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## Financial Planning Practices and Donor Retention Rate of Education-Centered Non-profit Organizations in Nairobi City County, Kenya

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### **Abstract:**

*This study examines the influence of financial planning practices on donor retention rates in education-based non-profit organizations (NPOs) in Nairobi City County. These organizations are vital in addressing educational disparities in underserved regions, but they have faced increasing donor retention challenges, particularly since 2019. This study relates the need to uncover financial planning practices' effect on the donor retention rate of education non-profits in Nairobi City County. It aimed to evaluate the correlation between budgeting practices and donor retention rates, determine how financial forecasting strategies affect donor retention rates, investigate the effect of cash flow management methods on donor retention rates, and examine the association between risk management approaches and donor retention rates. The study, grounded in stewardship, social exchange, and resource dependency theories, sampled 85 finance and fundraising officers from 109 targeted education-based NPOs. Data were collected through open— and closed-ended questionnaires. Three diagnostic tests were performed before the inferential analysis: the normality, multicollinearity, and heteroscedasticity tests. Descriptive and inferential techniques guided the analysis of data after collection with the help of Excel and SPSS software. The data was analyzed using the Pearson correlation. Multiple linear regression analysis was used as the decision rule for testing the study's hypothesis. The decision rule specified that the null hypothesis rejection or acceptance was established on the coefficient's signage. The findings reveal that all three financial planning practices significantly and positively affect donor retention. The study concludes that effective financial management practices are essential for donor retention and recommends implementing comprehensive financial frameworks. Further research is encouraged to explore these dynamics in other non-profit sectors.*

**Keywords:** Donor lifetime value, donor retention, financial planning practices, non-profit organizations

### **1. Introduction**

Non-profit organizations' (NPOs) financial sustainability depends heavily on their ability to retain donors. Even slight improvements in retention can significantly enhance fundraising outcomes. For example, a 10% increase in donor retention may lead to a 200% rise in lifetime donor value, driven by increased contributions and advocacy (Sargeant, 2013). Donations from individuals and corporations form a critical funding source for education-focused non-profits, especially in regions where economic and social challenges hinder access to education.

Like many parts of South America, Sub-Saharan Africa faces harsh economic conditions, unstable politics, and inadequate education systems, which leave vulnerable populations struggling to meet basic needs (NOG Council, 2024). Non-profits have stepped in to fill these gaps, with donor contributions forming the backbone of their revenue (Ramanath, 2017). However, donor retention has become increasingly challenging, shifting priorities due to global crises like the COVID-19 pandemic and the Russia-Ukraine war redirecting donor loyalty and funds (AFPglobal, 2023).

In Africa, education non-profits are particularly vulnerable, with most relying on foreign donations for over 90% of their funding (Chelangat, Sam, & Simiyu, 2018). A USAID study in 2022 revealed that only 7% of African NPOs are financially stable, highlighting the critical needs for robust donor retention strategies. Retaining existing donors is cost-effective and enables organizations to focus on their primary mission (Baber, 2020). Studies emphasize that strong donor retention requires transparent financial planning, effective communication, and donor engagement (Mugo, 2015).

Despite this, many Kenyan education non-profits lack the resources and expertise to link financial planning with donor engagement, limiting their ability to build lasting donor relationships (Mwangi & Muchelule, 2020). Sound financial planning practices, including budgeting, financial forecasting, and transparent reporting, are crucial to demonstrating accountability and enhancing donor trust (Gugerty, 2010).

This study investigates the influence of financial planning practices on donor retention rates in education-based NPOs in Nairobi City County. It offers insights into strategies that strengthen financial sustainability and donor relationships.

### 1.1. Financial Planning Practices

Financial planning practices are essential techniques and processes organizations employ to allocate resources effectively and evaluate their financial position (Zietlow et al., 2018). These practices ensure the alignment of financial resources with organizational priorities, enhancing non-profit sustainability and mission fulfillment (Bryce, 2017). This study focuses on four core financial planning practices—budgeting, financial forecasting, cash flow management, and risk management—as independent variables in assessing donor retention in education-based non-profits.

Budgeting involves creating a detailed financial plan by allocating resources, estimating revenues, and forecasting expenses for a specific period (Maaldu, 2019). Effective budgeting demonstrates financial accountability to donors and supports organizational goals by identifying areas of surplus or deficit, enabling timely adjustments (Mauro et al., 2021).

Financial Forecasting predicts future financial outcomes by analyzing trends and preparing scenarios to anticipate potential opportunities and risks (Shmueli & Polak, 2024). This helps educational non-profits plan revenue streams, such as donations and grants, and include contingencies for unforeseen circumstances.

Risk Management encompasses identifying, evaluating, and mitigating financial risks that could undermine organizational objectives (Zietlow et al., 2018). Risk management safeguards an organization's financial health and stability by addressing revenue volatility and donor dependency, ensuring long-term sustainability.

These financial planning practices collectively play a pivotal role in enhancing the financial transparency, efficiency, and donor trust of education-based non-profit organizations.

### 1.2. Donor Retention Rate

The Donor Retention Rate (DRR) quantifies the percentage of contributors who continue supporting an organization annually, serving as a critical indicator of financial stability and program effectiveness (Halverson, 2022). A stable DRR reduces the need for new donor acquisition, lowering operational costs and enhancing long-term sustainability. However, non-profits typically lose 75% of donor value within five years due to declining donor numbers (Barber, 2020), and replacing these losses can be costly, requiring up to four times the lost donor value to maintain stable revenue (Whitley, 2021).

