INCOME GENERATING STRATEGIES AND FINANCIAL SUSTAINABILITY OF NON GOVERNMENTAL REGISTERED ORGANISATIONS IN NAIROBI CITY COUNTY, KENYA

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A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF DEGREE IN MASTER OF BUSINESS ADMINISTRATION (FINANCE) OF KENYATTA UNIVERSITY

NOVEMBER 2017
DECLARATION

I declare that this is my original work. This work has not been presented for award of degree in this university or any other institution.

Sign……………………………………. Date……………………………………

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

Sign……………………………………. Date……………………………………

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DEDICATION

I dedicate this research project to my parents, brothers and my dear friends—May God bless you
ACKNOWLEDGEMENTS

I thank the Almighty God for the good health and provision as I undertook my studies at Kenyatta University. Special thanks go to my supervisor Dr. James Kilika and other lecturers in the Department of Business Administration and School of Business at the University for their wise counsel and guidance as I developed every aspect of this proposal. They were very instrumental in providing insight into the key areas of the study and spent considerable time to correct and shape my document. I thank my family indeed for being a part of me as I struggled to come this far. They not only provided the financial support, but also conducive atmosphere for work within and outside the home. To my parents, brothers and friends Violet, Kibet, Beda and Lilian thanks a lot for your support. To those not mentioned by name, accept appreciation and gratitude.
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ACRONYMS AND ABBREVIATIONS

SPSS  Statistical Package for Social Sciences

NGO  Non-governmental Organizations

PRUS  Poverty Research Unit at Sussex

CRDA  Community Revitalization through Democratic Action Program

RBV  Resource based View
OPERATIONAL DEFINITION OF TERMS

Cost recoveries: These are plans that set out the funding need for an organization, project or event, alongside the identified actions, timescales and possible funding resources to meet this need.

Financial Sustainability: It is the ability of an NGO to develop a diverse resources base so that it could continue its institutional structure and production of benefits for intended beneficiaries after the cessation of donor financial support after the cessation of donor financial support (Renz, David and associates, 2010).

Fundraising strategies: Fund raising refers to requesting donations from those individuals, corporations, or agencies willing to make contributions in support of the institutional development of the organization.

Income diversification strategies: are a multi-sector strategy that invests across a broad spectrum of credit market sectors including investment grade and high yield, and emerging market debt among NGOs.

Income Generating Strategies: these are activities aimed at pursuing increased revenue income, in real cash terms, to any organization. Income Generation is a critical activity for the organization if it is to be financially viable in the future.

Income: Financial resources of a firm, such as cash in hand, bank balance, accounts receivable. Change in these resources is reflected in the firm's financial position (Boas, 2012).

Indirect Costs: All expenses that are not directly and exclusively related to the project.

Non-Governmental Organizations (NGO): They are private voluntary grouping of individuals or associations not operated for profit or for other commercial purposes but have organized themselves nationally or internationally for the benefit of the public at large and for the promotion of industry and supply of amenities and services (NGO Coordination Act of 1990, Laws of Kenya).
ABSTRACT

With Donor funding diminishing or diverted to other needy projects, humanitarian organizations are deepening forays into commerce as they race to reduce over reliance on dwindling inflows. This study focuses on financial sustainability which is the ability of NGOs to develop a diverse resource base so that it can continue its institutional structure and production of benefits for intended beneficiaries after the cessation of donor financial support. The general objective of this study investigated income generating strategies and financial sustainability among Non-Governmental Organization in Nairobi City County. Specifically, the study investigate the relationship between Fund Raising, income diversification, income generating projects and cost recovery adopted Non-governmental Organizations on Financial Sustainability, a case of Non-governmental Organizations in Nairobi City County. The study was conducted through descriptive study. Theories for anchoring this study are Resource based resource Dependency, Resource Mobilization, Legitimacy theories. The study was important to all managers in the NGO sector it helped them understand the strategic practices and help the NGOs sustain their funds, it enlighten the stakeholders on how to ensure financial sustainability of NGOs and the result of the study was valuable to scholars in forming a basis of further research. Descriptive research design was used and a stratified random sampling technique was used to select 127 respondents from a list of NGOs in Nairobi. The study used both primary and secondary data sources in gathering data for analysis. A questionnaire was used as data collection instrument. Data was analysed using statistical software, Statistical Package for Social Sciences (SPSS). Multiple regression analysis was used to determine the relationship between one dependent variable and one or more independent variables. The study achieved a response rate of 81%. The findings show that 53% of the respondents were male; majority 60% of the survey organizations had been in operation for over 6 years. The findings further shows that funding strategies had a mean of 11.68, income generating project strategies had 9.62 while cost recovery strategy and capacity building had 8.21 and 5.69 respectively. With R Square of 0.589 (58.9%), the model used in this study was fit. In general, the study found that all variables had strong evidence that there is greater association between fundraising and finance sustainability. Most respondents agreed that their sustainability was guaranteed for life as they received substantial grants to support projects. This study recommends that NGOs explore their strategies to ensure sustainability, recognising however, that the need for ongoing fundraising is part of what ensures the creativity and innovation of NGOs, while also being a drain on financial and human resources.
1.1 Background to the Study
Non-governmental Organizations (NGOs) have commonly depended on funding from donor agencies, multilateral lenders, charitable institutions, and government ministries for their own administration and for conducting programs. In the past, these donor NGO relationships generally worked well for non-profit, non-governmental organizations. Non-governmental Organizations (NGOs) have relied on the benevolence, kind-heartedness and generosity of others to cover the costs of their activities through grants, aid donations and contributions (Chakawarika, 2011).

The NGO community and the donor community are susceptible to any number of economic and political pressures occurring everywhere from the organizational level all the way up to macro variations in national and international economies. Donors are subject to funding constraints of their own and are often beholden to boards, larger organizations, government ministries, or even national legislatures that can limit their capacity to fund purely based on the quality of a project or the good record of a grantee. Some donors can fall victim to severely limiting budget constraints that threaten their very existence. NGOs must be aware of these possibilities and diversify their sources of funding accordingly. Annual funding mobilized analysis by UNAids and the Kaiser Family Foundation, released in 2010, showed that funding from 15 of the world’s largest donors dropped by 10% in 2010 for the first time in a decade (Kapyepye, 2013).

In recent years, NGOs have been witnessing a marked decrease in available grants and other funding from both overseas and local donors. Organizations have to assume that this trend will continue and that they must adapt accordingly. Non-governmental Organizations (NGOs) are now adopting management and governance practices from the private sector due to changing patterns of donor funding which promote competition (Alexander & Weiner, 1998). This is important, but governance should also support the organization’s efforts to improve performance (Ogre & Gitoho 2005). Many successful organizations adhere to governance principles and periodically evaluate results to ensure the continuity of
effectiveness of the governance system. Based on their environment, different NGOs adapts a governance system or change as it changes itself towards future opportunities. Transparency, effectiveness and accountability at senior level ensure a good organizational viability. An organization exercises good governance when it has an internal system of checks and balances that ensures the public interest is served. NGO is accountable to its community when it demonstrates regularly that it uses its resources wisely and doesn’t take advantage of its privileges to pursue activities contrary to its nonprofits status. Bryman(2012) noted that when the expenses on core initiatives of NGOs surpass the grants and donations available, they are compelled to reduce either the quality or the quantity of its effort, or to pursue new sources of funds to accommodate the deficit.

Non-governmental Organizations must take into account prevailing trends in development and in public spending when planning for the future. Increasingly, public and Para-governmental organizations in developing and developed countries alike are being transformed into enterprises that must perform in the marketplace. The independence of NGOs can also reduce due to dependence on grants and donations, especially on selecting which program activities to go on board and choosing effective intervention approaches to achieve program goals (Kiondo&Mtatifikolo, 2009). Funding for NGOs is linked to new public spending trends. NGOs either directly receive funding from government ministries and foreign government agencies or receive funding from multilaterals and larger Non-governmental Organizations that are influenced by government spending trends. Either way, they cannot afford to ignore these changes. Nongovernmental organizations have responded with an entrepreneurial spirit, good planning and hard work that have brought them success in their core activities (Barrett, Bezuneh, Clay& Reardon 2000).

1.1.1 Income Generating Strategies
The emergence of income-generating strategies among NGOs has been conceived as an immediate response to the urgent call for financial sustainability to devise and implement resource mobilization and generation schemes that will augment the organization’s resources and fill in the budget gap for any relevant expenditure items that the organization may incur. One of the potential sources of income-generation for financial sustainability, practiced in most organizations is fund-raising. Burlingame (1994) mentions the growing
importance of fund-raising in America which is evidenced by the increasing number of professional positions on resource mobilization staffs as well as development staffs in NGOs and government agencies that are devoted to fund-raising. The fund, which is a major fund-raising vehicle for the organization, allows a donor to sponsor certain activities.

Fundraising events are one of the many ways to genuinely express concern about different social issues. Organizations often participate in, and organize non-profit events for, similar purposes. These not-for-profit events help strengthen the corporate image of the firm and enhance social bonding with the local community. In 2012, charitable fundraising in the USA totaled nearly $8 billion, showing a 2 per cent increase over 2011. Online charity donations increased by 11 per cent, a double-digit increase over the previous year (Blum & Hall, 2013). Major beneficiaries of these fundraising efforts were faith-based organizations, educational institutions, environment or animal welfare, arts and culture, international affairs, health care, human services and society benefits. Charitable giving to educational institutions increased by 1.9 per cent in 2012 as compared to 2011. Even though these numbers portray a positive outlook, historically, charitable fundraising consistently faces many challenges. Among these challenges are global economic recessions and increased competition among fund raisers (Sargent, 1999). Donor attrition is another challenge that affects charitable fundraising negatively (Sargeant&Woodliffe, 2007). Along with these issues, government support has also faded (Hibbert& Horne, 1996).

Partnering or sponsorship helps the fundraiser minimize organizational risk. Many excellent fundraising initiatives never move forward because, the costs involved in set up are too high and the perceived risks are too great. In a fundraising partnership two or more groups or agencies agree to split evenly any costs, work and proceeds evenly. This enables projects by reducing the exposure to loss if the enterprise loses money. Take care when establishing such a relationship. Partnerships in fundraising must be governed by written agreement. Responsibilities must be clearly stated to make certain that each organization’s investment and role is clearly articulated and understood.
Viravaidya and Hayssen (2001) noted that the key to financial security is diversification, which is, holding a mixed portfolio of investments rather than depending on a single investment to meet current and future income needs. This cardinal rule of investing also holds true for NGOs that need a secure flow of income to meet current and future program needs. Kissinger (2011) asserted that diversification is correlated with sustainability because if one aspect of a strategy fails, another can succeed. Income diversification does not refer only to internal income generation, but also to the number of income sources that provide the main funding of the organization. Even if an organization has more than twenty donors, it will remain vulnerable if a large portion of the budget depends on only one of these. Any change in this organization donor’s decision can induce a major crisis. At least 60% of the organization’s overall budget must come from five other different sources (Viravaidya and Hayssen, 2001).

