

**ACCOUNTABILITY AND FINANCIAL SUSTAINABILITY OF PUBLIC  
GOVERNANCE NON-GOVERNMENT ORGANIZATION IN NAIROBI  
COUNTY, KENYA**

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**D58/CTY/PT/25883/2013**

**A RESEARCH THESIS SUBMITTED TO THE SCHOOL OF BUSINESS  
IN PARTIAL FULFILMENT FOR THE AWARD OF THE DEGREE IN  
MASTER OF SCIENCE IN FINANCE, KENYATTA UNIVERSITY**

**OCTOBER, 2018**

## **DECLARATION**

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

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## **DEDICATION**

I dedicate this work to my mum Magdaline Chepkemboi, my daughter Yvette Chebet. My friends Augustine Kimau and Alphine Chepleting You have been my pillar of strength God bless you a lot.

## **ACKNOWLEDGEMENT**

I acknowledge the efforts of my university supervisors Dr. Paul Sang and Dr Eddie Simiyu for their dedicated efforts in making this research thesis a reality. Their wise counsel and guidance made this thesis a reality. I also acknowledge my family for their continued support through the study period. Most importantly I acknowledge God Almighty who has been my pillar of strength all my life.

## TABLE OF CONTENTS

<b>DECLARATION</b> .....	<b>ii</b>
<b>DEDICATION</b> .....	<b>iii</b>
<b>ACKNOWLEDGEMENT</b> .....	<b>iv</b>
<b>LIST OF TABLES</b> .....	<b>viii</b>
<b>LIST OF FIGURES</b> .....	<b>ix</b>
<b>OPERATIONAL DEFINITION OF TERMS</b> .....	<b>x</b>
<b>ABBREVIATION AND ACRONYMS</b> .....	<b>x</b>
<b>ABSTRACT</b> .....	<b>xii</b>
<b>CHAPTER ONE: INTRODUCTION</b> .....	<b>1</b>
1.1 Background of the Study .....	1
1.1.1 Accountability among Nongovernmental Organizations.....	2
1.1.2 Financial Sustainability.....	3
1.1.3 Nongovernment Organization in Kenya .....	4
1.1.4 Public Governance Nongovernment Organization .....	5
1.2 Statement of the Problem.....	5
1.3 Study Objective.....	7
1.3.1 General Objective .....	7
1.3.2 Specific Objective.....	7
1.4 Research Hypothesis .....	8
1.5 Significance of the Study .....	8
1.6 Scope of the study.....	10
1.7 Limitation of the study.....	10
1.8 Organization of the study.....	11
<b>CHAPTER TWO: LITERATURE REVIEW</b> .....	<b>12</b>
2.1 Introduction.....	12
2.2 Theoretical Review .....	12
2.2.1 Fraud Theory/ Differential Association Reinforcement Theory.....	12
2.2.2 Resource Mobilization Theory .....	13
2.2.3 Agency Theory.....	14
2.3 Empirical Review.....	15
2.3.1 Financial Planning and Financial Sustainability.....	15
2.3.2 Financial Monitoring and Evaluation and Financial Sustainability.....	17

2.3.3 Financial Controls and Financial Sustainability .....	17
2.3.6 Nongovernment Organization Regulation in Kenya.....	21
2.4 Summary of Literature Review .....	22
2.5 Conceptual Framework.....	35
<b>CHAPTER THREE: RESEARCH METHODOLOGY .....</b>	<b>37</b>
3.1 Introduction.....	37
3.2 Research Philosophy.....	37
3.3 Research Design.....	37
3.4 Target Population.....	38
3.5 Sampling Technique .....	38
3.6 Data Analysis .....	38
3.6.1 Empirical Model .....	39
3.6.2 Description and Measurement of the Study Variables .....	40
3.7 Data Collection Instruments .....	41
3.8 Data Collection Procedure .....	42
3.9 Reliability of Data Collection Instruments .....	42
3.10 Data Validity.....	42
3.11 Diagnostic Tests for Regression Model.....	43
3.11.1 Testing for Multicollinearity.....	43
3.11.2 Normality Test .....	43
3.11.3 Heteroscedasticity .....	44
<b>CHAPTER FOUR: DATA ANALYSIS, INTERPRETATIONS AND DISCUSSIONS.45</b>	
4.1 Introduction.....	45
4.2 Response Rate.....	45
4.3 Reliability Analysis.....	45
4.4 Years Worked at the Organization.....	46
4.5 Description of Study Variables .....	47
4.5.1 Financial Planning .....	47
4.5.2 Financial Monitoring and Evaluation .....	50
4.5.3 Financial Control .....	52
4.5.4 NGO Regulatory Framework.....	53
4.5.5 NGO Financial Sustainability .....	55
4. 8 Diagnostic Tests.....	56
4. 8.1 Test for Multicollinearity.....	56

4.8.2 Test for Normality.....	57
4.8.3 Heteroscedasticity Test .....	58
4.9 Inferential Analysis .....	58
4.9.1 Correlation Analysis .....	58
2.9.2 Multiple Regression Analysis .....	61
4.9.3 Moderating Effect of NGO Regulatory Framework.....	64
4.10 Discussion of Research Findings .....	67
<b>CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS .....</b>	<b>70</b>
5.1 Introduction.....	70
5.2 Summary of Findings.....	70
5.3 Conclusions of the study.....	72
5.4 Recommendations of the study.....	73
5.5 Suggestions for Further Research .....	74
<b>REFERENCES.....</b>	<b>76</b>
<b>APPENDICES.....</b>	<b>81</b>
Appendix I: Questionnaire.....	81
Appendix II: University Data Collection Authorization.....	86
Appendix III: NACOSTI Data Collection Authorization.....	87
Appendix IV: List of Public Governance NGOs .....	88

## LIST OF TABLES

Table 2.1 Summary of Literature Review.....	24
Table 3.1: Study Variables Description .....	40
Table 4. 1: Response Rate.....	45
Table 4. 2: Reliability Analysis .....	46
Table 4. 3: Years at the Organization .....	46
Table 4. 4: Financial Planning .....	48
Table 4. 5 Financial Monitoring and Evaluation .....	50
Table 4. 6 Financial control .....	52
Table 4. 7 NGO regulatory Framework.....	54
Table 4. 8: NGO Financial Sustainability.....	55
Table 4. 9: NGO Sustainability.....	56
Table 4. 10 Multicollinearity Test .....	56
Table 4. 11 Normality Test .....	57
Table 4. 12 Heteroscedasticity Test .....	58
Table 4. 13 Correlation Analysis .....	59
Table 4. 14: Model Summary .....	61
Table 4.15: ANOVA.....	62
Table 4.17: Moderated effect Model Summary.....	64
Table 4.18: Moderated ANOVA.....	65
Table 4.19: Model Coefficients .....	66

## LIST OF FIGURES

Figure 2.1: Conceptual Framework .....	36
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## OPERATIONAL DEFINITION OF TERMS

<b>Accountability</b>	Refers to an obligation or the willingness to take account for actions undertaken by an individual or accept responsibility. This requires transparency in all undertakings.
<b>Financial Planning</b>	A process of comprehensive evaluating the current financial state of a firm as well as future projection of cash inflows and obligations.
<b>Financial Monitoring and Evaluation</b>	This involves determining the usage of finances in line with the set objectives with aim of improving current and future management of outputs, outcomes and impact.
<b>Financial Controls</b>	These are measures put in place by a firm in managing and tracking all the financial transactions and resources.
<b>Financial Sustainability</b>	It entails the ability of an organization to financially support the organization activities and pass the benefits of existence to future beneficiaries while ensuring effective utilization of resources.
<b>Governance</b>	This is a way(s) in which a society or an organization formulates and implements policy for overseeing how operations are undertaken.
<b>Nongovernmental Organization</b>	An organization which is not part of the government and is not profit oriented.
<b>Public Governance</b>	This is involved in the relationships of power between the civil society and the government as well as the influence brought about on the communities.
<b>Sustainability</b>	Ability to continue a defined behaviour indefinitely while able to support of uphold.

