LIST OF ABBREVIATIONS

AAPAM	African Association for Public Administration and Management
AIDS -	Acquired Immune Deficiency Syndrome
CRS -	Catholic Relief Services
CSR -	Corporate Social Responsibility
FSI -	Financial Stress Index
GFC -	Global Financial Crisis
HIV -	Human immunodeficiency virus
ILO -	International Labour Organization
IMF -	International Monetary Fund
KES -	Kenya Shilling
NGO -	Non Governmental Organizations
NSE -	Nairobi Securities Exchange
PDO -	Private Development Organizations
PVO -	Private Voluntary Organizations
SSA -	Sub Saharan Africa
UN -	United Nations
US -	United States of America
USD -	United States Dollar

ABSTRACT

Financial crisis is a situation where the money demanded quickly rises relative to the supply. Some financial institutions or assets suddenly loose large part of their value. A financial crisis may be caused by leveraged investments. This means borrowing to finance investments. When a financial institution (or an individual) only invests its own money, it can in the very worst case lose its own money. Financial crisis have been prevalent phenomena throughout history. NGOs in Kenya were affected in their provision of services during the 2008 and 2009 when the effects of the Global Financial Crisis (GFC) were felt. It is expected that number of NGOs in Kenya will report a substantial reductions in their funding in the wake of the global financial crisis, and this is expected to threaten their ability to deliver the services and activities that are required. The objective of this study was to investigate the effects of the global financial crisis on financing of NGOs in Kenya. This study employed descriptive research design. The study relied mostly on primary data sources. Basing on the study findings, the study concluded that financial crisis increases affected the financing of NGOs in Kenya. The study reveals that during the global financial crisis, most of the NGOs rely mostly on their budgets and saving from their accounts since financier could not meet financial needs during this period. On expenditure of NGOs during the global financial crisis, the study concluded that financial crisis that was experienced during the year 2009-2010 resulted to employment of more international staffs with experience and professionalism in handling disasters as a way of delivering effective services to the community. To staffing, the study concluded that NGOs were staffing gradually from each year to the other while only during 2012 when decrease of staffing was experienced in almost all the organizations

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The financial crisis that alarmingly threatened to collapse the global economy came in three stages. Firstly, the authors note that there was a decline of the stock indices of the world's leading banks and financial institutions in 2007 which was provoked by a transfer of risk capital from developed markets to emerging markets (Teka and Magezi, 2008).

In early 2008 the crisis unfolded again which resulted from a continuing fall in world stock markets that spilled over from 2007. This in turn resulted to fallout triggered by the redirection of cash flows from one class of assets to another, particularly to commodities and energy resources. The third wave of the global financial crisis is currently unfolding (Teka and Magezi, 2008). This crisis is being defined by a serial bankrupting of the world's leading financial companies though interventions such as government bailouts and the International Monetary Fund are being implemented to help ease the situations.

The global financial crisis did not spare Kenya and its challenges are felt over (Mwega, 2009). He notes that the banking sector was greatly hit by the crisis. For example, he says that the stock market and the agricultural sector were greatly affected. The global financial and economic crisis has affected African countries and people causing severe social and economic upsets.

Growth, macroeconomic stability, employment, and sustainable livelihoods are jeopardized as well as economic and social progress achieved during recent years. NGOs have not been left out since they play an important role in any economy. Though studies on global economic and financial crises have been done, however, no study has actually been carried out on effect of the global financial crises on the financing of NGOs in Kenya, hence the basis of this study.

1.1.1 Global Financial Crisis

A financial crisis as a situation where the money demanded quickly rises relative to the supply. Some financial institutions or assets suddenly loose large part of their value (Mishkin, 1994). He identifies three examples of financial crisis: the banking panics or bank runs where commercial banks suffer rush of withdrawals by depositors. Since banks lend out most of the cash they receive in deposits, it is difficult for them to quickly pay back all deposits if these are suddenly demanded, so a run may leave the bank in bankruptcy, causing many depositors to lose their savings unless they are covered by deposit insurance.

A situation in which bank runs are widespread is called a systemic banking crisis or just a banking panic. A situation without widespread bank runs, but in which banks are reluctant to lend, because they worry that they have insufficient funds available, is often called a credit crunch. In this way, the banks become an accelerator of a financial crisis. The second type of financial crisis is the stock market crashes when the price of stock exceeds the value of the future income such as interest or dividends that would be received by owning it to maturity.

Bursting of the financial burbles is another type of a financial crisis characterized by many market participants buying assets primarily in hopes of selling them later at higher prices, instead of buying them for the income they will generate; this could be evidence that a bubble is present. If there is a bubble, there is also a risk of a crash in asset prices: market participants will go on buying only as long as they expect others to buy, and when many decide to sell the price will fall.

A financial crisis may be caused by leveraged investments. This means borrowing to finance investments. When a financial institution (or an individual) only invests its own money, it can in the very worst case lose its own money. But when it borrows in order to invest more, it can potentially earn more from its investment, but it can also lose more than all it has. Therefore leverage not only magnifies the potential returns from investment but also creates a risk of bankruptcy. Since bankruptcy means that a firm fails to honor all its promised payments to other firms, it may spread financial troubles from one firm to another.

Another factor believed to contribute to financial crisis is asset-liability mismatch, a situation in which the risks associated with an institution's debts and assets are not appropriately aligned. For example, commercial banks offer deposit accounts which can be withdrawn at any time and they use the proceeds to make long-term loans to businesses and homeowners. The mismatch between the banks' short-term liabilities (its deposits) and its long-term assets (its loans) is seen as one of the reasons bank runs occur (when depositors panic and decide to withdraw their funds more quickly than the bank can get back the proceeds of its loans.

Unfamiliarity with recent technical and financial innovations is also another contributor of financial crisis. This results to investors grossly overestimating asset values. If the first investors in a new class of assets profit from rising asset values, as other investors learn about the innovation, then still more others may follow their example, driving the price even higher as they rush to buy in hopes of similar profits. If such behavior causes prices to spiral up far above the true value of the assets, a crash may become inevitable. If for any reason the price briefly falls, so that investors realize that further gains are not assured, then the spiral may go into reverse, with price decreases causing a rush of sales, reinforcing the decrease in prices.

Contagion is also another cause of financial crisis. This refers to the idea that financial crisis may spread from one institution to another, as when a bank run spreads from a few banks to many others, or from one country to another, as when currency crisis, sovereign defaults, or stock market crashes spread across countries. Other causes of financial crisis include: regulatory failures, fraud and contagion (Mishkin, 1994).

Financial crisis have been prevalent phenomena throughout history. There is a frequency in recent decades has been double that of the Bretton Woods Period (1945-1971) and the Gold Standard Era (1880-1993), comparable only to the Great Depression (Bordo, 2001). Nevertheless, the Global financial Crisis that started in the summer of 2007 came as a great surprise to most people. What initially was seen as difficulties in the US subprime mortgage market, rapidly escalated and spilled over to financial markets all over the world. The crisis has changed the financial landscape worldwide and its effects are still being felt globally.