Calculating DRR involves dividing the number of repeat donors in a year by the total donors from the previous year and multiplying by 100% (Alexander, 2023). While an ideal DRR for stability ranges from 60% to 70%, most non-profits report rates between 40% and 45%, highlighting significant challenges in retaining donor loyalty (Sargeant, 2013).

Retaining donors is often more cost-effective than acquiring new ones, and education non-profits leverage periodic reports to communicate progress, success stories, and financial accountability (Kivuva, 2017). These reports demonstrate the impact of contributions, build trust and foster loyalty. Transparent financial practices, including effective planning, fund allocation, and financial audits, are pivotal in maintaining donor confidence and achieving a stable DRR (Coleman, 2018).

This research utilized donor lifetime value (DLV) as a key measure of donor retention, emphasizing the importance of operational financial planning practices to ensure stability, accountability, and transparency in non-profit organizations.

### 1.3. Education-Centered Non-profit Organizations in Nairobi City County, Kenya

Nairobi City County hosts 56% of Kenya's non-profit organizations (NPOs), providing services in various sectors, including education and research. Education-focused NPOs support disadvantaged learners at primary, secondary, and tertiary levels (Haddock, 2017). However, donor loyalty remains a critical challenge, significantly affecting these organizations' sustainability.

Despite the annual registration of 40 new education-focused NPOs in Nairobi, donor retention rates average only 41%, leaving more than half of donors discontinuing their support. This reliance on international donors makes these organizations vulnerable to financial instability and potential closure when donor contributions decline.

Research highlights several factors undermining donor loyalty in Nairobi NPOs. Kivuva (2017) identified primary challenges of inadequate funding, poor planning, and poor governance. Ngaruiya and Mungai (2023) noted that 70% of NPOs in the county collapsed within six years due to fluctuating donor priorities. Additionally, Mwangi and Muchelule (2020) emphasized that poor resource management erodes donor trust and confidence, further jeopardizing financial stability.

To overcome these challenges, education non-profits in Nairobi must adopt strategies that validate their impact, foster trust, and strengthen donor engagement. These measures are crucial for ensuring financial sustainability and effectively supporting vulnerable communities.

### 1.4. Statement of the Problem

Despite the progress made in primary education with the introduction of Free Primary Education (FPE) in Kenya in 2003, disadvantaged groups such as orphans, street children, girls, and children with disabilities continue to face significant barriers to secondary and higher education. This challenge has prompted the growth of education-focused non-profit organizations (NPOs) collaborating with the government to promote universal education. Over the years, donors—including individuals, foundations, commercial sponsors, and government grants—have been essential in sustaining these

organizations. Donors provide critical financial support for scholarships, infrastructure, educational programs, and other forms of assistance (Faulk et al., 2021).

However, donor retention has become a pressing issue in the education non-profit sector since 2019. The National Philanthropic Trust (NPT) reports a decline in the education sector's donor retention rate (DRR), with annual giving dropping by 4.4% in 2023, despite growth in other sectors. The NGO Sector Annual Report (NSAR, 2023) reveals that DRR for local education non-profits has fluctuated between 40% and 43% in recent years, indicating that more than half of donors do not continue their contributions, creating financial instability for these organizations.

Several studies have explored the challenges surrounding donor retention in Kenyan education non-profits. Mwangi and Muchelule (2020) identified poor resource mobilization and weak financial management teams as key factors limiting donor involvement but did not address the impact of financial planning practices. Ngaruiya and Mungai (2023) found that many projects in Nairobi NPOs fail within a year after donor withdrawal, highlighting the need for effective financial management. Still, their research did not include budgeting or cash flow management as sustainability factors. Similarly, Mwangoma and Kisimbii (2022) focused on NPOs in Kilifi County, but their findings are not directly applicable to Nairobi due to differing contexts.

The present study aims to fill these empirical gaps by examining how financial planning practices—specifically budgeting and cash flow management—affect donor retention rates in education NPOs in Nairobi City County. By exploring these financial practices, this research seeks to provide a comprehensive understanding of how education non-profits can enhance donor relationships and ensure long-term sustainability

### 1.5. Research Objectives and Hypotheses

The current research activities are generally oriented toward investigating the effect of financial planning practices on donor retention rates in education-based non-profit organizations in Nairobi City. Specifically, this research specifically aimed to assess the correlation between budgeting practices and donor retention rates of education-based non-profit organizations in Nairobi County, Kenya; to determine how financial forecasting strategies affect donor retention rates of education-based non-profit organizations in Nairobi County, Kenya; to investigate the influence of cash flow management methods on donor retention rates of education-based non-profit organizations in Nairobi County, Kenya; to examine the association among risk management approaches and donor retention rates of education-based non-profit organizations in Nairobi County, Kenya.

The research deliberated on the following null hypotheses:

- H<sub>01</sub>: Budgeting practices have no significant influence on donor retention rates in education-based non-profit organizations in Nairobi County, Kenya.
- H<sub>02</sub>: Financial forecasting practices have no significant effect on donor retention rates in education-based non-profit organizations in Nairobi County, Kenya.
- H<sub>03</sub>: Cash flow management practices have no significant influence on the donor retention rate in education-based non-profit organizations in Nairobi County, Kenya.
- H<sub>04</sub>: Risk management practices have no significant effect on donor retention rates in education-based non-profit organizations in Nairobi County, Kenya.