## **ABBREVIATION AND ACRONYMS**

<b>GDP</b>	:	Gross Domestic Product
<b>KPLC</b>	:	Kenya Power and Lightening Company
<b>MFI</b>	:	Microfinance Institutions
<b>NGO</b>	:	Nongovernmental Organization
<b>OECD</b>	:	Organization for Economic Cooperation and Development
<b>SMEs</b>	:	Small and Micro Enterprises
<b>SPSS</b>	:	Statistical Package for Social Science
<b>USAID</b>	:	United States Agency for International Development
<b>VIF</b>	:	Variable Inflation Factor

## ABSTRACT

Nongovernmental organizations play key role in delivering education, healthcare, social aid and other welfare activities in most developing countries like Kenya and hence their financial sustainability cannot be ignored. Financial sustainability requires that NGOs be able to meet all their resource and financing obligations and remain in existence for unforeseeable future. However, just a small number (10 percent) of NGOs that had managed to achieve a desirable level of institutional and financial sustainability. The studies conducted have mainly focused on the outcome of the projects, capacity building, and stakeholder involvement rather than the factors influencing the financial sustainability aspect. Additionally, little mention is made on the financial sustainability of NGOs which may be due to them being associated with having unlimited donor funding. This implies that the issue of NGO sustainability is yet to be fully explored and hence NGOs managements are not fully informed on the effect accountability has on financial sustainability and may continue to suffer from lack financial sustainability. The study sought to determine the effect of accountability on public governance NGO financial sustainability. Specifically, the study determined the effect of financial planning, financial monitoring and evaluation and financial controls on financial sustainability of public governance NGOs in Nairobi County. The study also examined the moderating effect of NGO financial regulation on the relationship between accountability and NGO financial sustainability. The study was guided by resource mobilization theory, agency theory and fraud theory. The study adopted descriptive research design and data was collected using primary means which was through the use of questionnaires. The study target population was the 550 public governance NGOs in Nairobi County dealing with public governance. Systematic sampling technique was used to identify 15 percent of the population as the respondents where every 6<sup>th</sup> organization was studied. The collected data was analyzed using both quantitative and qualitative data analysis methods. SPSS was used for data entry, descriptive analysis, reliability analysis, correlation analysis and multiple regression analysis. Diagnostic tests done included multicollinearity, test for normality and Heteroscedasticity. Data was collected by use of questionnaires and analyzed using descriptive statistics and inferential statistics. The study found out that the independent variables Financial Control ( $r=0.685$ ,  $p<0.05$ ), Financial Planning ( $r=0.438$ ,  $p<0.05$ ) and Financial Monitoring and Evaluation ( $r=0.597$ ,  $p<0.05$ ) had positive and significant effect on NGO financial sustainability. Regulatory Framework was established not to have moderating impact on the relationship between accountability and financial sustainability (F-change=1.037, p-change=0.312). Accountability was found to have a positive and significant effect on NGO financial sustainability ( $r=.709$ ,  $p<0.05$ ). The study concluded that high number of NGOs were not sustainable a problem which could be addressed through NGOs improving their accountability practices. The study recommended that the management at the NGOs to work towards improving accountability practices with aim of enhancing financial sustainability of the NGOs.

## CHAPTER ONE: INTRODUCTION

### 1.1 Background of the Study

Nongovernmental organizations play key role in the delivery of education, social aid, health and other social welfare initiatives in developing countries like Kenya and hence their financial sustainability cannot be ignored. Additionally, NGOs help in creating public awareness on important issues of concern including monitoring the activities of the government and other entities for the benefit of the community (Goddard & Assad 2006). To achieve the intended objectives, NGOs need to be transparent, accountable and be operated with the highest degree of integrity. This is based on the fact that financial accountability mechanisms employed by NGOs in delivering development objectives affect the effectiveness of the organizations' endeavours (Agyemang, Awumbila, Unerman & Dwyer, 2009).

Lack of financial accountability is a major feature among nongovernmental institutions globally (USAID, 2010). The challenge is more prevalent in Kenya as supported by empirical findings (Karanja & Karuti, 2014; Njoroge 2013 and Odhiambo, 2013). Non-governmental institutions that have sound financial accountability systems are able to have stable income flows which enable them fulfil the set organizational targets hence leading to their financial sustainability (Anthony & Young, 2003). Further, organizations aim at ensuring full maximisation of the resources and improved organizational performance which cannot be achieved without adequate financial accountability mechanisms (Habeeb, 2013). Most NGO in Kenya financial sustainability rests on the donor funding (Odhiambo, 2013) implying the prevalent need for financial accountability.

Financial sustainability among NGOs cannot be achieved without the ability to mobilize resources which requires them to be financially accountable. Differential association theory

holds that lack of financial accountability leads to employees' dishonesty and infection of honest employees further worsening financial sustainability problem. Resourced based theory on the other hand argue that financial sustainability is a function of internal resources within the organization and how well the resources are applied in generating finances required by the organization (Brinkmann & Henriksen, 2002; Fanning & Cogger, 1998; Cressey, 2003).

### **1.1.1 Accountability among Nongovernmental Organizations**

Financial accountability among the nongovernmental organizations has been on an upward trend for the past two decades. This has been attributed to the increased incidences of funds being lost through fraud, embezzlement, lack of accountability and more NGOs been introduced (Kristin, 2014). In addition, unclearness of the NGOs' goals among the managements and stakeholders also contribute to perceived NGOs lack of accountability (Mawanda, 2008). Additionally, NGOs are non-profit in nature and therefore their financing is majorly donor based with the donors demanding that they be accountable (Jordan & Tuijl, 2012). Further, donor funding has been on the decline with Bezjian, *et al.* (2009) arguing that to ensure sustainable donor funding, non-governmental organizations have to adopt appropriate mechanisms to ensure financial sustainability.

Financial accountability has number of components including financial monitoring, financial planning, financial reporting disclosure, financial control and evaluation. Financial planning entails transparency in budgeting and involvement of all the stakeholders in budgeting process. Lack of transparency in financial planning does not auger well with most of the stakeholders which affects NGOs revenue streams and hence financial sustainability (Odhiambo, 2013). Accountability constitutes financial objectives both long and short term that aim at achieving the speculated financial incomes while financial reporting and monitoring on the other hand aims at fostering transparency in financial use in the NGOs (Kristin, 2014).

In Kenya, the financial accountability of the NGOs may either be brought about by the external pressure from regulatory bodies such as NGO coordination board and internal pressure from the major stakeholders who demand maximization of their capital. For instance, the board in 2016 deregistered over 1,252 of the 4,000 NGOs registered in Kenya that have violated the terms and conditions set out in their registration documents. NGOs have also to develop internal accountability structures in addition to the accountability levels demanded by the regulatory bodies and the external players (Odhaimbo, 2013).

### **1.1.2 Financial Sustainability**

According to Johnson and Scholes, (2007) sustainability refer to a measure of the ability of an organization to fulfil its objectives and meet the stakeholders' requirements. It entails the ability of firm to effectively grow, develop and function effectively for a long period of time. For organizations to be financial sustainable, proper strategies which cover foundations, fundraising and advocacy are required (Dorothy, 2007). Sustainability in organizations is categorised into three main groups including financial sustainability, organization sustainability and sustainability in service provision (Johnson & Scholes, 2007).

In NGOs, financial sustainability measures their self sufficiency and ability to accomplish the financial obligations and resource utilization in fulfilling its missions while serving the stakeholders' needs (Karanja & Karuti, 2014). This is promoted from both a broad base and interdisciplinary approach in ensuring that the firm remains relevant and current spending does not hinder future generations spending (Pearce & Robinson, 2003). For the NGOs to remain sustainable, sound financial management, reliable financial sources and financial accountability are essential to facilitate increased cash inflows, projections and market developments (Nturibi, 2004).

Proper standards of governance, managerial knowledge and skills are also requisite for the organizations to be sustainable (Ganesh, Swami & Shaik, 2015). The organization financial sustainability has been equated to the financial position and strength of the firm. When sustainability is not attained it prevents the firm from attracting more donor funding or increased revenue generation (Anthony & Young, 2003). The financial sustainability may be measured using liquidity, net income and the solvency of the firm (Karanja & Karuti, 2014).

### **1.1.3 Nongovernment Organization in Kenya**

NGOs in Kenya play important roles in diverse areas including social, political, economic, agriculture and cultural development. NGOs are central both public and private development in partnership of countries. In this regard they enjoy numerous privileges such as waivers and tax exemptions (Karanja & Karuti, 2014). The NGOs thus due to the role in reforms they are considered to be crucial agents in advocacy and contribute to a create extent dialogues in policy as well as promotion of the well being of the citizens. However, the NGOs in Kenya have been characterized as to having poor relations with the citizens which has been brought about by problems in political, historical and cultural aspects (Ebrahim &Kasturi, 2010)

Over the years, the international involvement to the NGOs and donor contributions have reduced immensely with donors withdrawing their projects and programs. This has also result in a shift towards more humanitarian oriented relief and recovery of the funds donated (Johnson & Scholes, 2007). This has affected the operations of NGOs in Kenya where they have to be accountable for them to access more funds. The withdrawal of donor funding has led to their reduced activities as a result of financial unsustainability which is the most crucial factor for sustaining operation of NGOs (Karanja & Karuti, 2014).