Income-generating project strategy becomes a social enterprise when operated as a business. It applies when the activity was established strategically to create social or economic value for the organization and has a long-term vision and is managed as a going concern. Growth and revenue targets are set for the activity in a business or operational plan. Qualified staffs with business or industry experience manage the activity or provide oversight, as compared to nonprofit program staff. Non-Governmental Organizations that want to start commercial ventures, while avoiding undue risk, should focus on businesses that relate to their core mission and take advantage of their existing skills, staff and facilities. Such ventures are less risky because they can start out small, require little capital investment or other start-up costs, and cause the least disruption to the NGO’s core operations (Navarro-Flores, 2011).

Cost recovery strategy is a means to recuperate all or a percentage of the costs to deliver a nonprofit service or fund a discrete activity related to the organization's mission. For example Special events, conference fees, paid training and fee-for-service. Cost recovery activities are linked to programs; once a program ends, the related cost recovery activities are terminated. Earned Income provides a stream of unrestricted revenue to the organization, generated through activities both related and unrelated to the mission. The Nonprofit organizations achieve its financial sustainability by developing and maintaining strong
stakeholder relationships, including beneficiaries, staff and donors. Also by obtaining a range of types of funding, including unrestricted funds and building financial reserves. In addition it assess and manages its risks and strategically manage and finance its costs (Ngo, & Wahhaj, 2012).

1.1.2. Financial Sustainability

Sustainability implies that society must use no more of a resource than can be regenerated. This can be defined in terms of the carrying capacity of the ecosystem (Hawken, 1993) and described with input-output models of resource consumption. Unsustainable operations can be accommodated for either by developing sustainable operations or by planning for a future lacking in resources currently required. In practice organizations mostly tend to aim towards sustainability by increasing efficiency in the way in which resources are utilized. Sustainability is the core of organizational effectiveness and is connected to all other key components (WCC, 2005). Sustainable strategies must therefore be considered in the areas of strategic direction, spiritual values, moral values, governance, management practices, and human resources, impact of service delivery, financial resources and external relations. Sustainable organizations have been found to have at a minimum: a clear mission and strategic direction, the necessary skills to attract resources from a variety of local and international sources, skills and ability to manage resources effectively and efficiently and any effort at organizational regeneration (Ogara & Gitoho, 2005).

Financial sustainability will be one of the key challenges for NGOs in the next decade, only those institutions that have sound financial structures and stable income flows will be able to fulfill their multiple missions and respond to the current challenges in an increasingly complex and global environment. Indeed, financial sustainability is not an end in itself; it aims to ensure an organization's goals are reached by guaranteeing that the institution produces sufficient income to enable it to invest in its future. While a number of NGO's in Kenya have achieved administrative efficiency and most organizations have major difficulties. Efficiency cannot be guaranteed because of the nature of the NGO’s themselves. Many of them are new, small and without guaranteed future because of decrease in assets of individual donors, together with the proposed regulations to impose new limits on charitable
tax deductions could have a negative impact on future charitable contributions. Mukanga (2011) noted that a sustainable approach to NGO financing is an approach that avoids dependency on any one source of revenue whether external or internal.

The indicators of financial sustainability, is that the organization should ensure that fundraising goals are clearly defined and a plan developed based on its financial strategic plans and responsibilities are shared among several individuals as part of a systematic process (Navarro-Flores, 2011). Organization should also have a broad funding base consisting of at least eight donors’ sources, no one source should contribute more than 25% of the total annual revenues. So that, unrestricted income fund may be spent at the organization’s discretion since this funding may have been earned from sale of products or services, income from a trust fund or provided by donors without specific instructions on how the funds are to be spent and therefore an organization must have previously determined its operations costs that is overhead or indirect costs, or determine that more than 20% of total income is derived from unrestricted sources. Indirect cost recovery rate that is operations costs or overhead has to be calculated by external auditor and included in all grants when donors allow it (AbouAssi, 2013).

1.1.3. NGOs in Kenya
In many developing countries, the role of NGOs has evolved in response to the market gaps left by the government (Gaist, 2009). Impelled by the inadequacies of the state and the market, citizens across the globe have developed NGOs to deal with a diversity of social needs. According to Gotz (2008), the increase in NGOs is one of the most remarkable features of modern-day international politics. While states remain the major, protectors and abusers of human rights, NGOs have materialized as central players in the promotion of human rights around the world. They are identified as crucial role-players in community and people-centered development. Gaist (2009) stated that the NGOs have frequently been regarded as very important for democracy since they have a strong support at grassroots level and their ability to develop and empower poor communities.

Development of Non-governmental Organizations in Kenya goes way back after World War II with the formation of numerous ethnic and regional based associations and groups. Some
were political, some economic while others had a social orientation. The war therefore catalyzed the formulation of indigenous non-profit organizations (NPOs), and also leads to the rise of self-help groups that aimed at fostering the welfare of people affected by the decline in social services due to the war. As at 2014, Kenya’s NGO sector accounted for 5% of the country’s gross domestic product and a big employer (Kenya Bureau of Statistics). Non-Governmental Organization (NGOs) plays very important roles in the society, by supplementing government and foreign missions effort in the provision of services to its citizen.

Non-governmental organizations in Kenya are regulated by The National Council of NGOs, popularly known as the NGO Council. This is a self-regulating, non-partisan body comprising all registered NGOs (Republic of Kenya, 2012). It was established in August 1993 under the Non-governmental Organizations Coordination Act, 1990 as a forum of all voluntary agencies. The NGO Council membership includes international, regional and national NGOs operating in Kenya and working with a host of CBOs and groups. These NGOs are active in a cross section of sectors including: agriculture, water, education, environment, health, human rights, gender and development, children's rights, poverty alleviation, peace, population, training, counseling, small scale enterprises, disability and many others. The NGO Council provides overall leadership to the NGO sector.

While a number of NGO’s in Kenya have achieved administrative efficiency, most have major difficulties. Efficiency cannot be guaranteed because of the nature of the NGO’s themselves. Many of them are small, new and without guaranteed future. This is especially the case with local or national NGO’s that are still struggling to put efficient and effective managements systems for good governance in place and whose survival largely depends on donor funding. The problems of legitimacy are also there, that is where NGO’s may be easily set up. All depends on whether one can write convincingly to donors, such NGO’s are weak and face the risk of lack of continuity. Additionally, Kenya and similar countries are increasingly considered to be too well off to receive international donor funding. Major donors concentrate more on dealing with countries in states of emergency; Kenya will have to deal with continued efforts at social development and poverty eradication more or less alone. In Kenya, NGO’s have also sustainability and replicability challenges in their projects. Abdirizak (2013) asserted that a balance between externally and internally generated
resources is necessary to allow an organization to meet its operating and administrative expenses while maintaining the freedom to determine its program priorities and projects, irrespective of donor preferences

1.2 Statement of the Problem
With Donor funding drying quickly or diverted to other needy disaster prone areas, humanitarian organizations are deepening forays into commerce as they race to reduce over reliance on dwindling inflows, Rawlings, 2010). NGO’s like Kenya Red cross Society having started Boma Hotels and Ambulance services are alternative ways NGO’s are adopting as income generating strategies for financial sustainability. Internationally, Gyamfi (2010) studied the issues and challenges facing financing of local non-governmental organizations in Ghana. The study revealed that local NGOs in Ghana obtained their funding mostly from INGOs (International Non-Governmental Organizations), governments through their embassies and agencies.

Studies have shown that NGOs have encountered challenges arising from donor support which begs the question: How can they sustain the financial support?. This limits the scale of NGOs interventions. Batti (2012) while analyzing challenges facing NGOs in resource mobilization noted that NGOs for a long time and even still rely on donors to sustain their initiatives and programmes through aid, grants and donations. Kiragu and Njue (2013) conducted study on the effects of fund raising among NGOs in Kenya using the case study of African Medical & Research Foundation (AMREF). Despite a growing importance and relevance for financial sustainability and the expanding emphasis in the literature on these activities, certain aspects of the income generating strategies needs further examination (Miranda, Miranda, Tenedero, Tenedero, Fiel-Miranda, Fiel-Miranda, & Celestino, 2016). The income-generating projects of a government academic institution in The Philippines: The case of the University of Eastern Philippines. Asia Pacific Journal of Innovation and Entrepreneurship, 10(1), 5-16. They conclude that income generating project management should develop and implement a reward and incentive program for the staff that will give recognition to those who will have impressive performance in the conduct of business operations.
There has been an enormous growth in the number of NGO’s that are being registered in Kenya. However seventy percent of these NGO’s do not live to celebrate their sixth birthday (NGO Council, 1996) as a result of little or no donor funding since funding has declined consistently at an increasing rate. Despite this problem, no study has been done to establish the causes leading to collapse of these organizations especially on withdrawal of donor funds. The financial management processes of non-governmental organizations are generally dominated by conditions of resource scarcity. Such organizations have limited opportunities for generating additional income, but are faced with an ever increasing agenda of programme and activities on which such funds could be spent (Drucker, 2000). Therefore there is need for more research in this area and hence this study sought to examine income generating strategies and financial sustainability of NGOs in Nairobi County.

1.3. Research Objectives
1.3.1. General Research Objectives
The general objective of this study was to investigate the effect of income generating strategies and financial sustainability among Non-Governmental Organization in Nairobi City County.

1.3.2. Specific Objectives of the Study
i. To establish the effect of fund raising strategy on NGO Financial Sustainability by NGOs in Nairobi County.
ii. To determine the effect of income diversification strategy on NGO financial sustainability by NGOs in Nairobi County.
iii. To assess the effect of income generating project strategy on financial Sustainability among NGOs in Nairobi County.
iv. To examine how recovery cost strategy affects NGO Financial Sustainability by NGOs in Nairobi County.

1.4. Research Questions
i. To what extent does the fund raising strategy affect financial sustainability of NGOs in Nairobi County?
ii. How does income diversification strategy affect NGO Financial Sustainability of NGOs in Nairobi County?
iii. To what extent does income generating project strategy affect financial sustainability of NGO in Nairobi County?

iv. How does cost recovery strategy affect financial sustainability of NGOs in Nairobi County?