## 2. Literature Review

### 2.1. Theoretical Reviews

This review synthesizes theories relevant to understanding the factors influencing donor retention in non-profit organizations (NPOs), particularly in the education sector. The theories reviewed here include Stewardship Theory, Resource Dependency Theory (RDT), and Social Exchange Theory, all of which offer critical insights into organizational behavior and donor relationships.

#### 2.1.1. Stewardship Theory

Stewardship Theory explores the relationship between stewards (e.g., managers or leaders) and principals (e.g., donors, funders) within an organization. It emphasizes the importance of aligning the interests of stewards with those of the organization, ultimately leading to achieving organizational goals (Chrisman, 2019). According to this theory, when stewards act in the best interest of the principals—such as focusing on sales growth or profit maximization—it benefits both parties. The theory suggests that intrinsic motivation, personal identification with the organization, and a sense of ownership drive stewardship behavior (Contrafatto, 2014). In the context of NPOs, Stewardship Theory is highly relevant for effective financial management. It encourages non-profit leaders to act transparently, ensure accountability, and link resource allocation to the organization's strategic goals. This approach fosters donor trust and confidence, crucial for maintaining donor retention. A strong stewardship culture ensures that resources are used efficiently and ethically, strengthening relationships with donors and stakeholders (Chrisman, 2019).

#### 2.1.2. Resource Dependency Theory (RDT)

Resource Dependency Theory, developed by Pfeffer and Salancik (1978), emphasizes that organizations depend on external resources for survival. The theory posits that the behavior of an organization is shaped by its need for critical resources from the external environment. In the case of non-profits, especially those in the education sector, funding from donors is a primary resource. According to RDT, organizations are highly dependent on donors for financial support, which creates vulnerability if donors withdraw or change their preferences. This dependence compels NPOs to adapt their

strategies to maintain funding relationships (Pei & Parris, 2020). Therefore, education non-profits must diversify their funding sources to reduce dependency on a single donor, thus ensuring excellent financial stability and avoiding external influence over their operations. RDT underscores the importance of strategic management of donor relationships to ensure continued support for organizational activities.

### 2.1.3. Social Exchange Theory

Social Exchange Theory, originating from sociology and psychology, focuses on the idea that relationships are built on an exchange process where individuals seek to maximize rewards and minimize costs. In the context of NPOs, this theory suggests that donors are motivated by the rewards they receive from their contributions, which may include emotional satisfaction, social recognition, or the fulfillment of philanthropic goals. Conversely, the costs involved could include the time and effort spent on maintaining communication with the organization or the risk of contributing to an ineffective organization (Cook et al., 2018). The theory highlights the importance of reciprocity in donor-NGO relationships, stressing that non-profits must provide value to donors to ensure continued support. For education NPOs, this means managing resources effectively, using funds transparently, and regularly communicating with donors to demonstrate the impact of their contributions. When donors perceive a favorable reward-to-cost ratio, they are more likely to continue their support, which helps maintain a sustainable funding base for the organization (Subardjo & Harjanti, 2019).

## *2.2. Empirical Reviews*

The research examined findings from preceding studies and identified the correlations between their purposes and the research gaps pertinent to the current investigation.

### 2.2.1. Budgeting and Donor Retention Rate

Several studies have explored the link between budgeting practices and financial stability within non-profit organizations (NPOs), with implications for donor retention.

Ruhara and Moronge (2016) examined the impact of funding approaches on health-related NPOs in Nairobi City. They found that while NPOs adhered to budget allocations, many did not create or monitor their budgets. This resulted in inefficient fund use and diminished credibility, undermining trust and, by extension, donor retention. However, this study focused on health organizations, whereas the current research focuses on educational NPOs with distinct financial and operational needs.

Wanga (2020) studied budget regulation and its influence on financial endurance in NPOs in Nairobi City. Based on data from 35 organizations over four years, her research found that strong budgetary controls aligned organizations' activities with strategic objectives. Despite these valuable insights, the study's broader focus on various NPO sectors means its findings may not directly apply to the education sector, which has different financial dynamics.

Kimunguyi, Memba, and Njeru (2015) explored budgeting practices and financial sustainability in healthcare NPOs in Kenya. They concluded that budgeting significantly affects the financial stability of healthcare NPOs. However, this study focused on internal factors, whereas the current research considers external factors such as risk, which also impact financial stability and resilience. Additionally, the study generalized its findings to NPOs across Kenya, creating a gap the current research addresses by focusing on education NPOs in Nairobi City County.

Using data from Kenyatta National Hospital, Kamau et al. (2017) emphasized the importance of inclusive budgeting processes in improving budget performance. Their findings confirmed that proper fiscal management is essential for managing organizational funds effectively. However, their research primarily concerns healthcare NPOs, while the present study focuses on how budgeting practices influence donor retention in educational NPOs.