1.1.2 Financing of Non-Governmental Organizations

There are various sources of financing available for NGOs both at the conventional as well as non-conventional level. Conventional sources are those that are mostly existing and donor–based and non-conventional sources of funding are those that also include alternative fundraising for organizations. The bilateral and multilateral aid is one of the biggest sources of funding. These originate either from the foreign offices of the developed countries or from the multilateral organizations set up by different countries such as the United Nations, and the World Bank.

The second important source of funding is the private charities/foundations/international organizations that are more privately handled. In countries where there is some economic growth recorded with a presence of a wealthy private sector, NGOs can also look upon the corporate agencies as another major source of funding for them. There are also international corporate groups that have Corporate Social Responsibility (CSR) agenda for enhancing equity, social justice and development. Besides, in the present times, the corporate agencies are also partnering with NGOs for joint profit-oriented projects.

In some countries, the local governments are also a major source of funding as they have different community welfare and development schemes which NGOs can apply and raise resources and implement projects. Donations and gifts, mostly from individuals or informal groups are also sources of funding for NGOs. Finally, the non-conventional resources include the micro-enterprises, microfinance and micro-insurance.

Kenya receives approximately 70% of its total aid from bilateral donors, the source of aid most likely to be affected by the crisis. Bilateral aid has been mainly in the form of grants (72% of the total), whereas multilateral aid has been mainly in the form of loans (86%). The principal source of multilateral loans has been the World Bank Group, which has pledged to fund a number of projects in the country in 2009 (Mwega, 2009)

1.1.3 Effects of the Global Financial Crisis on the Financing

NGOs in Kenya were affected in their provision of services during the 2008 and 2009 when the effects of the GEC were felt (Ogutu, 2011). It is expected that number of NGOs in Kenya will report a substantial reductions in their funding in the wake of the global financial crisis, and this is expected to threaten their ability to deliver the services and activities that are required.

Most of these have had to cope with a financial strain and reacted with a series of strategies. To stretch resources, they have now developed better collaborative networks with other NGOs, especially those locally based. CRS now works in partnership with locally established NGOs to deliver the services and activities. NGOs have also started additional fundraising campaigns, exploring the remaining or new opportunities in their countries or within their constituencies. As a result, competition between NGOs for funding is rising. Some report cutbacks in their administration cost, staff and aid programs. All this have been attributed to the global economic crisis. Discussions and interviews with various staff at Catholic Relief Services and other NGOs indicate a general feeling that the GFC has got an impact on the financing of the NGO sector.

1.1.4 Non-Governmental Organization in Kenya

NGOs Coordination Act 1990 defines a Non-Governmental organization (NGO) as a private voluntary group of individuals or associations not operated for profit or other commercial purposes but which have organized themselves nationally or internationally for the benefit of the public at large and promotion of social welfare, development, charity, or research in areas inclusively of, or restricted to health, agriculture, education, industry, and supply of amenities and services (National Survey of NGOs Report, 2009).

NGOs carry out various activities/projects towards the fulfillment of their objectives. Related activities are usually grouped based on their thematic relationships referred to as sectors. While a number of organizations carry out integrated programmes (i.e. combine a number of different activities under one project i.e. HIV/AIDS, Microfinance, Emergency, Agriculture etc.) they would normally have a core focus for instance mitigation of the impact of HIV/AIDS which would then make such a project fall in the HIV/AIDS sector (National Survey of NGOs Report, 2009).

Therefore, a non-governmental organization is a non-profit group or association that acts outside the institutionalized political structures and pursues matters of interest to its own members by lobbying, persuasion, or direct actions. The term is generally restricted to social, cultural, legal and environmental advocacy groups having the goal that are primarily non-commercial. NGOs gain at least potion of their funding from private sources. Since the label "NGO" is considered too broad by some, as it covers anything that is non-governmental, many NGOs now prefer the term Private Voluntary Organizations (PVO) or Private Development Organizations (PDO). Different sources refer to these groups with different names, using NGOs, Civil Society Organizations, PVO, Charities, non-profit charities, charitable organizations, third sector organizations, and so on. These groups can encompass a wide variety of groups from corporate-funded think tanks, community groups, grass root activities, development and research organizations, advocacy groups, operational, emergency/ humanitarian relief focused, and so on. While there may be a distinction in specific situations, this section deals with a high level look at these issues, and so these terms may be used interchangeably, and sometimes using NGOs as the umbrella term (World Bank, 1995)

NGOs have a comparative advantage to deliver emergency relief or development services cost-effectively to those most in need. They can reach groups that the government and other agencies cannot, and past development strategies have given NGOs the legitimacy to act on behalf of the poor (Onyango,1999). World Bank (2009) estimates that NGOs contribute about $180 million annually to rural water supply schemes alone. This is three times the volume of loans advanced by the World Bank itself for such schemes.

Registered under the Act of Parliament 1990, the National Council of NGOs (NGO Council) had registered over 5500 national Kenyan NGOs and 500 international NGOs (Ngumuta, 2008). By August 2009, the NGO council had cumulatively registered 6,075 0rganizations (Mostashari, 2005).

1.2 Research Problem

Since the beginning of the global recession and financial crisis in the US and other European countries, specifically by the end of 2009, the global recession and financial crisis had stretched across the world over. A crisis which emerged in developed countries had already spread to the developing world making an impact more and more in both the developed and developing world.

The European sovereign debt crisis is an ongoing financial crisis that has made it difficult or impossible for some countries in the euro area to re-finance their government debt without the assistance of third parties. While sovereign debt has risen substantially in only a few Eurozone countries, it has become a perceived problem for the area as a whole leading to continuous speculation of a possible breakup of the Eurozone. Greece for example is experiencing its worst crisis with huge debts. Debt levels have reached the point where the country was no longer able to repay its loans, and was forced to ask for help from its European partners and the International Monetary Fund (IMF) in the form of massive loan. It is said that Greece For example, Greece owes French banks 41.4bn euros, German banks 15.9bn euros, UK banks 9.4bn euros and US banks 6.2bn euros (BBC business news, June 2012).

Bearing in mind that most of the financing for the NGOs come from the developed world, this has tremendously affected the money they receive. An increasing number of NGOs have found themselves affected by this development and falling resources at a time when many of their citizens faced economic problems due to the recession and nobody is able to forecast what will be the full extent and duration of the crisis.

The global financial crisis did not spare Kenya and its challenges are felt over (Mwega, 2009). He notes that the banking sector was greatly hit by the crisis. For example, he says that the stock market and the agricultural sector were greatly affected. In addition, he affirms that the direct impact on the NGO sector was through the reduction of donor funding and the reduced income that was coming from the diaspora. The global financial and economic crisis has affected African countries and people causing severe social and economic upsets. Growth, macroeconomic stability, employment, and sustainable livelihoods are jeopardized as well as economic and social progress achieved during recent years.