1.5. Significance of the Study
The study is important to the NGO sector because they are able understand the strategic practices and how it can help different and diverse NGO’s sustain funding long afterwards. The stakeholders such as the community and other management committees are able to get enlightened on income generating activities that can contribute to financial sustainability of NGOs, so as to make it efficient and effective towards reaching their objectives.

In addition, the findings helps researchers and scholars as it would form a basis of further research. The students and academic would use this study as a basis for discussion on Sustainable funding and strategic processes it calls for. The study is a source of reference material for future researchers on other related topics: it would also help academicians who undertake the same topic in their studies.

1.6. Scope of the Study
There are a variety of NGOs operating in Nairobi ranging from international, regional and national NGOs and they partner with a host of CBOs and other organizations. These NGOs are active in a cross section of sectors including: agriculture, water, education, environment, health, human rights, gender and development, children’s rights, poverty alleviation, peace, population, training, counseling, small scale enterprises, disability and many others. NGOs in Kenya are regulated by the NGO Council which provides overall leadership to the NGO sector. This study investigated income generating strategies and financial sustainability of non-governmental registered organizations for the period 2015-2016.

1.7. Limitation of the Study
This study examined income generating strategies and financial sustainability among Non-Governmental Organization in Nairobi City County. Besides that all efforts and reasonable care will be invested, the researcher encountered hostilities from the respondents who resisted some questions which touched on financial. However, the researcher was able to
explain to the respondents on the nature of the study and confidentiality of their information. As such, the research is likely to take a longer duration before final compilation.

The other challenge that impeded the study was the failure to get permission from the Managers of various NGOs to collect data on the initial day of visit. To lessen the impact of this, the researcher had to seek prior appointment with the managers before the planned day of visit. Additionally, the researcher always presented the University letter of introduction and assures the managers of confidentiality as the study is purely for academic purposes and that no information about their organizations will be leaked to potential competitors. Lack of time by the subjects to fill the questionnaire during the time the researcher visited their premises due to other work related issues, to ameliorate this, the researcher dropped and left the questionnaires with the subjects and picked them after two to three days.

1.8 Organization of the study
This study is divided into five key sections. Chapter one provides a background on the introduction of fundraising strategies in Kenya. It particularly highlights income generating strategies and financial sustainability of non-governmental registered organizations in Nairobi City. The chapter further presents the statement of the problem, research objectives and research questions that the study aims to answer. The significance of the study and definitions of terms as used in the study are indicated in the same chapter.

Chapter Two outlines the various schools of thought that have been brought forward with regard to drivers of performance in hotels. The variables of the study are discussed with reference to studies conducted by other researchers as well as published material on the same. Chapter three outlines the research design and methodology to be used for purposes of completing the study. It also describes in details, the research design, target population, the sample, sampling procedure to be adopted as well as the data collection instruments.

Chapter four contains data analysis, presentation and interpretation of the findings while Chapter five provides the summary of findings, its discussion, conclusions and recommendations.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction
This chapter covers the literature review on income generating strategies and financial sustainability with reference to non-governmental organizations registered and operating within Nairobi County. Specifically, the chapter covered theoretical review, empirical review, conceptual framework and summary of the chapter.

2.2 Theoretical Review
2.2.1 Resource-Based Theory
The currently dominant view of business strategy resource-based theory or resource-based view (RBV) of firms is based on the concept of economic rent and the view of the company as a collection of capabilities. This theory is based on the argument that an organization strategy is founded upon the resources it has. It posits that the resources of an organization provide direction on the industrial boundaries of activities performed by the firm. It provides that the resources and the capabilities that has internally determines the type of long term strategy that will develop. Organizations are likely to perform better than its rivals in the industry if it has sufficient resources and higher capabilities that can place it ahead of its competitors (Grant, 1991).

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

The RBV uses firms’ internal characteristics to explain firms' heterogeneity in strategy and performance. A firm is an organized, unique set of factors known as resources and capabilities, and RBV theory cites two related sources of advantages: resources and capabilities. Resources are a firm's accumulated assets, including anything the firm can use to create, produce, and offer its products to a market. Resources are eligible for legal protection (as such, firms can exercise property rights over them; Amit and Shoemakers, 1993), can operate independently of firm members and can intervene as factors in the production process to convert input into output that satisfies needs (Nyberg, Moliterno, Hale, & Lepak, 2014). Income diversification strategy is derived from resource-based theory. The dependency approach recognized that aid is ineffective in changing recipient’s bad behavior and accused both recipients and donors. Donors’ faults are: giving insufficient amount of aid (big push approach), giving aid to countries lacking good policies and good institutions (aid dependency approach). It appears thus that donors are ignorant for many decades and are not at fault.

2.2.2 Resource Dependence Theory
Resource dependence theory discusses the importance of the actions taken by organizations in forming alliances like, mergers and acquisitions, joint ventures and striving to overcome dependencies and improve an organizational autonomy and legitimacy (Tachizawa, & Yew Wong, 2014). Resource dependence theory is derived fund raising strategy. This theory studies how the external resources of organizations or environmental factors affect the behavior of the organization. The theory therefore, assumes that organizations depend on resources, which ultimately originate from an organization's environment (Tachizawa, & Yew Wong, 2014). To a considerable extent, the environment contains other organizations; the resources one organization needs are often in the hands of other organizations and hence legally independent organizations can depend on each other to acquire such resources. This is the main reason organizations form such alliances as mergers and acquisitions; joint ventures (Gillis, Combs, & Ketchen, 2014). Resource dependence theory has been under
scrutiny in several review and meta-analytic studies: Hillman et al. (2009); Davis and Cobb (2010); Drees&Heugens (2013); Sharif &Yeoh (2014). These indicate and discuss the importance of this theory in explaining the actions of organizations, by forming interlocks, alliances, joint ventures, and mergers and acquisitions, in striving to overcome dependencies and improve an organizational autonomy and legitimacy.

Harford (2005) noted, M&A can also partly be explained by technological, economic, and regulatory shocks to the economy. If the environment of a firm changes the rational manager is assumed to exist under, if for example, a new technology is introduced in the market that a given firm does not have access to, an M&A action between itself and another company with this technological expertise could create positive synergies. Resource dependence theory concerns more than the external organizations that provide, distribute, finance, and compete with a firm. Though executive decisions have more individual weight than non-executive decisions, in aggregate the latter have greater organizational impact. The success of managers throughout the organization is tied to customer demand thus customers are the ultimate resource on which companies depend. This theory therefore helped explain the fact that different organizations depend on one another for different kinds of resources that they may not have on their own (Gillis, Combs, &Ketchen, 2014).

2.2.3 Resource Mobilization Theory

According to resource mobilization theory, it is the NGO role to harnessing the disaffected energies, attracting money and supporters, capturing the media’s attention, forging alliances with those in power, and creating an organizational structure (Edwards, &Gillham, 2013). This theory is derived from fund raising strategy. This theory recognizes that resources required by NGOs in the form of funds are the most important one. Without money as a resource NGOs cannot activate the other resources in the agency/community. In the market oriented economy like Kenya, it is the monetary resource that determines the expansion or contraction of other resources. Resource Mobilization theory assumes that without such resources, social movements cannot be effective and that dissent alone is not enough to engender any social change (Kendall, 2006).
Mobilization is the process of forming groups, crowds, associations, and organizations for the pursuit of collective goals (Eltantawy & Wiest, 2011). Organizations do not spontaneously emerge but they require the mobilization of resources. Resource mobilization is a sociological theory that forms part of the study of social movements and stresses the ability of movement's members to acquire resources and to mobilize people towards the furtherance of their goals (Ibid). In contrast to the traditional collective behavior paradigm that views social movements as deviant aberrations, resource mobilization—which emerged in the 1970s—views social movements as formed by rational social institutions and social actors taking political action (Buechler, 1999). This theory is based on assumptions that individuals are rational. Also, it views social movements as a goal-oriented activity. Therefore, following rational choice theory, individuals are viewed as weighing the costs and benefits of movement participation and deciding to act only if benefits outweigh costs. When movement goals take the form of public goods, the free rider dilemma has to be taken into consideration. Organization is more important than acquisition of resources, or than resources themselves. Organization focuses on interactions between social movement organizations and other organizations (Bomberg & McEwen, 2012).

This theory states that the entrepreneurial model blends economics and organization theory to account for collective action. It argues that grievances are not enough to lead to the creation of a movement, and instead that access to and control over resources is the most important factor. This model states that the flow or resources from and towards the group can be best explained by the laws of supply and demand, and that individual or group involvement is accounted for by rational choice theory (Kendall, 2006). Critics point out that resource mobilization theory fails to explain social movement communities. The political version of Resource mobilization theory focuses on the political struggle instead of economic factors. Critics have argued that it fails to account for social change brought about by groups with limited resources and that it marginalizes the role of grievances, identity and culture as well as many macro-sociological issues (Ibid). In this study, three variables are derived from this theory and these include fund raising strategy, income diversification strategy and income generating projects strategy. With well over numerous registered international and local charities vying to attract generosity, resource mobilization theory
explains why there has been increasingly a fiercely competitive and professional activity. This study examined the effects of fund raising strategy and income generating projects strategy on sustainability of Non-governmental registered organizations in Nairobi City County, Kenya

2.2.4 Legitimacy Theory
Legitimacy theory is value system centered (Rogowski, 2015). A dichotomy exists between the value system of organizations and those of the society. Cost recovery legitimacy exists at the organizational level when there is congruence between organization and society value system. Legitimacy is important in enhancing accountability in operations of non-governmental organizations. Legitimacy is crucial because the NGOs must declare to that they represent the poor people against poverty and other societal ills which are seen to have brought laxity in the government. Government and business leaders would like to know how NGOs were appointed to speak for the people and whether they represent the will of those they purport to represent (Songco, 2007).

It is grounded in the perceptions of stakeholders in the larger environment in which the organization is embedded (Brown and Jagadanada, 2007). It is about an organization fulfilling its social contract with the society. Legitimacy is the right to be and do something in society- a sense that an organization is lawful, admissible, and justified in its chosen course of action (Edwards, 2000). An NGO legitimacy could be official, democratic, or earned through value added (Rogowski, 2015). The variable cost recovery strategy is derived from legitimacy theory and it posits that increasingly the NGOs are expected to be self-financing with limited support and suppliers are expected to raise funds for on-going costs and to raise sufficient funds for major rehabilitation and extension works. An important factor in cost-recovery is the setting of adequate standards of service. It has been shown that consumers are willing to pay for good quality services and are prepared to pay increased costs for improved services in terms of quality and supply continuity.
2.3 Empirical Review
This section reviews literature on what others have established on the strategies of income
 generation strategies and financial sustainability of non-governmental organizations by
 looking on issues such as fund raising, income diversification, participation in income
 generation projects and cost recovery.