### 2.2.2. Financial Forecasting and Donor Retention Rate

Financial forecasting is crucial for maintaining the stability and credibility of NPOs, which affects donor retention. Ndungu (2023) investigated financial distress in HIV/AIDS NGOs in Kenya. The study highlighted the role of financial control measures in stabilizing NPOs during financial crises. However, it did not explore how these financial controls influenced donors' decisions to continue supporting the organizations. The current study fills this gap by examining how financial management practices, including forecasting, impact donors' cognitive processes and their decision to maintain support for education NPOs in Nairobi.

Orendo and Muturi (2017) examined how financial forecasting affects the financial stability of NPOs. Their research found that organizations that used financial forecasting could sustain operations longer than those that did not. While their study emphasized the flexibility of donors' cognitive processes, it did not delve into how financial forecasting impacts donors' choices to maintain support over time. The present study, however, focuses on how forecasting helps education NPOs retain donors by demonstrating financial stability and accountability.

Chelangat Sang and Simiyu (2018) explored the relationship between financial planning and the stability of NPOs in Nairobi City. Their findings emphasized the role of financial forecasting in predicting financial health and ensuring sustainability. However, the study's focus on overall financial stability does not address the specific implications for donor retention, which is the focus of the current study within education NPOs.

Ramanath (2016) studied donor retention in U.S.-based Christian NGOs and found that sound financial planning, including accurate forecasting, was essential for retaining donors. Although the research provides valuable insights into the importance of forecasting, it was conducted in the USA, presenting a geographical gap. The current study applies these

findings to education NPOs in Nairobi City, examining how financial forecasting influences donor retention in this specific context.

### 2.2.3. Risk Management and Donor Retention Rate

Risk management is an essential aspect of financial planning that helps organizations mitigate risks that could threaten their financial stability and donor relationships. Ebenezer et al. (2020) studied financial sustainability challenges in Ghanaian non-profits, highlighting donor dependency and inadequate income diversification as key risks. Their research emphasized the need for financial management practices to improve donor relations and sustainability. While this study provides insights into financial risks, the focus on donor relations in Ghana contrasts with the current study's focus on education NPOs in Nairobi City.

Odhiambo and Njuguna (2021) examined risk management strategies in Kenyan non-profits. They found that diversification of funding sources and personnel competence is essential for financial sustainability. While the study emphasizes these factors, it does not address how risk management explicitly impacts donor retention, which is the present study's focus. Domański (2021) explored risk management in Polish NPOs, identifying competition and donor dependency as significant risks. The study recommended incorporating financial accountability to strengthen donor-organization partnerships. However, this research was conducted in Poland, presenting a contextual gap. The current study addresses the role of risk management in donor retention within education NPOs in Nairobi City.

## **3. Research Methodology**

### *3.1. Research Design*

Both descriptive survey and explanatory research designs were utilized in this study. A descriptive survey was used to clearly depict the unit of analysis under study by focusing on features of a particular group, event, population, or situation and seeking to clarify their current affairs (Sileyew, 2019). An explanatory research design was used to explore the cause-effect link between the predictor and predicted variables and seeks to provide explanations for a particular observed behavior (Sileyew, 2019). These designs contextualize the findings by incorporating depth and applicability to the phenomenon. Additionally, the study incorporated both quantitative and qualitative data.

### *3.2. Empirical Model*

This research utilized both descriptive statistics and inferential data analysis methods. The unstructured questions were essential in collecting qualitative data, while the close-ended ones collected the quantitative data.

For the descriptive analysis, frequency counts from a 5-point Likert Scale were applied to enhance the creation of the frequency distributions—additionally, SPSS software aided in the generation of means and standard deviations.

The inferential analysis used the Pearson correlation analysis to obtain the level of association between independent variables (budgeting, forecasting, and risk management practices) and dependent variables (Donor Retention Rate). Therefore, the investigator implemented a multivariate regression construct to determine the linkage between dependent and independent variables, as illustrated.

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$$

Where:

Y = Donor Retention Rate

x<sub>1</sub> = Budgeting

x<sub>2</sub> = Financial Forecasting

x<sub>3</sub> = Risk Management Practices

β<sub>0</sub> represents the constant term, while the coefficients β<sub>i</sub> (where i = 1, ..., 3) quantified the responsiveness of the predicted variable (Y) to every variation in the predictor variables (x<sub>1</sub> to x<sub>3</sub>). The ε term presented the error variant.

## **4. Results and Discussions**

### *4.1. Diagnostic Tests*

Normality, multicollinearity, and heteroscedasticity diagnostic tests were conducted to determine whether the study is consistent with classical linear regression model standards and to ensure that the findings are effective and unbiased.

#### 4.1.1. Normality Test

The collected data must satisfy the standards for a normal distribution of information to avoid scenarios of data misrepresentation or distortion in inferential analysis. To ascertain these standards, the researcher used the Kolmogorov-Smirnov test technique. The test's outcomes are displayed in table 1.

	Kolmogorov-Smirnova		
	Statistic	df	Sig.
Financial Forecasting Practices	.54	67	<.001
Budgeting Practices	.539	67	<.001
Risk Management Practices	.54	67	<.001
Donor Retention Rate	.54	67	<.001

Table 1: Kolmogorov-Smirnov Test  
Researcher (2024)

As displayed in table 1, the test's outcome indicates that all the study variables had p-values not more than 0.05, hence passing the normality test.

#### 4.1.2. Multicollinearity Test

Multicollinearity was conducted to ensure that there are no strong linear relationships among the financial planning practices. Table 2 displays the outcomes of the test.