However, study on impact of the GFC in the banking industry revealed that commercial banks managed to weather the storms relatively well. The study indicated that lending to the private sector for example grew by 26.6% during the year to September 2009. Ngowi (2009) findings of the effects of the crisis on the retirement benefit industry in Kenya established that at the beginning of the GFC and trough out the entire first wave and much of the second wave, African countries would be insulated due to limited integration with the in the global economy.

It created problems on the financing side of the NGOs resulting to some actions in order to cope with the budget cuts. For example, reorganization of operations and changes in reporting lines occurred in both international and local NGOs .To the researchers' knowledge, there is no study that has been done on the effects of the GFC on the financing of NGOs in Kenya. It is with this regard that this study seeks to feels the gap of knowledge by establishing the effects of the GFC on the financing of NGOs in Kenya.

Did the GFC have any effect on the financing of NGOs in Kenya?

1.3 Objective of the Study

To investigate the effects of the global financial crisis on financing of NGOs in Kenya.

1.4 Value of the Study

This study was important to the Non-Governmental Organizations in Kenya by providing important information on how to better manage and sustain development during such difficult economic times. It contributes to improving an understanding about coping. The study aims at sharing with NGOs some practical mechanisms to be used towards dealing with future economic crisis.

To Scholars, this study will also benefit the academicians by forming a reference for further research. The findings of the research shall point gaps that the academic community needs to fill in order to attain a desired development since growth and development requires a holistic approach. The study shall stimulate further interests in the area of research especially the NGO financing models.

To the government of Kenya, the study shall provide insight that should guide Government policies development on issues involve the NGOs. The study will guide the national government well as the county governments in policy formulations of national policies and guide in resource allocations as well issues of taxations and identifying challenges that are being fazed by NGOs and how they can be involved to support NGOs.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews major concepts relating to the Global financial crisis and the financing of NGOs used by other scholars. It will involve reviewing literature consists of earlier studies, books, journal articles touching on the subject. The chapter will also look will at the determinants of financing for NGOs and the expected relationship between the GFC and the financing of NGOs in Kenya. The researcher will also provide relations between this study and earlier studies by identifying gaps that other research did not address.

It will therefore look at the undying theories of financial instability and both global and local empirical studies on the effects of the global financial crisis on the financing of NGOs.

2.2 Theoretical review

2.2.1 Theory of Financial Instability

Financial instability hypothesis has both empirical and theoretical aspects (Kiarie, 2010). The readily observable empirical aspect is that, from time to time, capitalists' economies exhibit inflations and debt deflations which seems to have the potential to spin out of control .In such a process, the economic system's reactions to a movement of the economy amplifies the movement. Inflation feeds upon inflation and debt-deflation feeds upon debt-deflation. Government interventions aimed to contain the deterioration seem to have been inept in some of the historical crisis.

Gicheru, (2011) identifies three distinct income-debt relations for economic units, which are labeled as hedge, speculative, and Ponzi finance, can be identified. Hedge financing units are those which can fulfill all the contractual payment obligations by their cash flows: the greater the weight of equity financing in the liability structure, the greater the likelihood that the unit is hedge financing unit. Speculative finance units that can meet their payment commitments on "income account" on their liabilities, even as they cannot repay the principle out of income cash flows. Such units need to "roll over" their liabilities: (e.g. issue new debt to meet commitments on maturity).

Governments with floating debts, corporations with floating issues of commercial paper and banks typically hedge units. For Ponzi units, the cash flows from operations are not sufficient to fulfill either the repayment or principle or the interest due on outstanding debts by their cash flows from operations. Such units can sell assets or borrow.

Gicheru, (2011) affirms that borrowing to pay interest or selling assets to pay interest (and even dividends) on common stock lowers the equity of a unit, even as it increases liabilities and prior commitment of future incomes. A unit that Ponzi finances lowers the margin that it offers the holder of its debts. It can be shown that if hedge financing dominates, then the economy may well be an equilibrium seeking and containing system. In contrast, the greater the weight of speculative and Ponzi finance, the greater the likelihood that the economy is a deviation amplifying system. The first theorem of the financial instability hypothesis is that the economy has financing regimes under which it is stable and financing regimes in which it is unstable.

The second theorem of the financial instability hypothesis is that over periods of prolonged prosperity, the economy transits from financial relations that make for a stable system to financial relations that make for unstable system.

Furthermore, if an economy with a sizeable body of speculative financial units is in an inflationary state, and the authorities' attempts to exorcise inflation by monetary constraint, then speculative units will become Ponzi units and the net worth of previously Ponzi units will quickly evaporate. Consequently, units with cash flows shortfalls will be forced to try to make positions by selling out positions. This is likely to lead to the collapse of asset values. The financial instability hypothesis is a model of the capitalist economy which does rely upon exogenous shocks to generate business cycles of varying severity.

2.2.1 Theory of Financial Instability

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In the skeletal model, with highly simplified consumptions behavior by receivers of profit incomes and wages, in each period aggregate investment. In a more complex structure, aggregate profits equal aggregate investment plus the government deficit. Expectations of profits depends investment: thus, whether or not liabilities are validated depends upon investment. Investment takes place now because businessmen and their bankers expect investment to take place in future. The financial instability hypothesis, therefore, is a theory of the impact of the debt on system behavior and also incorporates the manner in which debt is validated (Hyman, 1992).

In contrast, to the orthodox Quantity Theory of money, the financial instability hypothesis takes banking seriously as a profit seeking activity. Like all entrepreneurs in a capitalist economy, bankers are aware that innovations assure profits. Thus, bankers (using the term generically for all intermediaries in finance), whether they be brokers or dealers, are merchants of debt who strive to innovate in the assets they acquire and the liabilities they market. This innovation character of banking and finance invalidates the fundamental preposition of the orthodox Quality Theory of money to the effect that there is an unchanging "money" item whose velocity of circulation is sufficiently close to being constant: hence, changes in this money's supply have a linear proportional relationship to a well-defined price level. The three distinct income-debt relations for economic units, which are labeled as hedge, speculative, and Ponzi finance, can be identified (Hyman, 1992). Hedge financing units are those which can fulfill all the contractual payment obligations by their cash flows: the greater the weight of equity financing in the liability structure, the greater the likelihood that the unit is hedge financing unit. Speculative finance units that can meet their payment commitments on "income account" on their liabilities, even as they cannot repay the principle out of income cash flows. Such units need to roll over their liabilities e.g. issue new debt to meet commitments on maturity.

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In contrast, the greater the weight of speculative and Ponzi finance, the greater the likelihood that the economy is a deviation amplifying system. The first theorem of the financial instability hypothesis is that the economy has financing regimes under which it is stable, and financing regimes in which it is unstable (Hyman, 1992).

The second theorem of the financial instability hypothesis is that over periods of prolonged prosperity, the economy transits from financial relations that make for a stable system to financial relations that make for unstable system.