#### **1.1.4 Public Governance Nongovernment Organization**

Public governance NGOs promote good governance which leads to eradication of poverty and successful economic development. Improved governance encourages better service delivery and improved accountability in the public sector (OECD, 2011). For public governance NGOs to perform the role of advocating for better public corporate governance, the organizations ought to lead by example by adopting appropriate accountability practices. Additionally, the role that public governance NGOs play is perceived as secondary compared to NGOs promoting basic services like health (OECD, 2011).

Therefore, lack of accountability is likely to have more negative effect on financial sustainability of the public governance NGOs compared to organizations offering basic services. Also, the formal mechanisms in which NGOs participate in various political systems still remain to be limited. Due to the nature of the role of these NGOs, lack of accountability will be expected to reduce donor financing significantly. Governance role are often seen to be secondary when compared to other roles of NGOs that includes offering of health services and basic services like education (NGO Bureau, 2014).

#### **1.2 Statement of the Problem**

The Non-Governmental Organization sector has experienced rapid growth and involvement in achieving increased economic involvement over the last decade (Anheier and Salamon, 2006). These organizations play a vital role in a country including provision of health services, promotion of public governance, economic growth and development by contributing to GDP approximately Ksh. 80 billion per year (NGO Coordination Board, 2014). However, despite the benefits accrued from the NGOs, most of them have been established not to be financially sustainable with only 10% of the NGOs achieving the desired financial sustainability levels

(Nuka, 2010). This has resulted with the donor funding reduce significantly by more than 20% and 510 NGOs' licenses being withdrawn due to lack of accountability and dwindling financial sustainability (NGO Coordination Board, 2014).

Financial accountability has thus been ascendant among NGOs, with demands from funders, taxpayers, and clients for non-profits to be more transparent about their fundraising and spending, how they are governed, and utilization of resources (Ebrahim &Kasturi, 2010) Specifically, NGOs in public governance are facing growing scrutiny from regulators and donors to better account for the impact and integrity of their activities as they are seen to influence politics and financing political activities (OECD, 2011). Therefore, lack of accountability is likely to have more negative effect on financial sustainability of the public governance NGOs compared to organizations offering basic services.

Empirical findings have failed to adequately address the effect of accountability and financial sustainability in Kenya. Omeri, (2015) established that financial sustainability is critical for the stability and enhancement of growth of NGOs. Juma (2012) found out proper accountability measures resulted in improved sustainability of the NGOs. Karanja and Karuti (2014) established that accountability and financial planning to play a create role in sustainability of the NGOs. The study was however only concentrated to the NGOs based only at Isiolo. Similarly, Abongó and Ombaba, (2018) also found out that proper financial management was essential for financial sustainability among donor funded community projects. The study however was not able to distinguish whether the financial management practices employed had an effect on the operations and sustainability of the specific NGOs.

However, Ngahu and Mutinda, (2016) established that financial accountability and resource mobilization had minimal impact on the financial sustainability of NGOs. Odhiambo (2013) on his study did not relate accountability to financial sustainability. While Murithi, (2014)

found out that though NGOs have reporting structures that facilitate accountability and openness, the sustainability levels still remained low. The study however did not elaborate further the reasons for the low sustainability levels. This concurs with Odhiambo, (2013) who indicated that there was lack of accountability experienced among the NGOs in Kisumu County.

The studies conducted have mainly focused on the outcome of the projects, capacity building, and stakeholder involvement rather than the factors influencing the financial sustainability aspect. Additionally, little mention is made on the financial sustainability of NGOs which may be due to them being associated with having unlimited donor fundings. Notably, none of these studies determined the effect of accountability on financial sustainability of NGOs in Nairobi County. This implies that the issue of NGO sustainability is yet to be fully explored and hence NGOs managements are not fully informed on the effect accountability has on financial sustainability and may continue to suffer from lack financial sustainability. Based on this knowledge gap, this study answered the question; what is the effect of accountability on financial sustainability of Public Governance NGOs in Nairobi County?

### **1.3 Study Objective**

#### **1.3.1 General Objective**

The general objective of the study was to evaluate the effect of accountability on financial sustainability of Public Governance NGOs in Nairobi County.

#### **1.3.2 Specific Objective**

- i. Determine the effect of financial planning on financial sustainability of public governance NGOs in Nairobi County;

- ii. Establish the effect of financial monitoring and evaluation on financial sustainability of public governance NGOs in Nairobi County;
- iii. Evaluate the effect of financial controls on financial sustainability of public governance NGOs in Nairobi County;
- iv. Examine the moderating effect of public governance NGO regulation on accountability and NGO financial sustainability.

#### **1.4 Research Hypothesis**

- i. H<sub>01</sub>: Financial planning has no effect on financial sustainability of public governance NGOs in Nairobi County;
- ii. H<sub>02</sub>: Financial monitoring and evaluation has no effect on financial sustainability of public governance NGOs in Nairobi County;
- iii. H<sub>03</sub>: Financial controls has no effect on financial sustainability of public governance NGOs in Nairobi County;
- iv. H<sub>04</sub>: NGO regulation has no moderating effect on accountability and public governance NGO financial sustainability.

#### **1.5 Significance of the Study**

Financial sustainability is a key challenge among NGOs in Nairobi County and possess threat to the continued existence of NGOs. As a result, this study sheds more light on whether financial sustainability challenge can be overcome by improving financial accountability practices. The information will be crucial for NGO management and stakeholders who will be able to improve financial sustainability of their NGOs through accountability practices.

The donor community and more particularly in Kenya will benefit from the findings of this study by gaining insights on whether by strengthening the financial accountability measures,

the NGOs they fund will be more financially sustainable. This will give them hope of continued existence of the NGOs they fund and hence their intended mission will be accomplished.

The NGO regulators will benefit from the study since they will be able to obtain answer regarding NGOs financial practices and their sustainability. From the findings, the regulators will be able to formulate policies which will improve accountability of the NGOs and financial sustainability.

The Kenyan government stand to benefit from the study as the findings of the study will enable the government to offer assistance to the NGOs as they implement development projects in the country. By adoption of the recommendations done by the study, NGOs will become more sustainable which will imply that their ability to assist the government in reducing social challenges will be improved.

The study would be useful to NGOs in Nairobi County as it will detail the relationship between accountability and NGOs financial sustainability. The recommendation of the study are expected to improve accountability practices and hence improved financial sustainability. By NGOs being more accountable, it is expected that they will be able to attract more donors' funding and hence be able to attain the set objectives and long term goals.

The study will also be of importance to scholars as it enhances the body of knowledge in the area of accountability and NGOs financial sustainability. This relationship has not been fully explored in literature and hence the study will shed more light on the relationship and form basis for future research. Hence, the findings will spur further research hence adding to existing theory.

Finally, the general public will benefit from the study as a result of the recommendations by this study being adopted by NGOs and making them sustainable. When NGOs are sustainable,

they will be able to offer employment and services to the general public. This study will lead to increased donor funding, changes in regulation and reduction in embezzlement of funds among NGOs which deprives the public their right to the funds.

### **1.6 Scope of the study**

This study only studied public governance NGOs whose offices are located Nairobi County as listed by the NGO regulator in Kenya. This therefore means that all other NGOs whose offices are located outside Nairobi County and for profit organizations were left out. According to NGO Coordination Board (2015), there were 550 NGOs in public governance in Nairobi Country and hence these organizations formed the study population. Additionally, sampling technique was used in determining the target sample from the total population.

While there may be many other factors affecting NGOs financial sustainability, the study only studied how financial accountability affects financial sustainability. Any other factors included (moderating factors) were those that the researcher identified as having major effect on financial sustainability rather than financial accountability.

### **1.7 Limitation of the study**

Challenges are inevitable in life and the process of carrying out this study was faced by numerous challenges. The first challenge experienced was on data collection where respondents were unwilling or unable to supply the required information due to factors like busy schedule, failure to understand the role of the study among others. To overcome this, the researcher made the questionnaire short, having straight forward questions and not relying on respondents' memory. The importance of the study was also thoroughly explained to the respondents and necessary permission were sought from necessary authorities.

Lack of timely response from the respondents also limited the study. To overcome this challenge, the researcher sent emails and made calls to ensure timely return of the questionnaires. The researcher also sought periodic off the office leave to create more time to the study.

### **1.8 Organization of the study**

The study is organized into chapters which includes chapter one on the background of the study, the objectives, research questions and significance of the research. Chapter two include the literature review consisting of theoretical review and empirical review. Chapter three consist of research methodology that was adopted in carrying the study. Chapter four comprise of the data analysis, interpretations and discussion of the findings. The study finalises with chapter five on the summary of the key findings, conclusions and recommendations.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter provides a critical review of theoretical and empirical literature available on the effect of accountability on NGO financial sustainability and related subjects. The chapter is divided into theoretical review, empirical review, chapter summary and the conceptual framework.