Variable	Collinearity Statistics	
	Tolerance	VIF
Budgeting Practices	.685	1.460
Financial Forecasting Practices	.889	1.125
Risk Management Practices	.658	1.520

Table 2: Multicollinearity Test  
Researcher (2024)

The results from table 2 illustrate that all four independent variables had variance inflation factor (VIF) values of less than 5. These findings infer that there was no strong linear relationship between them.

#### 4.1.3. Heteroscedasticity Test

A heteroscedasticity assessment was conducted to ascertain that the error variant in the regression equation is homoscedastic throughout the various values of predictor variables. Table 3 below illustrates the findings of the Breusch-Pagan tool test.

Model		Sum of Squares	ANOVA <sup>a</sup>			Sig.
			Df	Mean Square	F	
1	Regression	.878	4	.009	52.175	.055 <sup>b</sup>
	Residual	.771	62	.025		
	Total	1.649	66			

Table 3: Breusch-Pagan Test

a. Predicted Variable: Squares of residuals

b. Predictors: (Constant), Budgeting, Financial Forecasting, Cash Flow Management, Risk Management  
Researcher (2024)

The outcomes from table 3, emanating from the square of the residuals row, show that the p-value was higher than 0.05 ( $p = 0.055$ ). This standard indicated that the error term was constant, meaning there was no evidence of heteroscedasticity in the data.

## 4.2. Descriptive Statistics

To significantly summarize and describe the fundamental features of the dataset in determining the influence of financial planning practices on the donor retention rate in education-based non-profit organizations in Nairobi City County, Kenya, the research detailed a descriptive evaluation of the dataset. The products of the descriptive statistics, based on the Likert Scale of the data collected, showed the following:

### 4.2.1. Budgeting Practices

The participants were required to quantify the magnitude within which their respective organizations' budgeting practices have been achieved using statements rated by the Likert Scale. As shown in table 4, these statements quantified budgeting practices regarding budget creation, targets, and performance.

Variable Indicators	SD	D	N	A	SA	M	Std. Dev.
This organization set targets for the future in terms of estimated revenue expected based on past performances	0.0%	11.9%	16.4%	47.8%	23.9%	3.84	0.93
The organization creates and maintains budgets used in making financial decisions.	6.0%	0.0%	11.9%	43.3%	38.8%	4.09	1.02
There is a consistent process of aligning the budget performance against predetermined financial goals.	3.0%	6.0%	28.4%	35.8%	26.9%	3.77	1.01

Table 4: Descriptive Analysis for Budgeting Practices

\*SD: Strongly Disagree, D: Disagree, N: Neutral, A: Agree, SA: Strongly Agree, M: Mean, Std. Dev.: Standard Deviation Researcher (2024)

The outcomes in table 4 display how the participants responded to assorted statements measuring budget practices variable. The first survey statement asked whether organizations set financial targets for the future regarding estimated revenue based on previous financial performances. The statement had a high mean of 3.84, demonstrating that the respondents highly agreed that their organizations set targets for the future. Similarly, the statement had a low standard deviation of 0.93, indicating that, while most of the participants settled with the statement, there was a wider variation in the opinions of the statement.

Correspondingly, the survey sought to determine whether organizations create and maintain their budgets to necessitate strategic financial decisions. With a mean of 4.09 on the second statement, the analysis revealed that participants agreed that their organizations create and maintain budgets that help make strategic financial decisions. The results also indicated a moderate standard deviation of 1.02, entailing that while several participants affirmed that their organizations create and maintain their budgets, a small portion of the participants disagreed or had neutral opinions regarding the statement.

On whether education-based NPOs consistently align their budget performance with predetermined goals, the analysis, with a mean of 3.77, suggests that, on average, most participants moderately agreed that organizations align their budget performance with predetermined goals. The standard deviation of 1.01 reflects relative inconsistency in respondents' opinions,

#### 4.2.2. Financial Forecast Practices

The respondents were asked to scale the level to which their respective organizations have accomplished financial forecasting practices based on statements scaled by the Likert Scale. These statements, shown in table 5, were used to quantify the degree to which financial forecasting practices have been achieved.

Variable Indicators	SD	D	N	A	SA	M	Std. Dev.
The organization develops an accurate revenue forecast to predict future financial outcomes	3.0%	16.4%	32.8%	38.8%	9.0%	3.34	0.92
The organization can easily predict future expenditures to identify potential risks and opportunities	3.0%	0.0%	31.3%	40.3%	25.4%	3.85	0.91
The organization can examine historical financial data to predict future financial outcomes.	6.0%	4.5%	13.4%	46.3%	29.9%	3.89	1.07
The organizations always strategize on potential outcomes in cases of reduced donor contribution	0.0%	7.5%	25.4%	37.3%	29.9%	3.89	0.92

Table 5: Descriptive Analysis for Financial Forecasting

\*SD: Strongly Disagree, D: Disagree, N: Neutral, A: Agree, SA: Strongly Agree, M: Mean, Std. Dev.: Standard Deviation Researcher (2024)

Table 5 shows how the respondents replied to various statements that measured financial forecasting practices variable. The first survey statement asked whether organizations accurately forecast their revenues and incomes. With a mean of 3.34, it can be deduced that the respondents slightly settled with the statement specification. The standard deviation of 0.92 indicates a variation in their answers. The uniformity in mean and standard deviation depicts that the opinions on the statement regarding financial forecasting ability are moderately aligned.