In particular, over a protracted period of good times, capitalist economies tend to move from financial structure dominated by hedge finance units to structure in which there is large weight to units engaged in speculative and Ponzi finance (Hyman, 1992). Furthermore, if an economy with a sizeable body of speculative financial units is in an inflationary state, and the authorities' attempts to exorcise inflation by monetary constraint, then speculative units will become Ponzi units and the net worth of previously Ponzi units will quickly evaporate. Consequently, units with cash flows shortfalls will be forced to try to make positions by selling out positions. This is likely to lead to the collapse of asset values. The financial instability hypothesis is a model of the capitalist economy which does rely upon exogenous shocks to generate business cycles of varying severity.

2.2.3 Theory of Financial Intermediation

Kiarie (2010), understanding of the roles played by these intermediaries in the financial sector is found in many and varied models in the area known as intermediation theory. In the traditional Arrow-Debreu model of resource allocation, firms and households interact through markets and financial intermediaries play no role. When markets are perfect and complete, the allocation of resources is Pareto sufficient and there is no scope for intermediaries to improve welfare. Moreover, the Modigliani-Miller theorem applied in this context asserts that financial structure does not bear matter: households can construct portfolios which offset any position taken by intermediary and intermediation cannot create value.

Kiarie (2010) asserts that these theories have built on the models of resource allocation based on perfect and complete markets by suggesting that it is frictions such as transaction costs and asymmetric information that are important in understanding intermediation. First, and that which is used in most studies on financial intermediation, is the informational asymmetries argument. The informational asymmetries generate market imperfections. Many of these imperfections lead to specific forms transactions costs. Financial intermediaries appear to overcome these costs, at least partially.

Second, is the transaction costs approach which in contrast to the first, this approach does not contradict the assumption of complete markets. It is based on non-convexities in transaction technology. Here, the financial intermediaries act as coalitions of individual lenders or borrowers who exploit economies of scale or scope in the transaction technology. The provision of liquidity is a key function for savers and investors and increasingly for corporate customers, whereas the provision of diversification increasingly is being appreciated ion personal and institutional financing.

The third approach is based on the regulation of money production and the saving in the financing of the economy. Regulations affect solvency and liquidity within the financial institutions. The legal based view sees regulations as a crucial factor that shapes the financial economy. Many view financial regulations as something that is completely exogenous to the financial industry. However, the activities of the financial intermediaries inherently “ask for regulation” This is because they, the banks in particular, by the way and art of their activities (i.e qualitative asset transformation), are inherently insolvent and illiquid (Kiarie, 2010)

A traditional critic of these standard market-based theories is that a large number of securities are needed for it to hold except in special cases. However, the development of continuous time techniques for option pricing models and extension of these ideas to generate equilibrium theory have negated this criticism. Dynamic traditional strategies allow markets to be effectively complete even though a limited number of securities exist.

2.2.4 Uncertainty and Herd Behavior Theory

Okeyo (2010) this describes how individuals in a group can act together without planned direction. The term pertains to the behavior of animals in herds, flocks, and schools and human conduct during activities such as marker bubbles and crushes. Large stock markets trends often begin with and end with periods of frenzied buying (bubbles) or selling (crushes). Many observers cite these episodes as clear examples and features of crushes.

Hey and Morone (2004) analyzed a model of herd behavior in a market context. Outcome is that herd behavior if from private information not publicly shared. According to the research, investors acting on private information and the behavior of others may end up choosing the socially undesirable option, which could include panic selling at low prices and this, destroys the financial market.

2.2.5 Monetary Theory and Stock Market Volatility Theory

This theory states that a chain leading to a crisis is typically thought to start when some event causes agents to demand liquidity in excess of their normal cash flows wit pressure from depositors on illiquidity local banks.

Banks withdraw from the reserves with Central bank to be able to pay the banks. Central bank then liquidates assets and borrows from abroad leading to banks selling their able securities at a loss leading to acute financial stringency in the money market which often degenerates into a financial crisis (Okeyo, 2010).

Stock market volatility theory suggests a connection between the stock market volatility and crisis where stock markets crushes precede and include banking panics and recessions. The line of argument is that because of the bubble volatility in the stock market is higher than normal and the demand for credit to finance, stocks speculation soars, pushing short term interest rates up. Stock speculation is unrelated to fundamentals and builds its momentum to the steady rise of stock prices. When the bubble bursts, the insolvency of those banks that finance public speculation becomes publicly knowledgeable (Okeyo, 2010).

The GFC is one of the key variables that can be used in the determination of financing for the NGOs in Kenya today. It greatly affected the ability of donor organizations, and individuals, as well as allocation amount. Other determinants of financing include the need by the target population based on occurrences such as drought, floods, high poverty levels, and disease outbreaks among others. Government policies on the operations of

NGOs inform of laws that discourage operations of NGO. Other factors include donor countries; donor agency's interests in particular areas or countries. Most of the empirical analyses of aid patterns conducted in the last 30 years have concluded that bilateral donors distribute aid mainly to former colonies, to countries with which they have economic ties, or to political partners (Alesina and Dollar,2000). Multilateral aid seems to give more weight to the needs of recipients, but it is not immune from political considerations.

Ho (2008) indicates that due to the GFC, there is a virtual setback in donor resources. He acknowledges that nearly every organization funding stands at less value today than it did, and some considerably so. In addition, he notes that NGOs work will be dramatically reduced hence direct consequence of job losses and the collapse of firms that make up a major pool of contributors towards NGOs activities. For example, in the US where most of the funding for the NGOs in Kenya comes from, the number of donors already fell by an average of 3.8% in the first half of 2008 from 2007 he states. He further notes from a survey of 439 of the richest families undertaken in 2007 by the wealth research firm Prince and Associates that 73% of respondents said they already felt a significant adverse impact from the current economic environment while 51% said they planned to contribute less in charity. Job losses, inflation and steep prices are certain to influence against charity work. This is because people first prioritize to meet their own needs and bills and then make charitable gifts to organizations (Ho, 2008).

The global financial crisis is therefore seen to have resulted to budget constraints by most development partners and donor countries and organizations. They have therefore reduced their financing for NGOs across the world.

2.3 Determinants of Financing of NGOs

2.3.1 Legal and institutional framework

To a greater extent, law lags behind the increased diversity of NGOs. This raises a problem due to the negative attitude of the law towards the control and management of NGOs. Restricting laws relating to political activism, fund raising, and the general absence of law in certain areas (Kameri, 2000)

2.3.2 Financial Governance and accountability

Public contributed funds require rigorous accountability to protect both the donor and the recipient. At times however costs effectiveness is not prioritized in NGOs. This may be in the areas of having too large staff and very high salaries. Failure to be accountable to the various stakeholders may lead to funding cuts or even withdrawal of funding by the donors (Kameri, 2000).

2.3.3 Financial management training

With changing social systems and an exploding population; humanity's problems are becoming more complex. This has increased the requirement of people with special skills combined with a genuine concern for society. Management with significant interest and experience in financial management helps to guide operations as well as focus on fund raising and social responsibility.