2.3.1 Fund Raising Strategy and financial sustainability
Fund raising refers to requesting donations from those individuals, corporations, or agencies
 willing to make contributions in support of the institutional development of the organization.
 These donations help the organization to increase its income generation capacity whether by
 hiring new staff, acquiring computer systems or the initial investment necessary to
 implement an income-generation project. Fund raising also refers to increasing equity,
 whether by building infrastructure or building up an endowment fund and contributing
 unrestricted funds without conditions placed on their use for a specific time period usually
 from one to three years. NGOs should develop a coherent fundraising plan to address the
 challenges and best promote the mission of the organization is imperative. A strategic
 fundraising plan provides an opportunity to examine what is working well, and where there
 are opportunities for improvement these encourages nonprofits to set specific goals, and
 motivates them to make a commitment to focus on the big picture. Developing the
 fundraising plan should be integrated into other planning efforts, such as strategic and
 program planning, and budgeting (Bray, 2010).

Studies have suggested that the following tasks in developing a fundraising plan:
 “Determine a reasonable money goal to work toward, evaluate your organization's greatest
 fundraising assets (Ibid), create a strategy that uses these assets to most effectively reach
 potential funding sources and Write down the strategy in a short, easy-to-understand
 document to keep everyone on plan (Alfirević, Pavičić&NajevČačija, 2013). In some cases,
 nonprofit organizations have found success in starting small, especially in communities
 where residents may be less familiar with the mission of the organization or where residents
 may have less to give on a consistent basis. In these cases, the notion of "all donations
 count" is important (Ibid). Edwards & David, 1995 stated that local resource mobilization
provides potential for Nongovernmental organizations to raise funds from individuals, Local businesses, government and locally generated income.

2.3.2 Income Diversification Strategy and financial sustainability
Viravaidya and Hayssen (2001) have urged that the key to financial security is diversification, which is, holding a mixed portfolio of investments rather than depending on a single investment to meet current and future income needs. This cardinal rule of investing also holds true for NGOs that need a secure flow of income to meet current and future program needs. Kissinger (2011) asserted that diversification is correlated with sustainability because if one aspect of a strategy fails, another can succeed. Norman (2011) also urged that rather than rely primarily on a single source of funds organizations must piece together capital from multiple sources a method Norman termed as layered financing. Viravaidya and Hayssen (2001) further noted that most NGOs in Africa remain heavily dependent on external financial assistance from foreign donors. They argued that international support constitutes the single largest source of NGO funding in the region. This presents several problems to the NGOs. First, the level of international funding is unstable (Olale, & Henson, 2012).

Income for NGOs has been decreasing because many donors have shifted their attention to other priorities, to greater need, political expediency or publicly popular regions of the world. Second, existing international funds in the region are often earmarked for particular projects or for limited project cycles and thirdly, most donors have less confidence with the capacity of local NGOs in implementing projects thus channeling fewer funds through these NGOs. In addition, most Donors frequently attach specific limitations on how the money can be spent, designating particular issues or themes, or specifying support only for program expenses. This has made it difficult for NGOs to raise adequate funds for their ongoing operational expenses. Atrill and Mclaney (2008) urged that when considering the various sources of finance it is useful to distinguish between internal and external sources of finance. Internal sources are the sources that do not require agreement of anyone beyond the management. Internal sources are flexible and need not compliance of other parties. External sources on the other hand require the compliance of others (Pennathur, Subrahmanyam, &Vishwasrao, 2012).
Graham (2008) noted that external finances are available from sources such as government, local authorities, national lottery, trusts and foundations, business and individuals. Viravaidya and Hayssen (2001) noted that NGOs can obtain funds to run their programs from three sources; Interested third parties, who give to the NGO primarily, for the personal satisfaction derived from doing good (grants and donations); then the beneficiaries of the NGOs programs, who value their participation more than the cost of participating (cost recovery) and three the unrelated third parties, who will pay the NGO in return for something of value that the NGO can make or do for them (commercial ventures). Abdirizak (2013) observed that NGO self-financing is relatively unknown in the NGO community. More attention needs to focus on how best to promote this revenue-generating alternative among NGOs in Africa and how to evaluate its overall effectiveness as a self-sustaining strategy. According to the World Economic Forum Report, (2013) the organizations of Interaction, an alliance of US-based NGOs, reported that whereas they relied on official aid for 70% of their operations 20 years ago today they raise 70% of their budgets from private sources (Pennathur, K., Subrahmanyam, & Vishwasrao, 2012).

Another alternative according to Viravaidya and Hayssen, (2001) is for the NGO to make money through commercial ventures. A sustainable approach to NGOs financing is one that avoids dependency on any one source of revenue whether external or internal. It consists of diversifying sources of income and thus minimizing dependency on any single sources. A balance between externally and internally generated income is necessary for an organization to meet its operating and administrative expenses while maintaining the freedom to determine its programmatic priorities and projects irrespective of donors preference.

2.3.3 Income Generating Projects Strategy and financial sustainability
Previous studies have shown that due to changes in the funding climate and the financial challenges confronting many NGOs during turbulent economic times, they have begun to consider formalized collaborations as a way to respond to the changing resource environment and minimize competition for funding sources (Renz et al., 2010). This is occurring as nonprofit leaders are seeking each other out to explore potential partnerships, and also through funders themselves that are trying to maximize impact with limited resources (Renz et al., 2010).
Non-governmental organizations find accessing donors as challenging as dealing with funding conditions. Green, & Haines, (2015) noted that they experience difficulty in finding sufficient, appropriate and continuous funding for work. They perceive that certain cartels of individuals and other Nongovernmental organization control access to donor funds. They have limited resource mobilization skills and are often not looking for funds that are locally available, preferring international donors to approach them (Green, & Haines, 2015).

Local resource mobilization provides potential for Nongovernmental organizations to raise funds from individuals, Local businesses, government and locally generated income (Desa, 2012). To do this Non-governmental must have accountability mechanisms and strong governance, clear strategies and local credibility. There has been high dependency on donors and tendency to shift interventions to match donor priorities. Nongovernmental organization must be concerned with aspects of sustainability like; enduring impact, the continuity of resources and viability of the organization. Sustainability within each category requires insightful agility; overall sustainability depends on creating a virtuous spiral linking the three categories in a positively reinforcing way (Viswahanath, 2000).

Business activities generate income for Nongovernmental organizations through rent on factors of production, and the skillful combination of these factors in income generation programmes. The idea of dabbling in business speculation and risk taking with an eye on profit making appears to be anathema to Nongovernmental organizations (Green, & Haines, 2015). Many do not have skills to do any kind of business that is why they are in Nongovernmental organizations sector. Time has come for NGO community to consider going to the public to raise funds for their work. If they are to concentrate on what they do best that is social work, then marketing and fundraising become boundary management activities, which are of utmost importance, and yet should not demand too much time from NGO leaders, who frequently may not have best skills and attitudes for such work (Green, & Haines, 2015).

Nongovernmental organizations with assets can use them to generate income which may be used as they can determine. They consider providing consultancy, renting building and offering training, trading on their name or with locally made products. Killicks(2001) noted that the participatory element embodied in the development strategy of NGOs might not
always enhance the economic benefit of women beneficiaries of an economic development program. Accountability of the organization is required towards their members to increase the economic benefit.

**2.3.4 Cost Recovery Strategy and financial sustainability**

Cost recovery is widely recognized as an important component in sustainable community projects and it is only one of a number of conditions that must be present in order to guarantee the continuation of benefits intended by community water projects. Yet, it is an aspect that continues to draw an inordinate amount of attention, in developing countries and elsewhere, because of the swift impact that failed cost recovery can have on service provision and community development (Hilary et al.1999). According to World Bank (1996) cost recovery, is a matter of good public fiscal practice, allowing governments to reduce the tax burden and thereby attract and retain human and financial capital.

The Human Development Report (2003) indicates that cost-recovery principles which stresses on governance, as the gaps in institutional and administrative capacity in many governments are wide, translating into less efficient planning and budgeting for the water sector. According to the Report, in order to reduce the gaps in service provision, cost-recovery should and does play a critical role.

Cost Recovery is a means to recuperate all or a percentage of the costs to deliver a nonprofit service or fund a discrete activity related to the organization's mission (Hampson, Cleaveland, & Briggs, 2011). For example Special events, conference fees, paid training and fee-for-service. Cost recovery activities are linked to programs; once a program ends, the related cost recovery activities are terminated. Earned Income provides a stream of unrestricted revenue to the organization, generated through activities both related and unrelated to the mission. For examples Membership dues, sales of publications and products, and consulting services. Earned income activities may progress into social enterprises when implementation is accompanied by a business plan because they are rooted in operations.
Mulroy (2003) noted that NGOs can obtain funds to run their programs through three channels that is: - Interest third parties, who give to the NGOs in return, primarily for the personal satisfaction from doing good that is grants and donations; Beneficiaries of the NGOs programs, those who value their participation more than the cost (cost recovery); and Unrelated third parties those who will pay the NGO in return for objects of value that can make or do for them (commercial ventures). Forms of grants and donations are categorized as “External” funding sources, while cost recovery methods and commercial ventures are categorized as “internal” funding sources. Cannon (1999) stated that: “The process of moving an organization towards greater financial sustainability is not easy, there are no magic solutions and it takes hard work which will not bear fruit overnight. But continuing to depend on foreign donors is not an alternative.” Self -financing activities, also referred to as “Earned income” or “non-profit enterprise”, are a number of “entrepreneurial” strategies for cost recovery or surplus revenue generation to create Nongovernmental own new resources to support programmatic or operational expenses (Hampson, Cleaveland, & Briggs, 2011)

2.4 Summary of Literature and Research Gaps
Research on the sustainability of Non-Governmental organizations has focused more on the financial aspect, which determines the sustainability of NGOs in a country, however there has been limited research on other variables. Additionally, most research has investigated specific areas under one of these variables, like Monitoring & Evaluation systems, usage of funds, just to name a few, however, very little research has looked at the variables in this study in their totality. The study therefore demonstrated the relationship between Fund Raising, income diversification, income generating activities, and cost recovery strategies adopted by NGOs on financial sustainability.