The analysis, with a mean of 3.85, indicated that most participants, on average, highly agreed with the statement about whether organizations can easily predict future expenditures. The results also indicated a lower standard deviation

of 0.91, implying that the participants had low response variations. This signified that a minority of the participants disagreed or were neutral on the statement.

Also, on the statement on whether education-based NPOs can examine their historical financial data to identify possible economic shocks and patterns in predicting future financial outcomes, a mean score nearing 4 (3.98) was recorded, indicating that, on average, participants strongly agreed with the statement. The standard deviation of 1.07 showed a relative changeability, indicating that as much as most respondents agreed with the statement, a moderate number of them had either neutral or disagreeing views in their responses.

Finally, regarding whether education-based NPOs strategize on their potential outcomes and impacts in cases of reduced donor contribution, the analysis revealed that several participants agreed with the statement with lower variability (mean = 3.89, SD = 0.92). These results implied that the participants generally agreed with the strategies employed by their organizations, with relatively minimal variation, implying that the opinion is mutual among various participants in education-based NPOs.

#### 4.2.3. Risk Management Practices

The study further determined the degree to which financial risk management practices have been realized in education-based NPOs in Nairobi City County, Kenya. The aspects of measuring financial risk management include risk management processes such as risk identification, evaluation, management, and control. The outcomes are shown in table 6.

Variable Indicators	SD	D	N	A	SA	M	Std. Dev.
Organizations are always aware of financial risks that could affect their financial health.	1.5%	10.4%	28.4%	31.3%	28.4%	3.74	1.03
The organizations regularly evaluate identified risks	3.0%	6.0%	22.4%	40.3%	28.4%	3.85	1.00
The senior management teams select an appropriate risk management approach	6.0%	7.5%	14.9%	47.8%	23.9%	3.76	1.09
The organizations constantly monitor and review all selected risk management practices	0.0%	4.5%	23.9%	44.8%	26.9%	3.94	0.83

*Table 6: Descriptive Analysis for Risk Management*

*\*SD: Strongly Disagree, D: Disagree, N: Neutral, A: Agree, SA: Strongly Agree, M: Mean, Std. Dev.: Standard Deviation Researcher (2024)*

The findings, as per table 6, reveal how the participants responded concerning the measures of financial risk management practices. Regarding risk identification, the participants were asked whether their organizations were aware of various financial risks that could negatively affect their health. The findings also revealed that most participants moderately agreed that their organizations are aware of financial risks that could deter their operations, with a mean of 3.74. The moderate standard deviation of 1.03 showed moderate variability, indicating that only a few organizations know their financial risks.

On the statement of risk evaluation, the participants were asked whether their organizations regularly evaluate all the identified risks; the analysis suggested that most of the participants, with a mean of 3.85, strongly agreed that their organizations frequently evaluate identified risks, while the standard deviation of 1.00 signified that there were moderate differences in the responses, showing that not all the education-based NPOs in Nairobi City County have coherent mechanisms for risk evaluation.

Similarly, in the third statement measuring risk management techniques, the respondents were asked whether their senior management team selects the suitable approach to the financial risk management process. With a mean of 3.76, the participants sufficiently affirmed that their senior management team selects the appropriate risk management techniques in their risk mitigation process. The results also indicated a moderate standard deviation of 1.09, meaning that as much as participants approved of the statement, there were a few variations in their responses, with others stating neutrality or disagreeing opinions.

Finally, regarding risk control, the survey asked participants whether their respective organizations regularly monitor and review all selected risk management practices against changes in the organizational external environment. The results, presented in table 6, showed that most participants strongly agreed with the statement, with a mean of 3.94. The lower standard deviation value, 0.83, denotes that the responses varied little from the mean, thus indicating a relative uniformity in opinion regarding monitoring and reviewing risk management practices.

#### 4.2.4. Donor Retention Rate

The research further sought to evaluate the descriptive statistics analysis of the donor retention rate of education-based NPOs. In this section, the participants were asked to establish the level at which their organizations' donor retention rates have been achieved. The survey findings are displayed in table 7.

Variable Indicators	SD	D	N	A	SA	M	Std. Dev.
The organizations frequently track their donor interactions and contributions.	4.5%	3.0%	22.4%	53.7%	16.4%	3.75	0.93
Most donors typically repeat their monthly year-after-year contributions	1.5%	4.5%	26.9%	46.3%	20.9%	3.81	0.87
Most of the donors are involved in the organization beyond financial contributions.	3.0%	16.4%	20.9%	32.8%	26.9%	3.64	1.14
The organization has high donor engagement channels, such as monthly donations and recurring gifts	1.5%	9.0%	23.9%	44.8%	20.9%	3.94	0.83

Table 7: Descriptive Analysis for Donor Retention Rate

\*SD: Strongly Disagree, D: Disagree, N: Neutral, A: Agree, SA: Strongly Agree M: Mean, Std. Dev.: Standard Deviation Researcher (2024)

The data displayed in table 7 are the responses regarding various considerations in determining the level of Nairobi City County's education-based Non-profit Organizations' donor retention rates. In the survey, the research aimed to determine whether these organizations frequently track their donor interactions and contributions. With a mean of 3.75, the study depicted that, on average, the participants moderately agreed that education-based NPOs in Nairobi City County regularly track their donor interactions and contributions. The moderate standard deviation value, 0.93, denotes that the responses had a mild variation in how organizations consistently track their donor interactions.