### **2.2 Theoretical Review**

NGOs are non-profit making organizations whose existence is well explained by various theories that have emerged over time. The problem of how Local NGOs can ensure their financial sustainability has come into focus in recent years with this dynamic being best explained by various theories. To understand the concept of financial accountability and sustainability of NGOs, various theories are reviewed which include the resource based theory, resource mobilization theory and fraud theory/ differential association theory.

#### **2.2.1 Fraud Theory/ Differential Association Reinforcement Theory**

The theory is attributed to the work of Burgess and Akers (1966). Differential Association Reinforcement Theory holds that behaviours of individuals are determined and vary based on other individuals who they have association with. These interactions formulate the understanding of society norms and values and mould how they behave. The theory makes the main assumption that interactions between individuals create a learning platform through which one is able to know what is expected in the society. In this regard, those behaviours or traits considered not to be acceptable in the society are assumed not to be avoided.

To the field of finance, the theory explains why people engage in fraud and other activities which affect financial sustainability of an organization. The Differential Association Reinforcement Theory was recently advanced by Harrison *et al.*, (2011). Cressey, (2003) further adds that the dishonesty in some of the employees is likely to negatively influence those who were honest into emulate them. The elements of fraud will thus manifest through false representation of knowledge, material facts and engaging in dishonest practices. Similarly, Harrison *et al.*, (2011) postulate that fraud may also occur due to agency problems created whereby managers yearn to fulfil their self interests first.

Implications of the theory to the study is that accountability systems reduce the chances of committing fraud and hence safeguarding organization's financial sustainability. Therefore, measures such as internal audit and management are theorized to play an important role in fostering increased accountability in firms. In relation to the study, the theory holds that an organization without accountability mechanisms encourages dishonesty and fraud which in turn reduces donor confidence in the NGO leading the organization being financially unsustainable.

### **2.2.2 Resource Mobilization Theory**

Resource Mobilization Theory was introduced in the 1970s associated with the work of resource mobilization theorists McCarthy and Zald (1977). According to this theory, both prosperity and affluence act to influence societal activities. Therefore, the prosperous organization are able to generate resources which enable resource mobilization to take place (McCarthy & Zald, 1977). The theory holds that organizations do not suddenly emerge, but need resource mobilization so as to succeed whereby resource mobilization entails formation of groups , associations or firms for the agenda of pursuing collective objectives (Lin *et al.*, 2003).

The theory stresses on the ability of an organization in mobilization and acquisition of resources and personal in attaining the set organizational goals in the short and long run (Tam & Kiang, 2012). In NGOs, the major resource which ought to effectively mobilize are the funds which are essential for financial sustainability to be maintained and improved. However, Ludwig and Pemberton, (2011) argue that the theory's main limitation is that it fails to account for how organizations having limited resources are able to succeed as well as bring changes in the society without needing mobilization of resources.

The theory implications to the study is that NGO financial sustainability depends on how well the NGOs mobilize resources. However, sustainable resource mobilization cannot be achieved nowadays since the donors have become more concerned on how the mobilized resources are applied; this requires financial accountability. If resources are mobilized from large pool of donors who contribute insignificant portions, then they may not be concerned on financial accountability aspect. The proposition of the theory is that the main determinant of financial sustainability in the NGOs is its resource mobilization and utilization effectiveness. Hence, under this circumstance, financial accountability will not affect financial sustainability of NGOs directly.

### **2.2.3 Agency Theory**

Agency theory was expounded by Alchian and Demsetz in 1972 and further developed by Jensen and Meckling in 1976. The theory holds that organizations hire another organization to offer a service. Therefore, the theory is built on principal and agent relations. The principal authorizes the other party (agent) to bring on board a particular task on behalf of them which results in agency relationships (Eisenhardt, 2009). According to the theory both organization and the managers have diverse but common motivations which create successful working relationships.

The main assumption of the theory is that potential conflicts exist when managers and the stakeholders are driven by varying organizational interests hence necessitating monitoring and control initiatives (Xingxing, 2012). However, Norton (1988) criticized the theory and argued that the peripheral costs of observing possessed units may become greater than the marginal cost of using the contractual agreement of the franchise. Proposition of the theory is that during the parting of possession, controlling functions lead to the agency problem as the managers may shadow their own interests instead of those of the investors (Ugurlu, 2002).

The prescriptions of agency theory fit naturally with the issues inherent in NGO accountability and financial sustainability. The donors provide funds to the NGOs meant for specific purpose. The managers of the NGOs may have different objectives rather than those meant by the principals who are the donors. The managers misappropriate the funds or fail to apply the funds to the objectives which the donors were contributing the funds for. The proposition of the theory to the study is that due to the existence of agency conflict in the NGOs, the managers may fail to be accountable for the operations which may result in agency problems. Therefore, lack of accountability according to agency theory will lead to reduced funding and hence sustainability of the organizations.

## **2.3 Empirical Review**

Empirical review is discussed in relation to financial planning, financial Monitoring and evaluation, financial controls, accountability and NGO regulation and financial sustainability. The discussion is guided by the conceptual framework.

### **2.3.1 Financial Planning and Financial Sustainability**

Financial planning is an essential tool, whether in paper or computerized form. Financial plans enable organizations to identify all the major activities required to achieve the research

objectives. Financial plans enable identification of the specific person responsible for ensuring that the objectives are completed successfully and within the estimated time. Financial planning involves budget control, having ceilings on overheads, financial reporting, analysis of financial proposals, and stakeholders' participation (Hassan & Forhad, 2013). In recognition of the importance of financial planning in ensuring organization financial sustainability, Juma (2012) examined the factors affecting sustainability of donor funded community development projects in Bungoma County using a descriptive research design. The study established that project finance system affected project sustainability to a very great extent where auditing was done quarterly.

Further, Obo (2009) studied microfinance sustainability in Ethiopia using descriptive research design. The study sought to determine the measures put in place to ensure that the institutions were sustainable. The study found that microfinance institutions mission and vision were not clearly articulating the need for sustainability. However, strategic plans were directing to MFI self-sustainability indicating that the institutions can be sustainable by having the right structures. The study concluded that Ethiopia MFIs are not operationally and financially self-sufficient except for government owned. Recommendation was that regulatory framework to be made more flexible and merging of MFIs to be encouraged. This compares with Ayom (2013) who studied internal controls and performance in NGOs in South Sudan. The study followed a descriptive research design and dependent variable; performance of management Science for Health's and independent variables; internal control in nongovernmental organizations sector. The study found out that the payment procedures followed by Management Sciences for Health's. Attracted a positive response with majority acknowledging it performed well.

### **2.3.2 Financial Monitoring and Evaluation and Financial Sustainability**

Kamwana and Muturi (2014) studied the effects of financial management on performance of World Bank funded projects in Kenya, a case of KPLC projects. The study sought to determine how financial planning, financial monitoring, financial evaluation and financial control affected performance. The study applied descriptive research design and collected data using questionnaires from 500 KPLC employees. The study found that financial planning, financial monitoring, financial evaluation and financial controls (some measures of accountability) contributed to project performance with coefficient of determination 0.89. The study recommended that policy and practice for project performance to be carefully evaluated and the results of that evaluation fed back into improved approaches. This relates with Ernest (2012) who studied organizational factors influencing sustainability of local non-governmental organizations in Ghana and established the same.

Owolabi (2010) studied NGO accountability and sustainable development. It was observed, as in many other jurisdictions and NGOs that the NGOs studied were accountable essentially to the owners or those stakeholders with economic power over their organizations and conducted regular monitoring and evaluation of application of funds. Not much of the accountability is focused on the stakeholders upon whom the organizations have impacts. While Kakumani and Prabhakar (2014) found out that monitoring and evaluation practices brought about donor confidence and hence affecting level of financing available to the firms.

### **2.3.3 Financial Controls and Financial Sustainability**

Mbuva (2014) studied an investigation into the factors influencing financial sustainability of women owned SMEs in Kenya in Machakos County. The study established that government loan accessibility, financial innovativeness, capital structure and financial management

influence financial sustainability of women owned SMEs in Machakos County. The study concluded that, on government loan accessibility, women entrepreneurs had positive attitude towards government loan policies, procedures and repayment terms. On Financial Innovativeness it was found that entrepreneurship and bookkeeping skills enhanced financial sustainability of women owned SMEs. On Capital structure, it was concluded that debt financing was preferable to equity capital and the cost of borrowing (interest) influenced financial suitability on women owned SMEs. Lastly, on financial management; financial management skills, management style (management supporting workers with innovative talents) and attendance of entrepreneurship training, business seminar and forums enhanced financial sustainability of women owned SMEs. The researcher's recommendation was that, government and its agencies should generally extent its efforts towards women affiliated sectors to promote even and quick economic development.