2.4 Empirical Evidence of the Global Financial Crisis

Mukanga (2011) carried out a study to establish the sustainability strategies adopted by international NGOs based in Kenya and to determine the challenges in running international NGOs in Kenya. Data was collected by use of a questionnaire that was completed by senior management. There were 121 international NGOs operating in Nairobi as per the NGO coordination Board (2009). This was stratified into 12 categories to represent 12 sectors of the Economy in which the NGOs operated. One third of each stratum was selected through simple sampling to obtain a fair representation of each group therefore leading to 40 the number of international NGOs selected to represent the population.

Organizations must have relationships with donors by engaging with practices such as improving donor reporting and complying with donor requirements. This guarantees donor support and ensure that there is funding is sufficient and reliable Mukanga, (2011). The study only focused on the international NGOs with operations in Nairobi and did not focus as to whether the challenges experienced by these organizations may have resulted to external factors such as the Global financial Crisis that was being experienced during the time of the study.

The global financial crisis have had many far reaching direct and indirect and short term and long term consequence across the globe. However, given the source and nature of the crisis, the developed nations were the ones which were affected first and more severely. The developing countries were only affected by the affected by the aftershocks (Kiptoo, 2000).

Ngowi (2009) reports that has been wrongly argued and expected that Africa's generally weak integration with the rest of the global economy meant that many of its countries would not be affected by the crisis, at least not initially. The situation in Africa showed that the continent was affected by the crisis and proves the schools of thought excluding Africa from suffering from the crisis wrong. For example concluded that the tourism industry and the financial service sectors were the most affected in Kenya by the crisis. The findings also indicate that Africa did not feel the effect of the crisis at first but the effects were felt later.

A number of publications exist on the impacts of the crisis in Africa. These includes but are not limited to Kiptoo (2009) on the potential impacts of the global financial crisis on African economies, International Monetary Fund-IMF, (2009) on the impacts of the global financial crisis on Africa, Okeyo (2010) on the impact of the 2007-2008 global financial crisis on the performance of commercial banks in Kenya.

During the 2008-2009 Global Financial Crisis, SMEs in Kenya applied different methods to ride out of the storm (Kiarie, 2010). He further notes that the main underlying reason was to achieve short term survival and avoid overhanging threat of bankruptcy. Some of the measures used included lying off staff and postponing investments.

In the year 2008, Kenyan banks' profitability substantially declined Mwega, (2008). In the capital market, by 2009 the Nairobi stock Exchange (NSE) 20-Share fallen to a near seven year low. It improved between March and June 2009, slumped in July- September of the same year and increased marginally by 5% between end- September 2009 as investors focused their portfolio on the bond market. Data on foreign direct investment

(FDI) showed a substantial decline in 2008 to a more normal level (50 million) following an upsurge in 2007 (Mwega, 2008).

Gicheru, (2010) notes that the tourism and financial service sectors were the most affected by the crisis as these two sectors came out among the most affected ones with number one being synonymous with the highest effect felt. The financial crisis affected banks directly in some ways but in many instances, they were affected indirectly.

Africa did not feel the crisis at first but the effect was felt later after the crisis had manifested in the developed economies.

The crisis resulted to a slowing growth of humanitarian activities. Teka and Magezi (2008) indicates that fundraising experts of the world's top NGOs such as Oxfam Great Britain, Save the Children-UK and World Vision of the USA stated that programme growth slowed as a result of the squeeze. He indicates that another occurrence is virtual setbacks in donor resources. He acknowledges that nearly every organization funding experienced a decline. In addition, he notes that NGOs work will be dramatically reduced hence direct consequence of job losses and the collapse of firms that make up a major pool of contributors towards NGOs activities.

For example, in the US, the number of donors already fell by an average of 3.8% in the first half of 2008 from 2007 (Teka and Magezi, 2008). He further notes from a survey of 439 of the richest families undertaken in 2007 by the wealth research firm Prince and Associates that 73% of respondents said they already felt a significant adverse impact from the current economic environment while 51% said they planned to contribute less in charity.

Job losses, inflation and steep prices are certain to influence against charity work. This is because people first prioritized to many other research works exist on country-specific issues on the crisis. No study has been done on the effects of the GFC on the financing of NGOs in Kenya.

2.5 Summary of Literature Review

It can be said that the crisis is real and relevant for Africa contrary to prior views. The continent has already felt the impacts of the crisis in its economies in general. Past studies related to this work have either focused on others areas such as Mwega, (2009). Maria, (2010) and Ogutu, (2011) or were theoretical papers which were not based on empirical evidence as the case of this study. Teka, and Magezi (2008) study was done in the height of the global financial crisis and effects had not much manifested themselves or were done in a different country.

Information to be sought by this study will be on the effect of global economic crises on the financing of non-governmental organizations in Kenya. This will include establishing how the NGOs in Kenya prepared, dealt and are seeing themselves through the crisis. The study therefore seeks to add new knowledge based on the current prevailing circumstances in Kenya and will be useful in informing policy and in practice since it gives empirical findings on coping mechanism of the NGOs in Kenya.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the overall methodology used in this study. This includes the research design, population of the study, sample size, data collection methods and data analysis and presentation.

3.2 Research Design

The study used descriptive trend analysis methodology. In this study, financing received by the selected NGOs from various sources was analyzed across time. This type if found to be more suitable because it is concerned with measurements of the same variables across all respondents in the NGOs in Kenya. The study was aimed at finding out if there were any changes before, during and after the financial crisis of 2007/2008.

This method is intended to access to the widest possible amount of data on financing received from the targeted NGOs. A research can employ survey design to measure variables or test hypothesis using many data collection instruments' to get a feel of a population or industry (Gicheru 2011).

This methodology provided an added cost benefit of overcoming the deficiencies that could have resulted from employing constructed design case study which has generalized challenges. This design was adopted since the study required data from different NGOs in order to have more encompassing feel of the effects of the global financial crisis on the financing of NGOs.

3.3 Population

The population in statistics is the specific population about which information is desired. A population is a well-defined set of people, services elements, and events, groups, of things or households that are being investigated. The target population of study consisted of 6,800 registered Non-governmental organizations according to the NGO directory (2010). Out of these, 596 are based in Nairobi.

3.4 Sample Size

Out of the targeted 596 NGOs in Nairobi, 10 per cent of the population was studied which was 60. This representative sample of 60 NGOs was considered a fair representation. A sample of between 10% and 20% of the target population is representative enough. Gay and Airasian (2003). Nairobi was selected since it is the center for NGO activities and due to the fact that most NGOs have their head offices in Nairobi. The sampled NGOs were also engaged in different programs across the country, both national and international.

3.5 Sampling Selection Procedure

A stratified random sampling procedure was used to identify the sample.

3.6 Data Collection Method

Data will be both qualitative and quantitative in nature. Qualitative data was presented through semi structured interviews with the selected respondents. This data was manipulated through thematic summary analysis that depicts what the main theme and direction of response.

Therefore semi structured questionnaires were used to gather primary data from managers and employees of the targeted NGOs. The target individuals filled out the questionnaires were those responsible for the organization fund raising roles and financial management and also senior management. The first part of the questionnaire collected background information from respondents. The second part was intended to determine the effects of the global financial crisis on the financing of NGOs in Kenya.