In the second statement, the respondents were asked whether most donors typically repeat their monthly year-after-year contributions. With a mean of 3.81, the analysis indicates that most respondents sufficiently agreed that several donors typically repeat their monthly year-after-year contributions as per their fundraising database. The results also indicated a lower standard deviation of 0.87, implying that the responses had very marginal disparities in responses.

The participants were further asked whether most of their donors are involved in the organization beyond financial contributions. The mean of 3.64 suggested that most participants moderately agreed with the statement. The high standard deviation of 1.14 signified a wide disparity in the answers regarding the statement.

The research sought to establish whether the education-based NPOs in Nairobi City County have high donor engagement. The mean of 3.94 indicates that the participants strongly agreed that their organizations have high donor engagement channels, such as monthly donations and recurring gifts. The higher standard deviation, 0.83, denotes that the responses varied widely from the mean.

Finally, the study sought to determine whether NPOs could continue to receive persistent donations even if their programs changed. With a mean of 3.22 and a standard deviation of 0.44, the results indicated that most respondents agreed that their organizations would continue receiving persistent donations even if their programs changed. The low standard deviation reveals a narrower variation in their responses, meaning that most respondents shared a standard view of the statement.

#### 4.3. Inferential Statistics

The inferential statistics segment covers correlation and regression analyses, which are useful in formulating inferences about how variables correlate after data analysis.

##### 4.3.1. Correlation Analysis

The research used PCC to demonstrate the nature and direction of the correlation between financial planning practices and donor retention rate among education-based NPOs in Nairobi City County. The outcome of the analysis is depicted in table 8.

Variable		Donor Retention Rate	Financial Forecasting Practices	Budgeting Practices	Cash Flow Management Practices	Risk Management Practices
Donor Retention Rate	Pearson's Correlation	1				
	Sig. (2-tailed)	.				
Financial Forecasting Practices	Pearson's Correlation	.386**	1			
	Sig. (2-tailed)	0.001	.			

Budgeting Practices	Pearson's Correlation	.696**	.250*	1		
	Sig. (2-tailed)	0.000	0.041	.		
	Sig. (2-tailed)	0.056	0.261	0.549	.	
Risk Management Practices	Pearson's Correlation	.810**	.302*	.555**	0.139	1
	Sig. (2-tailed)	0.000	0.013	0	0.261	.

*Table 8: Correlation Results*  
 \*\*. Correlation is significant at the 0.01 level (2-tailed).  
 Researcher (2024)

The study revealed that budgeting practices ( $r=0.70, p=0.000$ ) and risk management practices ( $r=0.81, p=0.000$ ) exhibit strong and statistically significant positive correlations with donor retention rates in education-based NPOs in Nairobi City County. Financial forecasting practices ( $r=0.39, p=0.001$ ) showed a moderate and significant positive correlation, highlighting the value of using historical data and market trends to enhance donor retention. All financial planning practices positively influenced donor retention, though their significance and strength varied, with risk management being the most impactful.

**4.3.2. Multiple Regression Analysis**

The multiple regression analysis was carried out to comprehend and describe a meaningful relationship between financial planning practices and the donor retention rate of education-based non-profit organizations in Nairobi City County, Kenya. Various analyses, such as model summary, analysis of variance (ANOVA), and coefficient determination, were conducted to establish this relationship. The outcomes of each analysis are summarized in tables 9, 10, and 11.

**4.3.2.1. Model Summary Analysis**

The research sought to establish how the association estimation between predictor and predicted variables fits the statistical data. To establish the fitness, a model summary analysis of the data was conducted, and the results are presented in table 9.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig. F change
1	.878	.771	.756	.08466	.000 <sup>a</sup>

*Table 9: Model Summary for Multiple Regression*  
 a. Predictors: (Constant), Budgeting, Financial Forecasting, Risk Management  
 Researcher (2024)

The summary indicates that the overall model was highly significant, with a p-value of 0.000. An R of 0.878 demonstrated a solid linear relationship between financial planning practices and the donor retention rate of education-based non-profit organizations. Similarly, the R-square value indicated that the financial planning practices variables of the model explained a 77% variance in the donor retention rate. In comparison, the remaining 23% could be attributed to factors outside the scope of this model.

**4.3.2.2. Analysis of Variance (ANOVA)**

An analysis of variance was conducted to determine the magnitude of variability within the model, which aided in assessing its significance. The summary is presented in table 10.

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.496	4	0.374	52.175	.000 <sup>b</sup>
	Residual	0.444	62	0.007		
	Total	1.94	66			

*Table 10: ANOVA for Multiple Regression*  
 a. Predictor Variable: Donor Retention Rate  
 b. Predictors: (Constant), Budgeting, Financial Forecasting, Risk Management  
 Researcher (2024)

As presented in table 10, the p-value falls below the predetermined limit of 0.05, implying that the entire model is highly statistically significant. The analysis infers that all the independent variables, jointly, are meaningful predictors of the predicted variable. The F-value of 52.175 indicates that essential differences existed between the means of groups.