Lambert (2015) evaluated the impact of non-governmental organizations assisting with girls' education in Ghana. The study found that NGOs were found to be faced with competition for individual donations, foundation funds, and government grants. They were faced by consistent struggle amongst in obtaining funding for the projects that they hoped to complete. As a sector, NGOs had existed for a long time on a constant influx of new donations, which is manageable as long as they are enough donors for the NGOs. The study recommended that for NGOs to gain credibility from financiers, they should be accountable by adopting appropriate financial controls and partner with an established NGO or gain sponsorship from a well-known organization.

#### **2.3.4 Accountability and Financial Sustainability**

Empirical evidence on the relationship between accountability and financial sustainability is inconclusive. Agyemang *et al.* (2009) studied the relationship between NGO accountability

and aid delivery. The study sought to identify the accountability practices in a sample of NGOs in Ghana, to point out functional accountability measures and those that are not functional and to explain why some were considered functional while others were not. The study used interviews and focused group discussions to obtain information. The study found that most efficient NGOs had adopted functional accountability measures like involving more stakeholders and effective in communication to the public. The NGOs discarded any accountability measures that did not yield the envisaged.

Edmund (2010) studied the key factors influencing the sustainability of local NGOs in Ghana. The study adopted a case study approach and data collected using questionnaires and structured interview. The study found that local NGOs had broader view of their sustainability (scope of sustainability) to include issues relating to leadership, availability of funds, development and management of need based and demand driven programmes in a decreasing order of importance. The key factors that affected NGOs sustainability were found to include role of human resources capacity, funding, programme development, management and material resources. NGOs were finding it hard to attract funding from foreign donors to support their programmes and are therefore compelled to diversify their sources of funding with emphasis on domestic sources mobilization. The NGOs were also raising funds through good proposal writings and consultancy services.

Odhiambo (2013) examined the accountability of donor funding by non-governmental organisations in Kisumu County. The study established that donor funding was dependent on the accountability mechanisms put in place by the implementing NGO's. It was found out that NGOs were expected to keep a minimum set of financial statements for example, statement of comprehensive income, statements of financial position and cash flow statements. The study

also revealed that community involvement in oversight of NGOs was still not adequately practiced and that satisfaction of the employees with their pay perks could not be established.

Mbugua (2013) studied the effects of financial accountability on the performance of nongovernmental organizations in Kenya. The study found that NGOs that applied financial standards in ensuring accountability of finances in the organizations boosted donor support which resulted in improved performance. The study also established a significant relationship between financial performance of NGOs in Kenya and financial accountability. The study recommended that all NGOs to have policies and procedures established so that; boards and officers understand their fiduciary responsibilities to ensure NGO finances are managed properly and the charitable purposes of the organization are carried out.

Karanja and Karuti (2014) sought to assess the factors influencing financial sustainability of Non-Governmental Organizations in Isiolo County, Kenya. The study adopted a descriptive research design. The study found that funding in NGO's was a challenge and hence affecting their financial sustainability. The study concluded that funding in NGO's was a challenge and that there were government policies that interfere with smooth running of NGO's. The study recommended that as a matter of urgency government should put in place policies that will ensure financial sustainability of the NGO's and ensure participation of NGO's management when making policies that will affect their financial sustainability in Kenya.

### **2.3.5 Relationship between NGO Regulation and Financial Sustainability**

Nuka (2010) studied sustainability of NGOs in Kosova, USA by examining the challenges of the third sector and the ways forward. The study used a survey design and used questionnaire to collect data on NGO in Kosova. The study focused on financing, legal environment and public trust. The findings from questions dealing with financing indicated that NGO had

challenges in finding donors. These was not only because they could raise funds and find donors consistently, but because of the other factors which played an important role in sustainability and this served them to attract only foreign donors. NGOs were also found to lack support from local or institutional government making it hard for the NGOs to get financing. The community also did not have adequate trust on NGO activities and hence couldn't increase their long-term sustainability by attracting donations. The studied NGOs were found to lack transparency and accountability and hence needed to develop adequate internal governance structures as was a key requirement in achieving financial sustainability.

Mpofu (2012) studied the cultural capital and the sustainability of NGOs' development programs in Zimbabwe. The study found out that the NGOs' development programs implemented in Zimbabwe were predestined for the reason that they are developed without the considerations of the cultures of the communities and regulations in Zimbabwe. As a result, the NGOs promoted universal development approaches which disregard cultural capital and local legal framework hence affecting their sustainability.

### **2.3.6 Nongovernment Organization Regulation in Kenya**

There were 7076 NGOs in Kenya as at December 2014 (NGO Bureau, 2014) which were operating in diverse sectors which include agriculture, water, education, environment, health, human rights, gender and development, children rights, poverty alleviation, peace, population, training, counselling, small scale enterprises, disability and many others. These NGOs are regulated by the NGO Council which provides overall leadership to the NGO sector. It champions the key values of probity, transparency, accountability, justice and good governance. It enhances the self-regulation of its members, and assists them to realize their potential in improving services that improve the socio-economic status of Kenyan society in pursuit of sustainable development (NGO Bureau, 2014).

To ensure achievement of accurate findings, NGO regulation will be used as moderating variable since the regulatory framework affects the operations of NGOs. The NGO council issues various policies covering financing regulations, financial plans regulations, financial monitoring regulations, and evaluation and control regulations and reporting. The NGOs must operate within the legal framework failure to which they can be deregistered or penalised. While an NGO may seek donor funding, such funding must be reported and use of the funds accounted (Kristin, 2014).

#### **2.4 Summary of Literature Review**

Numerous studies have been done relating to NGOs in the light of the sustainability pressure facing NGOs with stakeholders demanding that the organizations be financially accountable. Majority of NGOs in Kenya rely on donor funding and hence, failure to comply with the donors and stakeholders needs will lead to them being financially unsustainable. Further, NGOs environment in Kenya is changing leading to the question on whether the so demanded financial accountability will lead to their financial sustainability.

Theoretical review puts conditions on the expected relationship between financial accountability and sustainability with resource mobilization theory indicating that the relationship will depend on the NGOs main source of funding. Fraud theory on the other hand does not show clear relationship between financial accountability and sustainability and only highlights reasons why people engage in fraud. Further, empirical literature available does not offer conclusive evidence on the relationship. The most related study is that by Mbugua (2013) that established a positive relationship between NGO's financial accountability level and performance. However, the performance measures used do not imply that the studied NGOs were financially sustainable. Additionally, NGOs are not profit making entities and hence most of the performance measures are non-financial. With the knowledge of the literature reviewed,

this study is set to bridge the existing gap by establishing the effect of financial accountability on financial sustainability of Public Governance NGOs in Nairobi County.

**Table 2.1 Summary of Literature Review**

Author	Topic	Methodology/variables	Findings	Recommendation	Research Gaps
Kamwana, and Muturi, (2009)	Effects of financial management on performance of world bank funded projects in Kenya: a case of KPLC projects	Used descriptive research design and collected data using questionnaires. Study variables were financial planning, financial monitoring, financial evaluation and financial control.	The study found that financial planning, financial monitoring, financial evaluation and financial controls) contributed to project performance with coefficient of determination 0.89.	Recommended that policy and practice for project performance to be carefully evaluated and the results of that evaluation feed back into improved approaches. The approach should embrace openness to new, effective methods when assessing tenders for project performance implementation.	The study was not find the effect of the financial management practices on the financial sustainability.
Juma, (2012)	An Examination into Factors Affecting Sustainability Of Donor Funded Community Development Projects in Bungoma County, Kenya	Used a descriptive research design Independent variables: Audit, Financial systems, Technology, Computerized operations, stakeholders' involvement, Donor policies and management systems. Dependent variable: Sustainability	The project finance system affected project sustainability to a very great extent where auditing was done quarterly. Adoption of information technology affected sustainability of the project to a very great extent and that accounting systems and records management contributed to financial sustainability.	The study recommended that adequate finance be allocated by the project donor in order to ensure effective sustainability of the project and that those authorized to manage and supervise community projects be 'trustworthy and avoid corruption and embezzlement of the funds. Further, the study recommended that for the organization to be fully effective on data management and storage proper systems of information	The study focused generally on all donor funded projects, without investigating the NGO sustainability levels.