The questionnaire had an open and closed ended questions measured on a scale of 1 to 5 Likert scale where 1=no effect, 2= to a small extent, 3= to a medium extent, 4= to a large extent and 5 to a very large extent. There were also numerous open ended questions that sought further explanations from the respondents as well as figures to establish the trend of funding received. This procedure improved internal and external validity and the context realism thereby reducing the risk of false conclusions.

3.7 Data Analysis

Before the study was carried out, a sample of 4 responses were collected for testing the reliability of the survey instrument. The method for testing reliability was Cronbach's Alpha reliability coefficient test. The decision to accept Likert scale of measures in the instrument was arrived at using the guide of (George and Mallery, 2003).

The scale will be :C>.9- Excellent, C>.8-Good, C>7-Acceptable, C>.6-Questionable, C>.5- Poor, and C<.5-Unnacceptable.

Where C is the value of Chronbach's Alpha Coefficient.

Cronbach's alpha reliability coefficient normally ranges between 0 and 1. However, there is usually no lower limit in coefficient. The closer Cronbach;s alpha coefficient is one, the greater the internal consistency of the items in scale. Cronbach's Alpha for this study's data collection instrument is approximately 0.8.

Bailey (1984) defined data analysis as the process of packaging collected information, evaluating it, putting it in order and structuring its components in a way that findings can be easily and effectively communicated. In data analysis, the data will be edited, coded, tabulated and interpreted to check for clarity, completion and consistency of the information in relation to the research objectives.

The analysis of the quantitative data was carried out using SPSS Version 19 and presented in tables, linear graphs and charts, percentages, proportions, mean scores and standard deviation. As simple regression analysis was applied to determine the statistical relationship between financing of NGOs and the Global Financial Crisis. The least square method was used to find the estimated regression equation of best fit.

The study used regression analysis to establish the effect of global financial crises (financial policies and legal framework, governance and accountability, financial management training and effects of global financial) on the financing of NGOs. The general form of the model was:

$$Y = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where:

Global Financial Crises (0, 1) - Is the independent variable, 1 is for financial crises and 0 otherwise.

Y	-	Financing of NGOs
α_0	-	Is the constant
X_1	-	Legal framework and policies
X_2	-	Governance and Accountability
X_3	-	Financial Management Training
X_4	-	Effects global financial crises
β_1, β_2, β_3&β_4	-	Coefficients
ε	-	Is the residual error

A t – test at 95% confidence level was used to determine the statistical significance of the constant term, α_0 and the coefficient terms β_1, β_2, β_3&β_4. The F- test was used to determine whether the regression is of statistical importance at 95% confidence level.

CHAPTER FOUR: DATA ANALYSIS AND PRESENTATIONS

4.1 Introduction

The previous chapter focused on research methodology. This chapter focuses on data analysis and presentation of the findings of the data collected using questionnaires. The chapter started with the analysis of the questionnaire return rate and then the analysis of the demographic data of the respondents. The study shall then analyze the themes that attempted to answer research questions in relation to effects of global financial crises on the financing of NGOs. The findings of the research study shall be presented in figures, pie charts and tables to give relevant meaning to the findings.

4.2 Response Rate

Questionnaire return rate is the proportion of the sample that participated in the study as intended in all research procedures. The questionnaires were administered to a sample of all the 60 managers from the 60 NGOs. The respondents filled in the questionnaires and the questionnaire return rate is presented in Figure 4.1. According to the results, out of a sample of 60 managers, 51 respondents returned the questionnaires making 85% return rate which was satisfactory and a fair representation of the target population (Kothari, 1999).

4.3 Data Validity

Data was collected through questionnaires therefore increasing the likelihood that the questionnaire could have been misunderstood. To counter this, a pretest was carried out. To ensure content validity and that the questionnaire provided adequate coverage of a topic of research, an expert opinion will be sought to verify the validity of the content.

4.4 Descriptive Statistics

The study sought to establish the effect financial management training had on the financing of NGOs. This was measured on a five point likert scale of 1 – 5 where respondents were required to indicate the level of agreement with the various statements on the effect of financial management training on financing NGOs. The range was from 'strongly disagree,' (1), to 'strongly agree' (5). The results showed positive standard deviations.

Table 4.1: Descriptive Statistics

	Maximum	Minimum	Median	Mean	Std. Dev.
Legal framework and policies	4	1	2	3.53	1.138
Governance and accountability	5	2	3	3.67	1.052
Financial management training and experience	5	1	3	3.22	1.083
Effects global financial crises	5	1	3	2.82	1.144

4.5 Correlation Analysis

Correlation analysis was used to establish the association between variables and multiple regression analysis was used to estimate the predictive effect of legal framework, governance and accountability and financial management training on global financial crises. Inferential statistics namely Pearson's product moment correlation analysis was employed for the study variables.

Pearson's product moment correlation tests were chosen in order to assess whether there is relationship between study variables. The results of correlation are presented in Table 4.2

Table 4.2 Pearson's Moment Correlation

	Legal framework	Management training & Experience	Governance and accountability	Global Financial crisis
Legal framework	1			
Management training and experience	.524*	1		
Governance and accountability	.607*	.536*	1	
Global Financial crisis	.118*	.104*	.138*	1

The results of the correlation analysis revealed that Legal framework is positively related to the management training with a Pearson's Correlation Coefficient of r = 0.524 and at level of significance of 0.039, this is confirmed by a high score of mean of 4.44 The results also show that there is a strong positive relationship management training and governance and accountability with a Pearson's Correlation Coefficient of r = 0.536 and a level of significance of 0.029 hence statistically significant. This is confirmed by the high mean score (3.04) which means that respondents strongly agreed that there was relationships between the variables. The study results revealed that there is a strong positive relationship between legal framework and governance with a Pearson's Correlation Coefficient of r = 0.607 and 0.045 level of significance. The mean score of

3.33 is an indication that the respondents agreed that the relationship between the variables was positive. The results of the significance values indicates that the probability of the correlation being a fluke is very low; hence the study can have confidence that the relationship between the variables is genuine.

4.6 Regression Analysis and Hypothesis Testing

In this section the study presents the regression results. Regressions were to determine the relationship between legal framework, governance and accountability, financial management training, effects of global financial crises. The model is represented by:

Financing of NGOs = $\beta_0 + \beta_1 X_1 + \beta_{22} + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$

Table 4.3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.553[a]	.306	.245	.236

a. Predictors: (Constant), Global financial crises disrupted programs, Training on financial management crises organized by organization, Availability of legal framework to sustain financial crises, Extent of adherence to Governance and accountability

The Adjusted R Squared show that the independence variables; Global financial crises disrupted programs, Training on financial management crises organized by organization, Availability of legal framework to sustain financial crises, Extent of adherence to Governance and accountability explain 24.5% of the variance in the financing of NGOs.