It is observed from literature that since the mid-1980s, there had been tremendous development of “sustainable development” initiatives organizations world-wide. Despite the increased activities of these organizations, their progress towards sustainability had been slow. It is clear from the studies why so few organizations had successfully adopted effective sustainability measures; there are seven key “Sustainability blunders”. It is convincing that any organization that would take note of these blunders would be taking the
first step in creating a sustainable enterprise. With no clear vision of sustainability, organization struggling to adopt a sustainable path usually lack clarity about what they are striving to achieve.

2.5 Conceptual Framework
A conceptual framework is a basic structure that consists of certain abstract blocks which represent the observational, the experiential and the analytical/ synthetical aspects of a process or system being conceived. It is a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation. The interconnection of independent and dependent variables completes the framework for certain expected outcomes.
Fund Raising Strategies:
- Restricted Funds Verses Unrestricted Funds
- Sources of Unrestricted Funds

Income Diversification Strategies:
- Internal Sources
- External Sources

Income generating projects Strategies:
- Business
- Budget Monitoring
- Fund Allocation

Cost Recovery Strategies:
- Indirect Cost Rate
- Operational Efficiency

Financial Sustainability:
- Number of years in Operation
- Compliance to statutory requirements
- Multiple sources of income
- Capacity Building

Figure 2.1: Conceptual framework

Source: Author (2016)
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction
This chapter covered the methodology adopted by the study. In particular, the chapter covered the research design used in the study, target population as shown in table 3.1 and sampling size. Furthermore, the chapter examines the data collection procedures and instruments, data analysis and reporting and ethical issues are also described in this chapter.

3.2 Research Design
This study used descriptive study method. According to Cooper and Schindler (2003), a study design is descriptive when it is concerned with why and how a variable produces change in another variable. According to Kothari (2004) descriptive study is concerned with describing, recording, analyzing and interpreting conditions that either exist or existed. It constitutes the blue print for data collection, measurement and analysis of data. This design is appropriate because it focused on how the income generation strategies as the independent variable influence the financial sustainability which in this case is the dependent variable

3.3 Target Population
A target population is the group of people the psychologists want to be able to generalize their findings to (Hair et al., 2011). In this study the target population was all employees working in the selected NGOs within Nairobi City County. NGOs in Kenya can be classified into international (those that have its origin in foreign countries) and National (those that have its origin within Kenya). The estimates of registered population of NGOs in Kenya is about 1270 although there might be over 5000 NGOs operating in Kenya.

Table 3.1 Target Population

<table>
<thead>
<tr>
<th>NGO Sectors</th>
<th>Target Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>International</td>
<td>220</td>
</tr>
<tr>
<td>National</td>
<td>1050</td>
</tr>
<tr>
<td>Total</td>
<td><strong>1270</strong></td>
</tr>
</tbody>
</table>

*Source: NGO Council, (2016)*
3.4 Sampling Techniques and Sample Size

The study used stratified sampling technique. Stratified sampling is a probability sampling technique which allowed the researcher to divide the entire population into type of NGO, departments and demographic characteristics of the respondents. The study only selected employees working at the program department specifically those who work directly on IGA and for the purpose of this research; only one respondent was selected in each selected NGO. In a survey of NGOs from Nairobi City County, the study first selected a sample of NGOs, then selected a sample of programs within the selected 25 NGOs (10 international and 15 national) and finally the study used random sampling to select a sample of employees within the selected NGO programs. According to Mugenda and Mugenda (2003), a sample size of 10% of the total population is considered adequate for descriptive study and therefore the sample size for this study was 127 respondents.

Table 3.2 Sample Size

<table>
<thead>
<tr>
<th>NGO Sectors</th>
<th>Population</th>
<th>Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>International</td>
<td>220</td>
<td>22</td>
</tr>
<tr>
<td>National</td>
<td>1050</td>
<td>105</td>
</tr>
<tr>
<td>Total</td>
<td>1270</td>
<td>127</td>
</tr>
</tbody>
</table>

Source: NGO Council, (2016)

3.5 Data Collection Instrument

A semi-structured questionnaire was chosen as data collection instrument. Saunders et al (2007) suggest that a questionnaire is best suited to a situation where most of the questions are standardized and the researcher is confident that the questions will be interpreted in the same way by all respondents. Further they state, the questionnaire is the best tool to be used in descriptive research where the researcher has undertaken some literature review and has understood the subject of research prior to data collection and extending further to draw conclusions from the data collected. On that note, within this current study the review of literature provided an understanding of the subject of the research problem. Given the context where a questionnaire is used, the research questions to be answered and the nature of data needed, the current study employed a questionnaire survey to answer the research questions.
3.6 Data Collection Procedure
The researcher sought approvals from the university to collect data and thereafter applied for research permit from Nairobi City County Commissioner’s office to undertake study within the County. The researcher pre-visited the NGOs under study to establish rapport with respondents before the actual date of data collection after obtaining official authorization from the relevant county commissioner. Questionnaires were administered by researchers because the target respondents were busy NGO employees who did not get the time to fill the questionnaire that were dropped in their offices. This ensured that questionnaires were filled and returned as soon as the research was done. The target respondents were managers who were absent attending office duties outside the offices, the researcher had booked an appointment with the respondents by writing a letter and making follow up in case of delay in reply. The questionnaires were made simple to ensure respondents complete the questions in the shortest time possible.

3.7 Validity and Reliability
3.7.1 Validity
Validity refers to the accuracy and meaningfulness of inferences based on the research results (Kothari, 2004) can be enhanced by absence of errors in the data collected. The research instrument was piloted in with 10 respondents who did not form part of the respondent selected for the final study. This was ensured by going through the questionnaire with the respondents to ascertain that each of the items was framed in the least ambiguous way. The pilot study was aimed at establishing construct validity of the instruments (Mugenda&Mugenda, 2008). The pilot study assisted in identifying the problems which the respondents may encounter in the process of answering the questions. The piloted questionnaire was revised and ambiguous items modified.

3.7.2 Reliability
Reliability refers to the consistency of measurement (Gliem and Gliem, 2003). The study used the Cronbach (Alpha – α) model to test the reliability of the data. Brown (2002) noted that Cronbach’s alpha reliability coefficient normally ranges between 0 (if no variance is consistent) and 1 (if all variance is consistent). The closer the coefficient is to 1.0 the greater
the internal consistency of the items in the scale. An alpha (\(\alpha\)) score of 0.70 or higher is considered satisfactory (Gliem and Gliem, 2003).

Reliability of the questionnaire was evaluated through Cronbach’s Alpha which measured the internal consistency. Cronbach’s alpha was calculated by applying SPSS for reliability analysis. The value of the alpha coefficient ranges from 0-1 and may be used to describe the reliability of factors extracted from dichotomous and or multi-point formatted questionnaires or scales. Higher value shows a more reliable generated scale. Cooper & Schindler (2008) indicated 0.7 to be an acceptable reliability coefficient.

3.8 Data Analysis and Presentation

Tables, graphs and pie chart presentations were appropriately used to present the data for ease of understanding and analysis. Descriptive statistics were employed to analyze the data. Tables were used to summarize and further analysis and comparison of responses. This generated quantitative reports through tabulations, percentages and measure of central tendency. Cooper and Schindler (2003) noted that the use of percentages is important for this reasons; first is to simplify data by reducing all the numbers to range between 0 and 100 and secondly, to translate the data into standard form with a base of 100 for relative comparisons. Mean score for each attribute was calculated and the standard deviation was used to interpret the respondent’s deviation from the mean. Results were presented on frequency distribution tables, pie charts and bar charts where the interest was focused on frequency of occurrence across attributes of measures. A multivariate regression model, inferential analysis was applied to determine the relative importance of each variable with respect to Sustainability of NGOs.

Content analysis was used to analyse qualitative data, where the opinion of the respondent was presented in prose form. (Hair et al., 2010) indicated that multiple regression analysis is a statistical method utilized to determine the relationship between one dependent variable and one or more independent variables this study used a multiple linear regression analysis. The multiple regression equation was:
\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varrho \]

**Where:**

- **Y** = Financial Sustainability of the NGOs
- **β₀** = Constant Term
- **β₁** = Beta Coefficients
- **X₁** = Fund raising Strategy
- **X₂** = Income diversification Strategy
- **X₃** = Income generating projects Strategy
- **X₄** = Cost Recovery Strategy
- **ϱ** = error term (residual term that includes the net effect of other factors not in the model and measurement errors in the dependent and independent variables).

### 3.9 Ethical Consideration

According to dictionary of Merrim-Webster, ethics is defined as the discipline dealing with what is good and bad and with moral duty and obligation. Due to sensitivity of some information that was collected, the researcher held moral obligation to treat all the information with utmost propriety. Since the respondents were reluctant to disclose some information, the researcher reassured the respondents of use and confidentiality of the information given.
CHAPTER FOUR
DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction
This chapter covers data analysis and interpretation of the results based on the objectives provided in chapter one. Specifically, the chapter mainly presents the findings of the study in terms of the general information about respondents, income generating strategies and financial sustainability in Nairobi City County. The study was guided by Fund raising strategies, Income diversification strategies, income generating project strategies and cost recovery strategies and financial sustainability.

4.2 Response Rate
The response rate is the percentage of people that respond to the questionnaire of the survey or research. In total one hundred and twenty seven questionnaires were designed and distributed to the respondents. However out of the 127 questionnaires that were used to collect data, those that were valid for analysis and returned were 103, a response rate of 81.1%, which is within acceptable response rate margins. A few of the questionnaires that were not returned due to the busy schedule of the NGO employees and a few were not fully valid for the study. In general, the response was very encouraging and those that needed help to respond to the questions were assisted.

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Returned questionnaires</td>
<td>103</td>
<td>81.1</td>
</tr>
<tr>
<td>Unreturned questionnaires</td>
<td>24</td>
<td>18.9</td>
</tr>
<tr>
<td>Total</td>
<td>127</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Survey Data (2017)
4.3 General respondents’ information
The research sought general information about the respondents in terms of their gender. Gender Table 1 shows the distribution of respondents in terms of gender.

**Figure 4.1 Gender**

![Gender Distribution Chart](image)

Source: Survey Data (2017)

According to the findings, 46.6 % were male and 53.4 % female. This indicates that many NGO’s in Nairobi City County are dominated by female employees with relatively fewer male employees.
4.3.1 Number of Years Organizations have been registered
The study also found out that organizations registered above 6 years is 60.2% of the organizations, those registered between 4-5 years is 25.2%, and less than 3 years presented 14.6%.