Author	Topic	Methodology/variables	Findings	Recommendation	Research Gaps
				management must be embraced; and stakeholders to be involved in the conception, design, implementation and management of such projects to ensure sustainability.	
Gitonga, (2014)	Determinants Influencing Sustainability Of Orphans Donor Funded Project Of Church Based Organisation In Kenya: A Case Of Zoe Ministry.	Quantitative and qualitative approach Independent Variables <ul style="list-style-type: none"> <li>Financial Resources</li> <li>Training of Staff</li> <li>Donor policy</li> <li>Organization structure</li> <li>Technology Adoption</li> </ul> Intervening Variable: <ul style="list-style-type: none"> <li>Leadership style</li> <li>Politics</li> <li>Cultural practices</li> </ul> Dependent Variable: <ul style="list-style-type: none"> <li>Project Sustainability Indicators: <ul style="list-style-type: none"> <li>➤ New Initiative</li> <li>➤ Local support</li> <li>➤ Job creation</li> <li>➤ Teamwork</li> <li>➤ Accountability</li> <li>➤ Donor collaboration</li> </ul> </li> </ul>	The study found out that a financial resource was vital in attaining sustainability. The extent to which donor policies influence project sustainability in the organization was found to be of very high. Technology adoption was considered to very important to determine. Staff training was found to be important in achieving sustainability.	The study recommended that Zoe ministry need to adopt financial resources, donor policy and organization structure as they were keys for any project sustainability. Therefore, we can conclude that financial resources, Staff training donor policy technology adoption and organization structure influence sustainability of orphans donor funded project of church based organization in Kenya.	The study was limited only to a single organization which may not be an actual representation of all the NGOs in the country.
Odhiambo, (2014)	Accountability of donor funding by non-governmental organizations in Kisumu County, Kenya	The study adopted a descriptive survey design. Variables NGO accountability, Donor policies, Financial reporting	The study established that donor funding was dependent on the accountability mechanisms put in place by the implementing	The study recommended that NGOs needed to come up with proper and effective accountability mechanisms, which were to measure performance, enhance	The study was concentrated only to NGOs in Kisumu County and hence the findings may not be fully generalized to other NGOs in other areas.

Author	Topic	Methodology/variables	Findings	Recommendation	Research Gaps
			<p>NGO's. It was found out that NGOs were expected to keep a minimum set of financial statements for example statement of comprehensive income, statements of financial position and cash flow statements. The study also revealed that community involvement in oversight of NGOs was still not adequately practiced and that satisfaction of the employees with their pay perks could not be established.</p>	<p>legitimacy and accountability.</p>	
Edmund, (2010)	Key Factors Influencing the Sustainability of Local NGOs in the Wassa East and Wassa West Districts of the Western Region of Ghana.	Case study research design	<p>The study found that that NGOs' organizational sustainability could be viewed from several areas of organization's needs: availability of funds, quality of material resources, supportive leadership, development of need-based and demand-driven</p>	<p>To strengthen local NGOs sustainability, it is recommended that leadership training for local NGOs is necessary. Training institutions including University of Cape Coast, University of Development Studies and Ghana Institute of Management and Public Administration with programmes in NGOs Studies and</p>	<p>The study was not able to fully establish the exact role played by financial management on the sustainability levels.</p>

Author	Topic	Methodology/variables	Findings	Recommendation	Research Gaps
			<p>programmes and effective management. Significantly, leadership emerged as the most important factor critical to organizational sustainability of local NGOs in the study areas. The study suggested that local NGOs can adopt several measures to ensure their sustainability in terms of funding, resources, leadership, programme development and general management. These included the writing of good demand-driven project proposals, transparency, accountability, training and mobilization of local resources including funds.</p>	<p>Management can play an important role in this direction.</p>	
Mbuva, (2014)	An Investigation Into The Factors Influencing Financial Sustainability Of Women Owned SMEs In Kenya	<p>The study adopted a descriptive design.</p> <p>Independent Variables</p> <ul style="list-style-type: none"> <li>• Government loan Accessibility</li> <li>• Financial innovativeness and skills</li> <li>• Capital structure</li> <li>• Financial management skills</li> </ul>	<p>The study established that government loan accessibility, financial innovativeness,</p>	<p>The researcher's recommendation was that, government and its agencies should generally extent its efforts towards women</p>	<p>The study was limited only to the SMEs hence the findings obtained may not be fully compared to the</p>

Author	Topic	Methodology/variables	Findings	Recommendation	Research Gaps
		Moderating variables <ul style="list-style-type: none"> <li>• Political affiliated factors</li> <li>• Social economic factors</li> </ul> Dependent Variable <ul style="list-style-type: none"> <li>• Financial sustainability</li> </ul>	capital structure and financial management influenced financial sustainability of women owned SMEs in Machakos County.	affiliated sectors to promote even and quick economic development.	phenomenon in the NGOs.
Obo, (2009)	Microfinance in Ethiopia, Elixir or Poison?	The study used descriptive research design. Variables were Self-sufficiency, Capital Structure, Governance systems. Sustainability was measured by subsidy dependence index (SDI)	The study found that microfinance institutions mission and vision were not clearly articulating the need for sustainability. However, strategic plans were directing to MFI self-sustainability indicating that the institutions can be sustainable by having the right structures. The study concluded that Ethiopia MFIs are not operationally and financially self-sufficient except for government owned.	Recommendation was that regulatory framework to be made more flexible and merging of MFIs to be encouraged.	The study did not investigate the relationship between financial management and the sustainability of the MFIs. The study also did not also investigate the financial sustainability of other organizations in different sectors such as the NGOs.
Hassan, and Forhad, (2013)	The role of NGOs In The Sustainable development, Bangladesh	The study used both qualitative and quantitative methods of research with data being collected using questionnaires.	The study found out that programmes undertaken by NGOs are capable of having positive contributions in the sustainable development	The study recommends that NGOs should be given equal chances in development of projects.	The study was not able to determine the effect of financial management practices on the sustainable development of the NGOs in Bangladesh.

Author	Topic	Methodology/variables	Findings	Recommendation	Research Gaps
			process to a certain level.		
Ayom, (2013)	Internal Controls and Performance in NGOS, South Sudan	The study followed a descriptive research design. dependent variable; performance of Management Science for Health's Independent variables; internal control in nongovernmental organizations sector.	The study found out that the payment procedures followed by Management Sciences for Health's. Attracted a positive response with majority acknowledging it performed well. The internal audit function attracted a relatively fair response with some agreeing and others not meanwhile majority of respondents gave a negative view about the procurement process indicating it was fraud, likewise they didn't appreciate the budgeting process		
Ernest, (2012)	Organizational factors influencing sustainability of local non-governmental organizations, Ghana	The research used a combination of quantitative and qualitative research approaches.	The study identifies that the availability of funds, quality material resources, supportive leadership, development of needs-based and demand-driven programmes, and effective		The study concentrated entirely on the organizational factors without investigating the influence of financial management practices on the sustainability of the NGOs.

Author	Topic	Methodology/variables	Findings	Recommendation	Research Gaps
			<p>management can have a significant influence on the sustainability of local NGOs. Significantly, leadership emerged as the most important factor to organizational sustainability of local NGOs. Equally, the availability and quality of material resources for work were least critical to local NGO sustainability, although they were all very important.</p>		
Owolabi, (2010)	NGO accountability and Sustainable Development, Nigeria	Case study method approach was employed in carrying out the study.	<p>It was observed, as in many other jurisdictions and NGOs that the NGOs studied are accountable essentially to the owners or those stakeholders with economic power over their organizations. Not much of the accountability is focused on the stakeholders upon whom the organizations have impacts.</p>		<p>The study did not investigate comprehensively the relationship that exists between accountability and sustainable development of the NGOs and financial management practices.</p>

Author	Topic	Methodology/variables	Findings	Recommendation	Research Gaps
Lewis, (2012)	Organizational Development and Sustainability of NGOs, Europe	Case Study design was adopted. The study used both qualitative and quantitative analysis approach,	The study found out that the NGOs haven't done much in ensuring effective sustainability		The study was however not able to point out the reason(s) for the low sustainability levels in the NGOs.
Siddaraju, (2012)	Role of non-governmental organizations in promoting sustainable agriculture development, Karnataka	The study adopted a descriptive research design.	The study found out that the overall analysis of the study reveals that NGOs are very prominent in effective implementation of government programs towards sustainability of agriculture and in influencing awareness programs and marketing facilities		The study did not establish whether financial management practices in the NGOs accounted for any proportion of the sustainability of the NGOs.
Kakumani and Prabhakar, (2012)	Non-Government Organizations: Problems & Remedies in India	The study adopted a descriptive research design.	The study found that the challenges facing NGOs were found to be Lack of Funds, Lack of Dedicated Leadership, Misuse of Funds, Inadequate Trained Personnel, Lack of Public Participation and Lack of Coordination.	The government to liberalize the rules and regulations of grants in- aid and to sanction more grants to NGOs.	The study only focused on the challenges faced by the NGOs without investigating the financial sustainability and financial management practices in the NGOs.
Leibfried, and Schäfer, (2014)	Sustainability Measurement Framework for Development Aid NGOs - An integrated Approach for Development Aid NGOs to plan, evaluates	The study used research design and collected data using questionnaires. Both qualitative and quantitative techniques were used.	The study found that accounting process offers the greatest leverage for planning,	The study recommends that the organizational and managerial particularities of	The study was limited only to the NGOs in Ethiopia and hence cannot be equally