The results suggest that only a few variables in this model are significant predictors of financing of NGOs (at the 95 percent confidence level).

Table 4.4: ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.127	4	.282	5.065	.002[a]
	Residual	2.559	46	.056		
	Total	3.686	50			

a. Predictors: (Constant), Training on financial management organization by organization, Availability of legal framework to sustain financial crises, Extent of adherence to Governance and accountability

b. Dependent Variable: Financing of NGOs

The regression results show that the significance value (*p-value*) of F statistics is less than 0.05 (it is actually 0.002). This implies that the independent variables (legal framework and policy, governance and accountability, financial management training and global financial crises disrupted programs) do explain the variation in the dependent variable (financing of NGOs). Therefore the model is significant.

Table 4.5: Regression Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.682	0.306		5.492	0
Legal framework and policies	-0.003	0.059	-0.009	-0.049	0.961
Governance and accountability	0.061	0.045	0.249	1.358	0.048
Experience and training in Financial Management	0.014	0.034	0.06	0.418	0.036
Global Financial Crisis	0.118	0.104	0.138	1.131	0.022

Dependent variable: Financing of Non-Governmental Organizations

Using the values of the coefficients (β) from the regression coefficient table 4.4, the established regression equation takes the form of:

Financing of NGOs = $1.682 + -0.003X_1 + 0.061X_2 + 0.014X_{3+}\ 0.118X_4$

4.7 Discussion of Research Findings

The results show that availability of legal framework to sustain financial crises results into a -0.003 change in financing of NGOs The study shows that three of the independent variables have positive relationship with the dependent variable (financing of NGOs). There is no significant relationship between legal and policy framework and the financing of NGOs in Kenya. The level significantly affected by legal and policy framework. During the period of the Global financial crisis, changes in legal framework did not affect the financing of NGOs in Kenya. This implies that NGOs financing are not affected by legal and policy framework of the Kenyan Government and also stringent donor requirements. Whenever there are changes in legal and policy framework NGOs will adopt and this will not significantly affect their level of financing.

The findings further show that governance and accountability results into a 0.061 change in financing of NGOs. This shows that governance and accountability had a huge factor in attracting finances from the various donors. Governance and accountability meant that the donor resources were more safeguarded and therefore went to the intended beneficiaries. There was an assurance of a reduced likelihood of wastage resources of do by the NGOs.

The results again showed that management training, and experience on financial management organized by organization results to 0.014 changes in financing NGOs. This implied that the more trained and experienced the senior management was of financial management, the more the NGOs received financing. This is because training and experience on financial management meant that the NGOs the correct management style in the usage of the donor resources. This meant for more confidence from the donors as compared to less experienced and trained senior managers on financial management.

The Global Financial Crises disruption of programs causes a change of 0.118 in the financing of NGOs. The study indicates that there is a positive relationship between the Global Financial Crisis affected the NGOs ability to attract adequate financing to meet the day to day operational needs. This meant that NGOs which were not able to cope, either closed shop or downsized their operations.

The results show that all the variables except one are statistically significant as the p-values are less than 0.05 ($p < 0.05$).The results of the study indicate that governance and accountability, training and experience of management, and the global financial crisis have a positive relationship with the financing of NGOs. The findings agree with those of other scholars. Mwega (2009) noted that the global financial crisis did not spare Kenya and its challenges are felt over. He affirms that the direct impact on the NGO sector was through the reduction of donor funding and the reduced income that was coming from the diaspora.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the data findings on the effects of the global financial crisis on financing of non-governmental organizations in Kenya, the conclusions and recommendations are drawn thereof. The chapter is therefore structured into summary of findings, conclusions, recommendations and area for further research.

5.2 Summary of the Findings

The study sought to establish whether there were legal framework and policies that could help sustain the operation of NGOs during financial crises. The study indicated that there were new policies that they impacted on the NGOs ability to raise resources during financial crises. There was also an increase in registration of the number of NGOs operating in Kenya. This therefore increased the level of competition for the available funding opportunities.

The study sought to determine the extent of adherence to governance and accountability to the satisfaction of donors mostly during the period of financial crises. The results showed that to large extent governance and accountability had a hug role in determining whether NGOs were affected during the period of the Global Financial Crises hence remained operational.

The study also sought to determine as to what extent the senior management training skills and experience may have influenced on the NGOs financing abilities during the period of the Global Financial Crisis. The study indicated that this had a positive influence. Managers training skills and experience enhanced managerial financial skills and knowledge on operations during financial crises hence assisted managers to make the correct decisions including restructuring and downsizing.

The study sought to establish the effects of global financial crises on the financing of NGOs. The study indicated that to a large extent the global financial crisis had an impact on the NGOs level of funding. The study indicated that to a large extent the Global Financial Crisis agreed that global financial crises disrupted their programs, organization embraced staff downsizing, withdraw in financial support from donors, and reduced funding The study also revealed that donors come up with more stringent rules on the use of their funds and this resulted to NGOs initiating new strategic measures to cope up with financial.

5.3 Conclusions

The study sought to establish whether there were legal framework and policies that could help sustain the operation of NGOs during financial crises. Due to availability of policies and legal from the frameworks (NGO Coordination Acts) that were favorable during financial crisis, this indeed would have cautioned NGOs from the effects of the Global Financial Crisis. During the period of the Global Financial Crisis, there was an increase in the number of NGOs in Kenya. This meant that there was more competition for funding and increase in scope of the NGOs work.

The study concludes that financing of Non-Governmental Organizations in Kenya was influenced several factors. These includes: legal and policy framework policies, NGOs Governance and Accountability, legal framework and the Global Financial Crisis.

All these factors had a positive relationship with the level of funding for the NGOs in Kenya. Due to availability of policies and legal from the frameworks that were favorable during financial crisis, this indeed would have cautioned NGOs from the effects of the Global Financial Crisis.

The study also concludes that governance and accountability had a positive influence on funding. Most NGOs in Kenya had established proper governance and accountability structures. Some of the governance measures employed by the senior management of NGOs in Kenya included sending some employees on unpaid leave, downsizing staff, financing only urgent programs and resorting to unpaid work done on overtime/voluntarism. These measures ensured that the NGOs remained operational despite experiencing funding difficulties.

The study concludes that the Global Financial Crisis had a negative effect on the financing of NGOs in Kenya. To cope with this, NGOs employed new mechanism to sustain funding.

5.4 Recommendations

The study established that NGOs in Kenya can benefit in terms of cushioning themselves in the event of such a crisis occurring in the future. Organizations need to focus on diversifying their sources of funding by finding creative ways of making their funds productive, and of generating extra funds. This would act as a booster to the organizations operations during crisis times.

Similarly, NGOs need to find creative and innovative ways of not only surviving the times but also even potentially seizing them as an opportunity to stand up and make a significant difference. The study established that there were indeed available and favorable legal frameworks and policies for NGOs. The study therefore recommends that all NGOs should fully implement the existing policies to remain operational despite the financial constraints. The study established that most NGOs adhere to governance and accountability mostly during financial crises. The study therefore recommends that NGOs should always embrace governance and accountability not only during financial crises.