Figure 4.2 Number of Years Organizations

![Bar chart showing the distribution of organizations by number of years registered.](chart)

Source: Survey Data (2017)

4.3.2 Level of funding
This section examined level grants received by the organizations and table 4.2 presents the findings. Organizations received grants between 100,000,000- 500,000,000 which is equivalent to 35% of the total grants received. In addition, some NGOs received 32% (50,000,000-100,000,000) while 24% received less than 50,000,000 and finally 8.7% of the organization received over a Billion. The results show that many organization are not funded over a billion and this can be attributed to the fact that funding level has reduced.
Table 4.2 Level of Funding in the Organization

<table>
<thead>
<tr>
<th>Level</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 50,000,000</td>
<td>25</td>
<td>24.3</td>
</tr>
<tr>
<td>50,000,000-100,000,000</td>
<td>33</td>
<td>32.0</td>
</tr>
<tr>
<td>100,000,000-500,000,000</td>
<td>36</td>
<td>35.0</td>
</tr>
<tr>
<td>Over a Billion</td>
<td>9</td>
<td>8.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>103</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data (2017)
4.3.3 Fund Raising Strategies
The respondents were also required to indicate how fundraising strategy has improved the sustainability of their organization.

Table 4.3 Fundraising Strategies on Financial Sustainability

<table>
<thead>
<tr>
<th>Statements</th>
<th>To no</th>
<th>To a little</th>
<th>To a moderate</th>
<th>To a great extent</th>
<th>To a very great</th>
<th>Total</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>In this organization we rely on development of fundraising plan</td>
<td>7.8</td>
<td>15.5</td>
<td>29.1</td>
<td>41.7</td>
<td>5.8</td>
<td>100</td>
<td>103</td>
<td>3.2233</td>
</tr>
<tr>
<td>In this organization we rely on Unrestricted Fund on income generating activities</td>
<td>16.5</td>
<td>34.0</td>
<td>27.2</td>
<td>19.4</td>
<td>2.9</td>
<td>100</td>
<td>103</td>
<td>2.5825</td>
</tr>
<tr>
<td>In this organization we rely Corporate donor sourcing</td>
<td>35.0</td>
<td>25.2</td>
<td>19.4</td>
<td>12.6</td>
<td>7.8</td>
<td>100</td>
<td>103</td>
<td>2.3301</td>
</tr>
<tr>
<td>In this organization we rely on tapping of international funding streams</td>
<td>4.9</td>
<td>11.7</td>
<td>23.3</td>
<td>44.7</td>
<td>15.5</td>
<td>100</td>
<td>103</td>
<td>3.5437</td>
</tr>
<tr>
<td><strong>Total Average scores</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>2.9199</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data (2017)

Under this subject matter the researcher found out to what extent fund raising strategies improve sustainability. A mean score of 3.22 was tabulated showing organization rely on development of fundraising plan. Influence on reliance of unrestricted fund on income generating activities had a mean score of 2.58. The mean score for corporate donor sourcing was 2.33 this implies that most of the organizations don’t rely corporate donor sourcing. Reliance on tapping of international funding streams registered the highest mean score of
3.54. The finding supports Viravaidya and Hayssen (2001) who found that NGOs in Africa remain heavily dependent on external financial assistance from foreign donors. Such findings indicate that, at least for some measures of non-profit performance, there is an empirically verifiable relationship between sources of funding and socially constructed non-profit performance. This has been suggested in a previous study on the influence of type of funding on fundraising success (Alfirević, Pavičić & NajevČačija, 2013). Other studies have found that income generation is central strategy used to respond to financial challenges and find alternatives to stabilize financial status of NGO.

4.3.4 Income Diversification Strategies
The respondents were also required to indicate if the organization relies on single source of income or has diversified sources of income.

Figure 4.3 Income Diversification Strategies on Financial Sustainability

Source: Survey Data (2017)

The research finding on NGO sustainability revealed that 75% have diversified sources of income, while 25.2% do not have any diversification of income. The study result also...
confirms that income diversification is the dynamics of rural income. According to a study by Green, & Haines, (2015) households can increase their income through diversify their activities in both farm and non-farm.

Table 4.4 Income Generating Project Strategies on Financial Sustainability

<table>
<thead>
<tr>
<th>Statements</th>
<th>To no extent</th>
<th>To a little extent</th>
<th>To a moderate extent</th>
<th>To a great extent</th>
<th>To a very great extent</th>
<th>Total percentage</th>
<th>Total Frequency</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>In this organization we closely monitor shifting of donor priorities</td>
<td>4.9</td>
<td>20.4</td>
<td>21.4</td>
<td>44.7</td>
<td>8.7</td>
<td>100</td>
<td>103</td>
<td>3.320</td>
<td>1.050</td>
</tr>
<tr>
<td>In this organization we closely monitor cycle of each project</td>
<td>4.9</td>
<td>14.6</td>
<td>25.2</td>
<td>44.7</td>
<td>10.7</td>
<td>100</td>
<td>103</td>
<td>3.417</td>
<td>1.024</td>
</tr>
<tr>
<td>In this organization we do not peg our financial plans on donor limitation only</td>
<td>15.5</td>
<td>19.4</td>
<td>30.1</td>
<td>31.1</td>
<td>3.9</td>
<td>100</td>
<td>103</td>
<td>2.883</td>
<td>1.132</td>
</tr>
</tbody>
</table>

Total Average scores

| Source: Survey Data (2017) |

Under this subject matter the researcher found out to what extent income generating project strategies improve sustainability. A mean score of 3.22 was tabulated showing organizations closely monitor shifting of donor priorities. Monitoring of each project cycle had a mean
score of 3.41. The mean score of notpegging on donor limitation only in the financial plans was 2.88 this implies that most of the organizations don’t peg donor limitation only. The findings are tandem with As Nyamsogoro (2010 who found that nongovernment organizations have begunrecognizing the true value of maintaining and upgrading a donor’s relationship and support, the roles of acknowledgment.

### 4.3.5 Cost Recovery Strategy

Table 4.5 presents the findings on impact of cost recovery strategy on financial sustainability.

#### Table 4.5 Cost Recovery on Financial Sustainability

<table>
<thead>
<tr>
<th>Statements</th>
<th>To no extent</th>
<th>To a little extent</th>
<th>To a moderate extent</th>
<th>To a great extent</th>
<th>To a very great extent</th>
<th>Total percentage</th>
<th>Total frequency</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational Efficiency of the organization rely on cost recovery</td>
<td>16.5</td>
<td>22.3</td>
<td>30.1</td>
<td>25.2</td>
<td>5.8</td>
<td>100</td>
<td>103</td>
<td>2.816</td>
<td>1.161</td>
</tr>
<tr>
<td>The organization relies on indirect cost rate</td>
<td>16.5</td>
<td>22.3</td>
<td>30.1</td>
<td>28.2</td>
<td>2.9</td>
<td>100</td>
<td>103</td>
<td>2.786</td>
<td>1.117</td>
</tr>
<tr>
<td>The organization relies on cost recovery on unrestricted income</td>
<td>16.5</td>
<td>28.2</td>
<td>35.0</td>
<td>18.4</td>
<td>1.9</td>
<td>100</td>
<td>103</td>
<td>2.612</td>
<td>1.031</td>
</tr>
<tr>
<td><strong>Total Average scores</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2.738</td>
<td>1.103</td>
</tr>
</tbody>
</table>

*Source: Survey Data (2017)*
Under this subject matter the researcher found out to what extent cost recovery strategies improve financial sustainability of the organization. A mean score of 2.81 was tabulated showing operational efficiency of the organization rely on cost recovery. The reliance on the indirect cost had a mean score of 2.78. The mean score for recovery on unrestricted income 2.16 this implies that most of the organizations don’t rely cost recovery of unrestricted income. Previous studies have shown that the most common restriction is to cover only direct program costs, but not the cost of support services or other overhead costs incurred by the NGO (Mulroy, 2003)

4.3.6 Income Received
This study sought to find out the income received by the NGOs which participated and the findings are presented in figure 4.4.

Figure 4.4 Income Received

The research finding revealed that with regard to income received 38% is received from multiple source 29% from single source and 33% from both sources. This implies that most organizations receive income from Multiple and single sources.
4.3.7 Income Reserve

Figure 4.5 presents the findings of income reserve which is beneficial in the accounting sense.

**Figure 4.5 Income Reserve**

![Bar chart showing 73% and 27%]

Source: Survey Data (2017)

The research finding revealed that with regard to income reserve 73% have income reserves while 27%. This implies that most organizations maintain income reserves.
4.3.8 Capacity Building
Capacity building plays an essential role in organization’s financial sustainability and table 4.5 presents the findings as received from the respondents.

Table 4.6 Capacity Building on Financial Sustainability

<table>
<thead>
<tr>
<th>Statements</th>
<th>To no extent</th>
<th>To a little extent</th>
<th>To a moderate extent</th>
<th>To a great extent</th>
<th>To a very great extent</th>
<th>Total percentage</th>
<th>Total frequency</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>In this organization we emphasize on maintaining revenue earnings</td>
<td>12.6</td>
<td>22.3</td>
<td>34.0</td>
<td>26.2</td>
<td>4.9</td>
<td>100</td>
<td>103</td>
<td>2.883</td>
<td>1.087</td>
</tr>
<tr>
<td>In this organization we rely on revenue reserve plan for new projects</td>
<td>16.5</td>
<td>25.2</td>
<td>28.2</td>
<td>21.4</td>
<td>8.7</td>
<td>100</td>
<td>103</td>
<td>2.806</td>
<td>1.205</td>
</tr>
<tr>
<td><strong>Total Average scores</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2.845</td>
<td>1.146</td>
</tr>
</tbody>
</table>

Source: Survey Data (2017)

The research finding revealed that with regard to capacity building the emphasis on maintaining revenue earnings in the organization had a means score of 2.88 while reliance on revenue reserve plan for new projects had a score of 2.80.

4.4 Inferential Analysis
Inferential data analysis was done using linear multiple regression analysis using SPSS. The dependent variable in this study was financial Sustainability while the independent variables were fund raising strategies, Income diversification strategies, Income generating projects strategies and cost recovery strategies.
4.4.1 Model Summary
This section summarizes the findings of model summary of the study. This table provides the R, R², adjusted R², and the standard error of the estimate, which can be used to determine how well a regression model fits the data.