Author	Topic	Methodology/variables	Findings	Recommendation	Research Gaps
	and increases the Impact of Projects and the Sustainability of the Organization, Ethiopia	Study variables were challenges generated by NGO external and internal environment, sustainable development approaches, project management, particularities of development aid, performance measurement requirements, and performance approaches.	measuring, and increasing the overall sustainability of the development aid NGO. The accounting framework serves as a practical compass, helping development aid NGOs to decide, implement, measure, assess, and continuously improve their performance management practices.	development aid NGOs that may not apply to all development aid NGOs to the same extent to be accounting framework and therewith adjustment of performance management approaches and tools	compared to NGOs in Kenya.
Lambert, (2015)	Evaluating the Impact of Non-Governmental Organizations Assisting with Girls' Education in Ghana	The study used descriptive study and collected data Using surveys and interviews. The study variables were financial stability, long vs. short-term impact, community support of the NGO, publicity, and tangible impact	The study found that NGOs were found to be faced with competition for individual donations, foundation funds, and government grants. They were faced by consistent struggle amongst in obtaining funding for the projects that they hoped to complete. As a sector, NGOs have existed for a long time on a constant influx of new donations, which is manageable as	The study recommended that for NGOs to gain credibility from foreigners financers, they should be accountable and partner with an established NGO or gain sponsorship from a well-known organization.	The study did not investigate the financial sustainability levels in the NGOs and the effects of financial management.

Author	Topic	Methodology/variables	Findings	Recommendation	Research Gaps
			long as they are enough donors for the NGOs.		
Mária, and Helena, (2014)	Sustainability and Operation of NGOs Influenced by Tax System: The Case of Slovakia	Data was collected primary data by the Delphi method and questionnaires. The study variables were NGO sustainability, legal framework and tax assignments	The study found that lobbying was the optimal solution regarding the tax laws and improve NGO Sustainability. The legal environment as a whole also affected NGO sustainability.	Study recommends that NGOs to comply with the administrative regulations and to persuade corporations and individuals to assign to make donations.	The study did not investigate the contributing effect of financial management practices on the sustainability of the NGOs.
Mpofu, (2012)	Cultural Capital and the Sustainability of NGOs' Development Programs in Zimbabwe: An Integrative Approach	In this study, a qualitative approach was followed	This study found out that the NGOs' development programs implemented in Zimbabwe are predestined for the reason that they are developed without the considerations of the cultures of the communities in Zimbabwe. As a result, the NGOs promote universal development approaches which disregard cultural capital and therefore are inimical to cultural sustainability and sustainable development.	In view of the importance of culture in development, both as a resource and as a determinant of development, this paper recommends that the maintenance of the cultural capital, which is cultural sustainability, is crucial for development which is sustainable	The study did not determine the influence of financial management practices on the sustainability of these NGOs.
Ma, (2009)	The Dilemma of Developing Financial	The study used descriptive survey	The study found out that that there	The study recommends that	

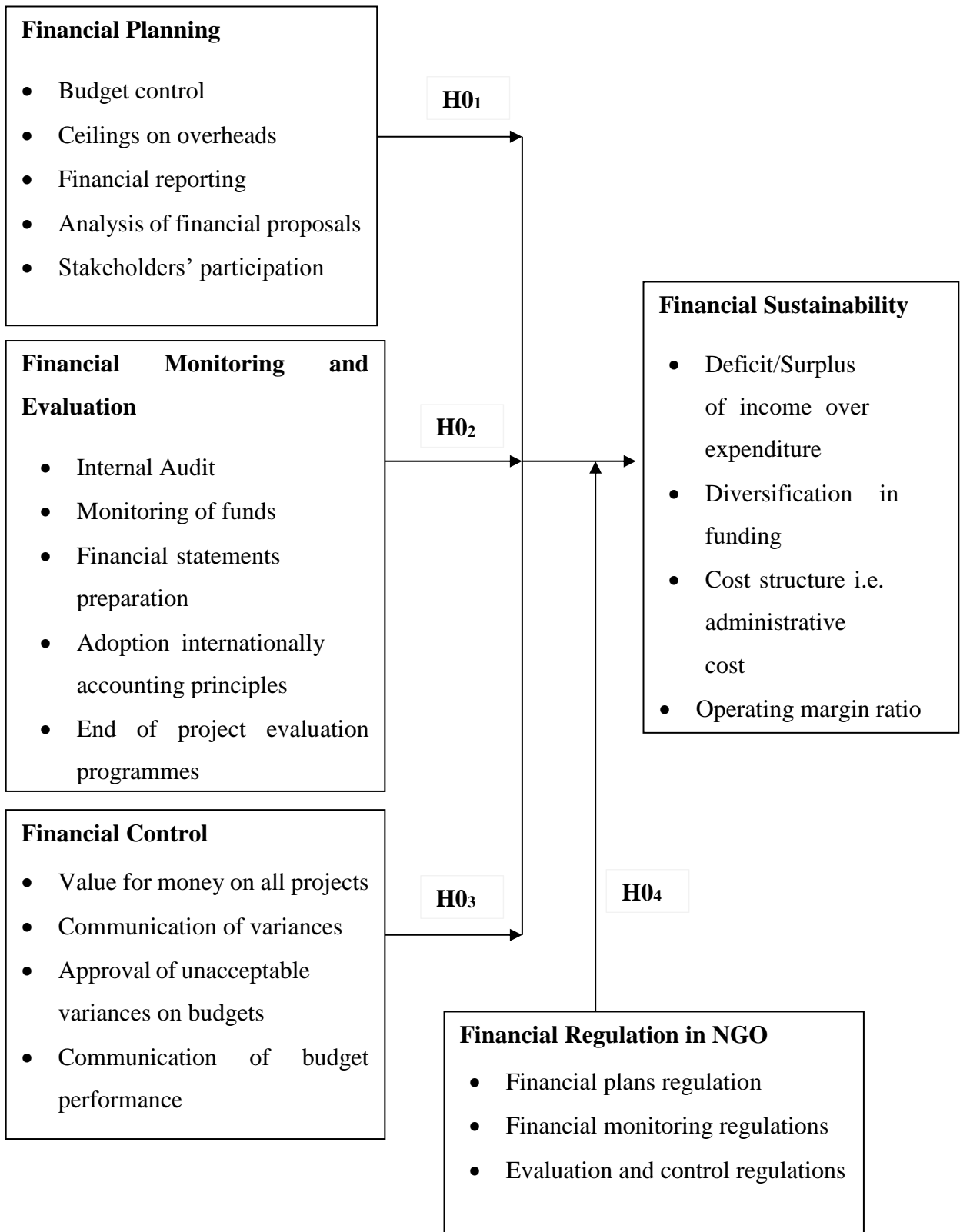
Author	Topic	Methodology/variables	Findings	Recommendation	Research Gaps
	Accountability without Election – A Study of China's Recent Budget Reforms		exists a possibility of financial accountability without election.	improved election activities could highly improve the chain of accountability.	
Nikkhah, and Redzuan, (2010)	The Role of NGOs in Promoting Empowerment for Sustainable Community Development, Malaysia	Quantitative and qualitative approach	The study found out that NGOs have a great role in achieving sustainable community development through micro-finance, capacity building and self-reliance. NGOs through the micro-finance help members of community to access jobs, income-generation and improve economic situation.	The study recommends increased involvement of NGOs through some programs and functions, such as microfinance, capacity building and self-reliance help community as this will contribute towards sustainable community development	The study only on the role of the NGOs in women empowerment without establishing the extent of financial management and sustainability in the NGOs.
Rosetta, (2010)	Successful Models of Non-Governmental Organizations in Consultative Status: Best Practices in Education, USA	The research was conducted in the context of an internship with the NGO branch of the Department of Economic and Social Affairs using a descriptive approach.	This research uncovered many important models, trends and gaps that should be discussed when implementing education projects in developing nations	The study recommends NGOs should look to the models of success to discover new strategies they can incorporate when planning and implementing their projects	The study concentrated entirely on the success of the NGOs without establishing the extent of financial management and sustainability in the NGOs.