The study further established that most managers have undergone financial crises management training. The study therefore recommends that all NGOs management team should undergo relevant training to acquire appropriate skills on financial management. The study therefore recommends that NGOs should resort to temporal slimming of employees and most probably acquire funds from more than one financier to enable continuity in operation during financial crises.

5.5 Limitations of the Study

Most of the Non-Governmental Organizations work under some form of confidentiality regarding access to some financial information and pertaining to the study variables. Due to the limit of time and financial constraint, it was not possible to carry out a comprehensive research pertaining to the scope of the study. Some of the senior managers who were targeted by the questionnaire requested that they remain anonymous for the purpose of this study.

The study was delimited to the NGOs with operations and offices in Nairobi and not the entire country. This is because the highest number of NGOs headquarters are located in Nairobi and have their branches across the country which was thought will give a true reflection of the subject under study. Collection of data across the country was constrained by limited financial resources.

The study focused on the period the crisis is believed to have been observed that is between years 2007 – 2009. The study relied on responses from selected senior managers in Nairobi. Senior managers were included in the study because they were thought to have the relevant information that was sought since they head and oversee various projects that receive funding from donors.

5.6 Suggestion for Further Research

This study investigated on the effects of the global financial crisis on financing of non-governmental organizations in Kenya. The study suggests that further research be done on impact of financial crisis on the international organization performance and what this has meant for the existing as well as new NGOs in Kenya.

The study also suggests that further study on challenges facing organizations during financial crises in order to give reliable results that reflect real situation on the ground. The study suggest for a further reading on whether the Global Financial Crisis affected all the sources of funding for the NGOs in Kenya and what NGOs opted to as a result.

There is also need for further research on the impact of government and donor policies and regulations on the financing of NGOs in Kenya.

Since this study selected only a few variables in the model, it is important that further studies be done on this area by expanding the number of variables for purposes of constructing a model that can better explain the relationship between all the factors that influenced financing of NGOs during period of global financial crisis.

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APPENDICES

Appendix I: Introduction Letter

Preamble

Dear Respondent

You are hereby requested to participate in giving your opinions on questions posed here in in regard to the impact of the global financial crisis on the financing (access to funding) by NGOs in Kenya.

The adjective is to get a first-hand insight of global financial crisis and to investigate whether NGO in Kenya have been resilient or proactive in view of curbing the adverse effects of the global financial crisis. I would therefore be grateful if you could spare some of your valuable time to fill in the questionnaire.

The information given will be kept secret and used only for the purpose of this study and no personal identification is required. However, the findings of this study can be availed to upon request on completion of this project.

I remain at your disposal for any information or clarification on any of the questions though my number 0736 493 107 or e mail nguyongunjiri@gmail.com. I thank you in advance for your cooperation and participation.

Thank you so much for your time,
Yours Faithfully,

Robert Nguyo

Appendix II: Questionnaire for Ngo Managers

The purpose of this questionnaire is to establish the effect of financial global crises on the financing of NGOs in Kenya. Please read the questionnaire carefully and respond to each question as required. The information gathered will be used for this research purpose only.

SECTION A: DEMOGRAPHIC INFORMATION

Please tick ( ) or fill in your responses in the spaces provided.

1. What is your gender? i) Male ( ) ii) Female ( )

2. Indicate your age: i) Over 50 years ( ) ii) 40-49 years ( ) iii) 30-39years ( ) iv) Below 30 years ( )

3. For how long have you been an employee for the NGO? (i) Below 2 years [ ] (ii) 2-6 years [ ] (iii) 7-10 years [ ] (iv) 11-15 [ ] (v) Over 15 years [ ]

4. What is your academic qualification? (i) Certificate [ ] (ii) Diploma [ ]

(iii) Undergraduate [ ] (iv) Post- graduate [ ]

SECTION B: LEGAL FRAMEWORK AND POLICIES ON FINANCING NGOS.

5. Are there available legal frameworks/policies that could help in the regulation of your operations when faced with financial crises? (i) Yes [ ] (ii) No [ ]

b) if yes above, kindly mention some____

6. Are the legal and regulatory frameworks favorable during financial crises?

(i) Yes { }

(ii) No { }

b) If no, kindly provide reason (s)____

____

7. Which are the major sources of funding for your organization? (i) Foundations (both private and public) [ ] (ii) IMF [ ] (iii) International NGOs [ ] (iv) Individual and Corporate Donations (v) World Bank

8. With the persistent global financial crises do you still access sufficient financial funding from the donors? (i) Yes [ ] (ii) No [ ]

9. Please highlight some key areas in the existing policies that needs to be effected in order to sustain financial crises____

____

SECTION C: GOVERNANCE AND ACCOUNTABILITY ON FINANCING OF NGOs

10. To what extent do you adhere to governance and accountability to the satisfaction of donors even during the period of financial crises? (i) No extent [ ] (ii) Small extent [ ] (iii) Moderate extent [ ] (iv) Large extent [ ] (v) Very large extent [ ]

11. Are you satisfied with the governance and accountability at the NGOs to the satisfaction of donors? (i) Yes { } (ii) No { }

12. Are there strategic measures put in place by the relevant governing bodies to enable effective financial accountability in the NGOs to enable continued financing despite the financial crises? (i) Yes { } (ii) No { }

13. To what extent has the continuing global financial crises disrupted or affected your operations?

(i) No extent [ ] (ii) Small extent [ ] (iii) Moderate extent (iv) Large extent (v) Very large extent

Please give some challenges facing NGOs in relation to governance and accountability.

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SECTION D: MANAGEMENT TRAINING ON THE FINANCING OF NGOs

14. State the extent to which you agree with the following statements with regard to management training in the organization on a five point likert scale where 1 means

Strongly disagree, 2 means Disagree, 3 means Neutral, 4 means Agree and 5 Strongly agree.

	1	2	3	4	5
I have received training on financial management organized by my organization					
I have been trained to enhance my managerial skills on operationalization					
Management training has enhanced my effectiveness and competitiveness during financial crises					
My satisfaction with the job is attributed to the financial management training I received					
I often attend trainings organized by the organization on financial crises management					

15. State the extent to which you agree with the following statements with regard to effect of global financial on the funding of NGOs on a five point likert scale where 1 mean Strongly disagree, 2 means Disagree, 3 means Neutral, 4 means Agree and 5 Strongly agree.

	1	2	3	4	5
Global financial crises disrupted programs					
We downsize our staff when faced with financial crises					
Salaries are decreased as a result of financial crises					

Financiers withdraw from funding during crises fearing loss of their funds					
Financiers reduces funding as result of financial crises					
Our contributions to charities, self-help groups stopped or reduced in order survive					
During financial crises, the competition or scramble for funding by NGOs increases					
During financial crises, donors adjust requirements and regulation for their funds as security measures for funds					
NGOs initiates new strategies to cope up with the financial challenges					

16. What are the available strategies that could help you cope up with the present Global financial crises? ____

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