Table 4.7 Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.738(^a)</td>
<td>.589</td>
<td>.534</td>
<td>3.645</td>
</tr>
</tbody>
</table>

Source: Survey Data (2017)

a. Predictors: (Constant), Fund Raising Strategy (FRS), Income Diversification Strategy (IDS), Income Generating Activities (IGA), Cost Recovery (CR)
b. Dependent Variable: Financial Sustainability (FS)

R squared is the proportion of variation in the dependent variable explained by the regression model and the values of R squared range from 0 to 1. It can be seen from the value of 0.589 that the independent variables explain 58.9% of the variability of the dependent variable, financial sustainability.

4.4.2 Analysis of Variance
Table 4.8 presents results of the ANOVA (Analysis of variance) which has been used to check how well the model fits the data.
Table 4.8 ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>10.677</td>
<td>3</td>
<td>2.669</td>
<td>3.2393</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>26.205</td>
<td>75</td>
<td>.416</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>36.882</td>
<td>72</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey Data (2017)

a. Dependent Variable: Financial Sustainability (FS)
b. Predictors: (Constant), Fund Raising Strategy (FRS), Income Diversification Strategy (IDS), Income Generating Activities (IGA), Cost Recovery (CR)

The F-ratio in the ANOVA table (see above) tests whether the overall regression model is a good fit for the data. The table shows that the independent variables statistically significantly predict the dependent variable, $F(4, 95) = 32.393$, $p = .000$ (that is the regression model is a good fit of the data).
4.4.3 Coefficient of Determination
This section presents the findings on coefficient of determination. The standardized coefficients or betas are an attempt to make the regression coefficients more comparable.

Table 4.9 Coefficient of Determination

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.121</td>
<td>.248</td>
<td>4.072</td>
</tr>
<tr>
<td></td>
<td>Fund Raising Strategy</td>
<td>.167</td>
<td>.099</td>
<td>.051</td>
</tr>
<tr>
<td></td>
<td>Income Diversification</td>
<td>.283</td>
<td>.109</td>
<td>.418</td>
</tr>
<tr>
<td></td>
<td>Income Generating Activities</td>
<td>.433</td>
<td>.087</td>
<td>.057</td>
</tr>
<tr>
<td></td>
<td>Cost Recovery</td>
<td>.238</td>
<td>.096</td>
<td>.046</td>
</tr>
</tbody>
</table>

Source: Survey Data (2017)

\[ Y = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 \]
\[ Y = 0.167 + 0.283 + 0.433 + 0.238 \]

As shown in table 4, the unstandardized coefficients indicate how much the dependent variable varies with an independent variable when all other independent variables are held constant. Consider the effect of interest rate and the unstandardized coefficient, B, for growth is equal to 1.121 (see table 12). This means that for each one year increase in financial sustainability, there is an increase in financial sustainability of 0.167 and for Fund Raising Strategy (FRS), 0.283, Income Diversification Strategy (IDS), 0.433; Income Generating Activities (IGA), 0.433 and Cost Recovery (CR) 0.238.
The findings show all the variables had a small \( p \)-value (typically \( \leq 0.05 \)) indicates strong evidence that there is greater associations between fundraising and financial sustainability.

4.5 Discussion of Research Findings

To assess the significance of each independent variable on the dependent variable, the researcher established that fund raising strategy, income diversification strategy, income generating activities and cost recovery were significant and influenced level of financial sustainability as their \( P \) values were less than 5%. The model revealed that there exist a significant relationship between income generating strategies and financial sustainability of Non-Governmental Organization. Gebreselassie-Hagos&Smit (2013) found that 61% of organisations would have to close if regular funding ceased, as they had no reserves to cover future operations. Only 18% would be able to survive for one to six months if regular income cease. This was similar to the finding of Kilbey (2010) that the majority of social service NPOs would not be able to survive more than three months from the date of their financial year end if they received no additional funding.

4.5.1 To establish the effect of fund raising strategy on NGO Financial Sustainability by NGOs in Nairobi County

The study objective one sought to establish the effect of fund raising strategy on NGO Financial Sustainability by NGOs in Nairobi County. The findings found that resources are required by NGOs in the form of funds are the most important one. Therefore, without money as a resource, NGOs cannot activate the other resources in the agency/community. In the market oriented economy like Kenya, it is the monetary resource that determines the expansion or contraction of other resources. With regard to the changes that should be made by government, there was a strong view that government has an important role to play in supporting the NGO sector. Some felt that operational budgets should be funded by government and other wanted project funding and capacity building to be funded.

4.5.2 To determine the effect of income diversification strategy on NGO financial sustainability by NGOs in Nairobi County

The study objective two sought to determine the effect of income diversification strategy on NGO financial sustainability by NGOs in Nairobi County. The study found that NGOs adopt
various approaches in sustaining itself by diversifying its income, for example, internal and external measures of raising funds.

4.5.3 To assess the effect of income generating project strategy on financial sustainability among NGOs in Nairobi County
The study objective three sought to assess the effect of income generating strategies on financial Sustainability among NGOs in Nairobi County. The study found that in order to sustain themselves, NGOs need a secure flow of income to meet current and future program needs. Some NGOs engaged in diverse income generating strategies away from purely businesses and animal production towards while others engaged in training activities to raise funds. NGOs do not peg their financial plans on donor limitation only and by using other means, they are able to sustain themselves.

4.5.4 To examine how recovery cost strategy affects NGO financial sustainability by NGOs in Nairobi County.
The regression of income generating strategies and financial sustainability, fund raising strategy, income diversification strategy, income generating activities, cost recovery resulted in all the dependent variables being positively correlated to financial sustainability of NGOs. Furthermore, it was found that income generating activities affected the financial sustainability of NGOs more significantly.

Gunderson (2011) found that, for financial sustainability to succeed, effective financial management including funds flow control systems, budgeting systems, internal and external auditing systems, reporting and monitoring systems, information systems, financial analysis and plan implementation, are required. A regression analysis shows that fund raising strategy, income diversification strategy, income generating activities, cost recovery had a positive correlation to financial sustainability of NGOs.
CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter covered mainly the summary, conclusion and recommendations for the study based on the data analysis and interpretation. Summary of the major findings as presented in the previous chapter and gives conclusions and recommendations based on the findings of the study; this chapter also provided suggestions for further research.

5.2 Summary of findings
The main purpose for this study was to examine financial sustainability and income generation strategies adopted by non-governmental organizations in Nairobi County. In particular, it sought to establish the effect of fund raising strategy on NGO financial sustainability, determines the effect of income diversification strategy on NGO financial sustainability, and assesses the effect of participating in income generating activities on NGO financial sustainability and to examine how recovery cost affects NGO financial sustainability.

The researcher distributed a total of 127 questionnaires but at the of data collection only 103 questionnaires were filled correctly and returned while 24 were not returned. This gave a response rate of 81%. In general, the study found that a majority 53.4% of the respondents were female. On the other hand, 60.2% had been in the organization for over 6 years. Elsewhere, the findings reveal that NGOs had been receiving funds ranging from 50 million to 500 million giving the opportunity to manage activities. The study further established that income diversification strategies are effective in tapping international funding streams to a moderate extent, expansion of fund-raising activities directed at the general public to a moderate extent and in tapping new corporate donors for monetary and in-kind support to a moderate extent. Income diversification strategies are effective in social entrepreneurship to a little extent.

First the study sought to establish the effect of fund raising strategy on NGO financial sustainability and the findings show that by relying on development of fundraising plan, unrestricted fund on income generating activities and also corporate donor sourcing, their
operations are not affected. The financial sustainability enhances the ability of NGOs to overcome the environmental or social problems.

In addition, the study sought to determine the effect of income diversification strategy on NGO financial sustainability. It was clear from the findings that income generating activities affects the financial sustainability of the NGOs to a great extent.

The third objective sought to assess the effect of participating in income generating activities on NGO financial sustainability. The findings show that local resource mobilization provides potential for nongovernmental organizations to raise funds from individuals, business community government and locally generated income.

The model shows a goodness of fit as indicated by the coefficient of determination $r^2$ with value of 0.738. This implies that independent variables both explain 73.8% of the variations as a result of the income generating activities and financial sustainability of NGOs. Furthermore, the findings show that 73.8% of variations are brought about by factors not captured in the objectives. According to the regression equation established, taking all factors (fund raising strategy, income diversification strategy, income generating activities, cost recovery) constant at zero, financial sustainability of NGOs as a result of these independent factors was 1.121.

5.3 Conclusion
The study examined financial sustainability and income generation strategies adopted by Non-Governmental Organizations in Nairobi County. Based on the analyze data, this study concludes that NGOs increases its funding from local foundations. These could be funds from individuals that had been entrusted in foundations or trusts. An analysis of financial statements sent in by NGO of income came from donations.

Based on the findings, the study concludes that NGOs receive a majority of their income from foreign donor funding. This inflow of money into the country is a contribution that should not be underestimated. The most important value proposition is the contribution the NGO sector makes to the development of communities and to changing people’s lives. By closely monitoring donor activities in particular shifts from one project to the other, the organizations are able to prioritize its project funding. It can be concluded further that the
average mean for the cost recovery on financial sustainability reveals that there is a wealth of knowledge about the process of improving organizations’ sustainability, built by the experiences of many people who have worked over many years to improve the sustainability of many different organizations.

It is also important to note that NGO sector is critical to the well-being of society and this was strongly held by the respondents as was the view that it should be strengthened. The emphasis in terms of perception falls on the role of government in strengthening this sector rather than on the international community and faith based organizations. This was probably because of a move toward greater self-reliance and less dependence on the international donor agencies. In conclusion, the study notes that NGOs have in recent years felt the vulnerability of being over reliant on foreign aid and probably should move away from this situation.

5.4 Recommendations
Owing to the numerous financial sustainability issues facing NGOs today, this study recommends the NGOs management to focus on strategic analysis of the NGOs status quo, the institutional strengths, specificities and opportunities, as well as a scan of the competitive environment.

5.5 Areas of further research
This study concentrated only NGOs operating in Nairobi County and similar studies can be conducted among NGOs across the country.
REFERENCES


49


Kilbey, B. (2010). The State of Fundraising Within the Nonprofit Social Services Sector: A study to determine how and what levels of success South African NPOs are managing and operating their fundraising functions. University of Cape Town. (MA Thesis)


APPENDICES
APPENDIX I: INTRODUCTION LETTER

INTRODUCTION LETTER TO THE RESPONDENT

Violet Busienei

P.O.Box 1185
Kapsabet
Tel: 0725 726 673
Email: busieneij@yahoo.com

Dear Sir/Madam;

RE: REQUEST TO OBTAIN INFORMATION ABOUT YOUR ORGANISATION.