4.3.2.3. Coefficient Table

Coefficient evaluation for multiple regression was carried out to describe the influence of the independent variables on the findings while all the other variables were held constant. Table 11 illustrates the findings of the regression coefficient established.

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.127	0.07		1.808	0.075
	Risk Management Practices	0.469	0.062	0.57	7.605	0
	Financial Forecasting Practices	0.092	0.053	0.112	1.74	0.087
	Budgeting Practices	0.247	0.053	0.344	4.677	0

Table 11: Coefficient for Multiple Regression  
 a. Predicted Variable: Donor Retention Rate  
 Researcher (2024)

Table 11 presents the findings of the linear multiple regression with regression coefficients that provide a comprehension of how each financial planning practice affects the donor retention rate. From the table, the outcome of the linear multiple regression equation can, therefore, be expressed in the model 4.1 as follows:

$$DRR = 0.127 + 0.344x_1 + 0.112x_2 + 0.57x_3 + \epsilon \dots\dots\dots 4.1$$

Where:

Y = Donor Retention Rate

X<sub>1</sub> = Budgeting practices

X<sub>2</sub> = Financial forecasting practices

X<sub>3</sub> = Risk management practices

4.3.3. Hypothesis Testing

The hypothesis testing in this study, derived from multiple regression analysis, examined the influence of budgeting, financial forecasting, cash flow management, and risk management on donor retention rates in education-based NPOs in Nairobi City County. The null hypothesis stated that these variables did not significantly affect donor retention. The testing criteria involved rejecting the null hypothesis if regression coefficients were positive and significant. The results are detailed below:

4.3.3.1. Budgeting Practices and Donor Retention Rate

The regression analysis indicated that budgeting practices significantly influence donor retention rates, with a positive regression coefficient of 0.344. This finding suggests that each unit increase in budgeting practices leads to a 0.344-unit improvement in donor retention rates, holding other variables constant. Consequently, the null hypothesis was rejected.

4.3.3.2. Financial Forecasting Practices and Donor Retention Rate

Financial forecasting practices significantly improved donor retention rates, with a regression coefficient of 0.112. This implies that a unit increase in forecasting practices results in a 0.112-unit improvement in donor retention rates, assuming no changes in other variables. Therefore, the null hypothesis was rejected, affirming the importance of financial forecasting in donor retention.

4.3.3.3. Risk Management Practices and Donor Retention Rate

Risk management practices demonstrated the most substantial impact, with a regression coefficient of 0.469. This suggests that each unit improvement in risk management practices results in a 0.469-unit increase in donor retention rates, assuming other factors remain constant. Accordingly, the null hypothesis was rejected, underscoring the critical role of risk management in donor retention.

5. Conclusions and Recommendations

5.1. Conclusions

This study examined the influence of budgeting, financial forecasting, and risk management practices on donor retention rates in education-based NPOs in Nairobi City County, Kenya. The findings revealed strong, statistically

significant positive correlations between financial planning practices and donor retention rates. Risk management and budgeting practices emerged as the most impactful factors, with correlation coefficients of 0.81 and 0.70, respectively. Financial forecasting (0.39) also showed noteworthy relationships with donor retention.

Regression analysis further demonstrated that all three variables significantly affected donor retention rates, with coefficients of 0.344 (budgeting), 0.112 (financial forecasting), and 0.57 (risk management). The positive relationships suggest that improvements in these financial practices lead to increased donor retention rates.

The research underscores the importance of adopting effective financial planning practices to enhance donor retention rates in education-based NPOs. These organizations are vital in addressing educational disparities in underserved communities. Challenges arising from declining donor retention rates threaten these organizations' ability to plan and execute their projects effectively.

To address these challenges, education-based NPOs should prioritize the following financial planning practices. **Budgeting:** Develop and maintain comprehensive financial plans covering anticipated revenues and expenses. **Financial Forecasting:** Use historical data and risk assessments to predict future financial inflows and outflows. **Risk Management:** Identify, evaluate, mitigate, and control financial risks affecting project stability and organizational health.

## 5.2. Recommendations

The study identified that budgeting, financial forecasting, and risk management positively and significantly influence donor retention rates for education-based NPOs in Nairobi City County, Kenya. These findings align with the broader aim of enhancing donor trust, confidence, and satisfaction to sustain support for educational programs. The study recommended the following:

**Budgeting Practices:** Organizations should develop all-inclusive and transparent budgeting procedures that cover programmatic and administrative overheads, share proposed budgets with donors to demonstrate financial accountability, and regularly monitor budgets to ensure performance aligns with predetermined goals.

**Financial Forecasting Practices:** Organizations should implement robust forecasting models that anticipate financial needs and donation trends. They should also integrate scenario planning into forecasting techniques to address potential funding shortfalls due to donor withdrawal or surpluses from donor inclusion.

**Risk Management Practices:** Organizations should develop a proactive and comprehensive financial risk management framework to identify, evaluate, and mitigate financial risks. They should also conduct regular financial audits to detect vulnerabilities, diversify donation sources to reduce dependency and establish contingency plans for economic downturns or donor withdrawals.

By adopting these practices, education-based NPOs can demonstrate responsible financial management, reinforcing donor confidence and ensuring their contributions are effectively utilized. This, in turn, enhances the likelihood of retaining donors and sustaining their critical educational initiatives.

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