As part of the requirements for obtaining a Master’s Degree from Kenyatta University, I am undertaking a study geared towards investigating INCOME GENERATING STRATEGIES AND FINANCIAL SUSTAINABILITY OF NON GOVERNMENTAL ORGANISATIONS REGISTERED IN NAIROBI CITY COUNTY, KENYA. Your Organization is among those that have been randomly chosen to participate in this research. I hereby request for you consent to provide the required information as indicated in the questionnaire attached. Your feedback is highly valuable as it will help in the compilation of the final report which is hoped to help the Organization to ensure financially sustainable. Data obtained from this questionnaire is purely for academic purposes and your identity will remain anonymous.

Thanks yours faithfully,

Violet Busienei

D53/CTY/PT/28253/2014
APPENDIX II: RESEARCH QUESTIONNAIRE

Code No: __________________________ Date: ______________________

This questionnaire contains 8 sections, please tick the appropriate option in the boxes provided as per the guidelines indicated.

SECTION A: DEMOGRAPHIC INFORMATION

1. What is the name of the Organization? ________________________________

2. What is your gender?
   a. Male □
   b. Female □

3. How long has your Organization been registered?
   a. Less than 3 years □
   b. 4 – 5 years □
   c. Above 6 years □

4. What is level of funding of your Organization?
   a. Less than Kshs.50,000,000 □
   b. 50,000,000-100,000,000 □
   c. 100,000,000-500,000,000 □
   d. Over a Billion
SECTION B: FUND RAISING STRATEGIES

The question in this section is about how Fundraising Strategy improves the sustainability of your organization. For each of the following statements, indicate your opinion in a scale of 1 – 5 where (1) = To no extent, (2) = To a little extent, (3) = To a moderate extent, (4) = To a great extent, (5) = To a very great extent.

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>5. In this Organization we rely on development of Fundraising plan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. In this Organization we rely on Unrestricted Fund on income generating activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. In this Organization we strongly rely on Corporate donor sourcing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. In this Organization we rely on tapping of international funding streams</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Other than the above mentioned issues, what other comments do you have in relation to fundraising? Also indicate the contribution by the different age groups to your organization.</td>
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</tbody>
</table>

SECTION C: INCOME DIVERSIFICATION STRATEGY

Does your organization have diversified sources of income or it relies on single source of income?

a) Yes { }  
b) No { }
SECTION D: INCOME GENERATING PROJECTS STRATEGY

The questions in this section are about how income diversification strategy affects the sustainability of your Organization. For each of the following statements, indicate your opinion in a scale of 1 – 5 where (1) = To no extent, (2) = To a little extent, (3) = To a moderate extent, (4) = To a great extent, (5) = To a very great extent.

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<tbody>
<tr>
<td>10. In this organization we closely monitor shifting of donor priorities</td>
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<tr>
<td>11. In this organization we closely monitor the Cycle of each project</td>
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<td>12. In this organization we do not peg our financial plans on donor limitations only</td>
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13. Other than the above mentioned issues, what other factors do you think income diversification strategy affects sustainability?
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________

SECTION D: COST RECOVERY STRATEGY

The question in this section is about how your organization does cost recovery in relation to financial sustainability. For each of the following statements, indicate your opinion in a scale of 1 – 5 where (1) = To no extent, (2) = To a little extent, (3) = To a moderate extent, (4) = To a great extent, (5) = To a very great extent.

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<tbody>
<tr>
<td>14. Operational Efficiency of the organization rely on</td>
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</tbody>
</table>
15. The Organization relies on Indirect cost rate

16. The Organization relies on cost recovery on unrestricted income

17. Other than the above mentioned issues, in your opinion what are the other aspects of capacity building?

____________________________________________________________________
____________________________________________________________________

SECTION E: SUSTAINABILITY

The statements in this section are about how the Organization is expected to perform in case Donation reduces or fails. For each of the following statements, indicate your opinion in a scale of 1 – 5 where (1) = definitely false, (2) = False, (3) = neither, (4) = True, (5) = definitely true.

<table>
<thead>
<tr>
<th>Statements on sustainability of non-governmental organization</th>
<th>1</th>
<th>2</th>
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<tbody>
<tr>
<td>If Donation reduces or fails today:</td>
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<td>18. The current projects would be sustained for the foreseeable future</td>
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<td>19. The organization will not stop running</td>
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<td>20. The number of projects will increase</td>
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<td>21. The number of staff employed will be retained in the payroll</td>
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</table>
22. Other than the above issues what other comments do you have in relation to sustainability of Non-governmental organization?

_______________________________________________________________________

_______________________________________________________________________

Are the income received for projects from multiple or single sources?

   a) Multiple sources {  }
   b) Single source       {  }
   c) Both                     {  }

What percentage of received income is restricted and what percentage of received income is unrestricted?

…………………………………………………………………………………………………….

Does your organization have income reserve?

   a) Yes   {  }
   b) No    {  }

The question in this part is about how you conduct build capacity your organization. For each of the following statements, indicate your opinion in a scale of 1 – 5 where (1) = To no extent, (2) = To a little extent, (3) = To a moderate extent, (4) = To a great extent, (5) = To a very great extent.

<table>
<thead>
<tr>
<th>Statements on capacity building</th>
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<th>2</th>
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</tr>
</thead>
<tbody>
<tr>
<td>1. In this organization we emphasize maintaining revenue earnings</td>
<td></td>
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<tr>
<td>2. In this organization we rely on revenue reserves to plan for new projects</td>
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</tbody>
</table>
Other than the above mentioned issues, in your opinion what are the other aspects of capacity building?

____________________________________________________________________
____________________________________________________________________
____________________________________________________________________

Thank you
APPENDIX III: LIST OF NGOS

1. Abalekwa Development Organization
2. AbashieleNendeAbabukha Support Services
3. Academy For Educational Development - Kenya
4. Act Aid Kenya
5. Action For Ethical Leadership
6. Advocacy For Community Development And Education
7. ADRA Kenya
8. Africa 2000 Network (Kenya)
9. Africa Community Development Organization
10. Africa Peace Forum
11. Africa Rural Link
12. Africa Solutions
13. African Centre For Rights And Governance
14. African Centre For Women Information And Communication Technology
15. African Community Development Foundation
16. African Community Development Organisation
17. African Council Of Religious Leaders
19. African Foundation For Civil Society Organization
20. American Friends Service Committee
21. African Agriculture Technological Foundation
22. Amref Health Africa
23. Arid Land Development Focus, Kenya
24. Aridlife Development Agency
25. Arise And Help International
26. Article 19: Global Campaign For Free Expression
27. Association Of African Women For Research And Development
28. Association Of Former Kenya Ambassadors And Senior Diplomats
29. Bahati Centre
30. Bessa Integrated Development Programme
31. Bio Right And Soil

32. Conservation
33. Boma Welfare Organization
34. Care Kenya
35. Care International
36. Care Somalia
37. Catholic Relief
38. Catholic Fund For Overseas Development
39. Centers For International Programs - Kenya
40. Citihope International
41. Co-Operative League Of The United States Of America
42. Coordinated Humanitarian And Development Services
43. Corruption Watch International
44. Crisis Assessment And Recovery Centre
45. CristoffelBlindon Mission
46. Critical Incidents Frontiers - Africa
47. Cultural Video Foundation
48. Daraja-Civic Initiatives Forum
49. Debora International Kenya
50. Development Empowering Programme
51. Development Enhancement Programme-Kenya
52. Feed the Hungry
53. Feed The Children
54. Habitat For Humanity
55. Goal International
56. GIZ Kenya
57. I Choose Life
58. International Committee of RedcrossCresent
59. International Medical Corps
60. International Federation of Redcross
61. Kenya Redcross Society
62. Kenya Foundation For Youth & Women Programmes
63. Kenya Foundation For Youth And Women Programme
64. Kenya Human Rights Commission
65. Kenya National Council Of Traditional Practices
66. Kenya Orphans Support Organization
67. Kenya Philanthropic International Network
68. Kenya Poverty Elimination Networks
69. Kenya Poverty Reduction Volunteers
70. Kenya Programmes Of Disabled Persons
71. Kenya Slum Youths Development Organization
72. Kenya Small Scale Industrial Development Programme
73. Mpesa Foundation
74. Merti Development Organization
75. Meru Youth And Women Empowerment Programme
76. Metra Micro Finance Kenya
77. Mobile Education For Life International
78. Mon Kibaimwa Development Programme
79. Mothers Rural Care For Aids Orphans
80. National Aids Control Council
81. Oxfam Kenya
82. Practical Action
83. Save The Children
84. Refugee United
85. Safaricom Foundation
86. Women And Youth In African Development
87. Women Awareness And Development Initiative
88. Women Without Borders - Kenya
89. Women Youth And Children Development Organization
90. Women's Research Centre And Development Institute
91. World Vision
92. World Food Programme
93. Young Volunteers Forum
94. Youth Alive! Kenya
95. Youth Alliance For Leadership And Development In Africa - Yalda (K)
96. Youth Consciousness Development And Programme - Kenya
97. Youth Impact Network International
98. Youth Initiatives-Kenya
99. Youth Partnership For Development
100. Youth Peace Alliance
101. Youth, Governance And Environmental Programme
102. Zion Counselling And Education Support Centre International
APPENDIX IV: CORRECTION OF TOPIC LETTER

KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke
Website: www.ku.ac.ke

FROM: Dean, Graduate School
DATE: 12th November, 2016

TO: Violet Chepchirchir Busienei
C/o Business Administration Dept.
Kenyatta University

REF: D53/CTY/PT/28233/2014

SUBJECT: CORRECTION OF PROJECT PROPOSAL TITLE

This is to inform you that Graduate School Board, at its meeting of 2nd November, 2016, approved your Research Project Proposal for the MBA Degree subject to Adding “City” between Nairobi and County.

Please ensure that you forward a copy of the amended title through the Chairman of your Department before you get the research authorization so that you can proceed to the field.

Thank you.

HARIET BABORE
FOR DEAN, GRADUATE SCHOOL

C.C. Chairman, Department of Business Administration

Supervisors:
1. Dr. J.M. Kilika, (PhD)
Department of Business Administration
Kenyatta University
APPENDIX V: RESEARCH PERMIT