## **2.5 Conceptual Framework**

Many factors other than financial accountability influence financial sustainability of NGOs and include the age of NGO, area of operation, quality of personnel, the operating environment, national and local politics and duration of existing policies and regulations relating to funding and overall operations of NGOs (Tooley and Hooks, 2009). The conceptual framework in figure 2.1 below shows that financial accountability has various components which include financial planning, financial monitoring, financial evaluation and control and Financial reporting disclosures. Financial accountability in turn affects financial sustainability of the organization as indicated by self-sufficiency and borrowing level. The relationship between financial accountability and sustainability is moderated by the NGO regulations as issued by NGO regulations. The conceptual framework is an improved version of that applied by Mbugua (2013); Kamwana, & Muturi, (2009) and Ganesh *et al.* (2015).

**Independent Variables**

**Dependent Variable**



**2.1: Conceptual Framework**

Source: Author, (2017)

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter presents the research methodology that was adopted in the study. The chapter contains the research philosophy, design, target population, sampling technique, data collection, data reliability and validity and data analysis.

### **3.2 Research Philosophy**

The research philosophy adopted in this study was positivism because only factual data was used in the research. The positivism research philosophy seek facts with little regard for the biased states of individuals. This choice was informed by the fact the study was anchored on theory and a conceptual model from hypotheses drawn. This philosophy requires quantitative data and corresponding analytical techniques. This paradigm further involves operationalizing concepts so that they can be measured, and taking large samples (Saunders *et al*, 2007). The researcher is independent from the NGO sector and thus was purely objective on the concepts operationalization and measurement. This ensured that there was a distance between the subjective biases of the researcher and the objective reality of the study.

### **3.3 Research Design**

The study adopted the descriptive design. The descriptive design was used since was appropriate for the study as it involved collecting data in order to answer questions on current status of subjects of the study. Descriptive design enabled collection of data to describe the study variables and data analysis and enabled achievement of study objectives.

In addition to the descriptive design, the study was done using a survey approach. Survey approach was adopted since not all NGOs were studied but only the sampled NGOs. Survey

design is imperative where the population being studied is large and will not be practical to study the entire population (Martz, 2013). To show the relationship between accountability and NGO financial sustainability, correlation research design was used.

### **3.4 Target Population**

According to NGO council (2014) there were 550 public governance NGOs with offices in Nairobi County as at December 2014. These public governance NGOs in Nairobi County formed the study target population. Public governance NGOs were studied due to the role they play and hence lack of accountability is likely to have more negative effect on financial sustainability of the NGOs compared to organizations offering basic services like health.

### **3.5 Sampling Technique**

Systematic sampling technique was used in identifying the firms to study where every sixth organization from alphabetical list of NGOs was studied. Finance managers were the respondents. According to Mugenda and Mugenda (2013), when the study population is less than 10, 000, a sample size of between 10% and 30% is a good representation of the target population and hence 15 % is adequate for analysis. A sample size of 85 was studied.

### **3.6 Data Analysis**

The collected data was analysed using both quantitative and qualitative data analysis methods. Quantitative method involved both descriptive and inferential analysis. Data from questionnaire was coded and analysed using Statistical Package for Social Science (SPSS) Version 23.0. SPSS was used for data entry, obtaining the variable descriptive statistics, reliability coefficient, correlation coefficient and multiple regression.

### 3.6.1 Empirical Model

Multiple regression models were used to obtain the relationship between financial accountability and sustainability. Multiple regression analysis model was used since it allowed testing for several independent variables that may explain the dependent variable. The model also assisted in determining the relationship between each component of accountability on financial sustainability and hence provide basis for policy recommendation on each independent variable.

The relationship between the independent and dependent variables took the format shown on Equation 3.1 below:

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \quad (3.1)$$

To estimate the moderating effect of NGO regulation, the extended model shown in Equation 3.2 was used and results obtained by running moderated multiple regression analysis.

$$Y_i = \beta_0 + \beta_1(X_1Z) + \beta_2(X_2Z) + \beta_3(X_3Z) + \varepsilon \quad (3.2)$$

Where;

$Y_i$  refers to financial sustainability (as determined five point Likert scale covering NGO Deficit, diversification in funding, cost structure and gearing level for multiple regression) .

$X_1$  is the Financial Planning obtained from the financial planning practices adopted by the NGO measured by a five point Likert scale.

$X_2$  is the Financial Monitoring and Evaluation practices adopted by the NGO as measured by a five point Likert scale.

X<sub>3</sub> is the Financial Control practices adopted by the NGO as measured by a five point Likert scale.

Z is the moderating factor which is the NGO Regulation measured by a five point Likert scale.

$\beta_0, \beta_1, \beta_2, \beta_3, \beta_4$  are the various intercepts of the respective independent variables.

### 3.6.2 Description and Measurement of the Study Variables

The study variables definition and measurement is presented in table 3.1. Cross-sectional data will be used.

**Table 3.1: Study Variables Description**

Variable	Type	Description	Measurement	Expected Relationship
<b>Financial Sustainability</b>	Dependent	This is a measure of the extent to which a NGOs can sustain itself financially.	This was measured by Five point Likert scale measurement was used.	Financial sustainability hypothesized as being positively being related to accountability.
<b>Financial planning</b>	Independent Variables	This is a component of accountability	This was measured by five point Likert scale.	Financial planning has positive effect on financial sustainability. Correlation analysis will be used to show the relationship with dependent variable.
<b>Financial monitoring and evaluation</b>	Independent Variables	This is a component of accountability	This was measured by a five point Likert scale.	Financial monitoring and evaluation has positive effect on financial sustainability.

<b>Financial control</b>	Independent Variable	This is a component of accountability	This was measured by a five point Likert scale.	Financial control has positive effect on financial sustainability. Correlation analysis will be used to show the relationship with dependent variable.
<b>Accountability</b>	Independent Variable	This is the overall independent variable	This was measured by financial sustainability, financial planning, financial monitoring and evaluation and financial control.	Accountability has positive effect on NGO financial sustainability. Regression analysis will be used to show the relationship with dependent variable.
<b>NGO Regulation</b>	Moderating Variable	This is a moderating variable since it affects the activities of an NGO.	This was measured by five point Likert scale. Regulations questions covered areas of financing, financial planning, financial monitoring, evaluation and control.	NGO Regulation has positive effect on financial sustainability.

*Source: Researcher, 2017*

### **3.7 Data Collection Instruments**

The study used primary data collected using questionnaires. The questionnaires were adopted as they are time saving and enable collection of a wide range of data. The questionnaires were administered to the finance managers at the sampled NGOs. The questionnaires were based on a five-point Likert scale and sub divided into sections in line with the study's objectives. The

questionnaire started with background information followed by questions as per study objectives.

### **3.8 Data Collection Procedure**

Data was collected from primary sources. Primary data was collected by use of questionnaires which were self-administered to the respondents. The questionnaire is presented in Appendix I. The target respondents were the finance managers since they are best placed to provide the required study information.

### **3.9 Reliability of Data Collection Instruments**

Cronbach's alpha was used to determine the internal consistency of the research instruments (reliability of the research instruments). A Cronbach Alpha greater than 0.7 was acceptable and interpreted to mean that the scale is reliable as recommended by Cronbach (1951). Questions with low Cronbach Alpha from the pilot study were amended or removed from the questionnaire.

### **3.10 Data Validity**

Validity indicates that the instrument is testing what it should. Validity was achieved by having objective questions in the questionnaire and pre-testing the questionnaire before data collection. Pre-testing the questionnaires was done by having a pilot study on 10 percent of the respondents and feedback incorporated in the questionnaire. The respondents to be included in the pilot study were obtained from other NGOs not to be studied.

### **3.11 Diagnostic Tests for Regression Model**

Diagnostic tests were conducted to ascertain the extent to which the study data met the assumptions of multiple linear regression analysis. This is in line with the fact that when the assumptions of various assumptions by statistical techniques are not met, the results may not be valid, resulting in either type I or type II error, or under or over-estimation of significance or effect size (Field, 2013).

#### **3.11.1 Testing for Multicollinearity**

Multicollinearity is the undesirable situation where the correlations among the independent variables are strong and where it exists, it distorts the regression results (Creswell, 2008). Multicollinearity was tested using variable inflation factor (VIF) and Tolerance statistics. Multicollinearity was concluded to be in place where VIF Variance inflation factor (VIF) is less than 10 and Tolerance greater than 0.1 and hence multicollinearity (Talavera, 2013).

Multicollinearity problem was avoided by ensuring that a large sample as multicollinearity is not known to exist in large samples. Multicollinearity was also be solved by deleting one of the highly correlated variables (Martz, 2013).

#### **3.11.2 Normality Test**

Regression analysis assumes that the study data is normally distributed. To determine this, Skewness and kurtosis statistics was used. A kurtosis and Skewness statistic greater than +/-2 indicated that the data is not normally distributed. This was solved by standardization of the variable using logarithm of ten (Martz, 2013).

### **3.11.3 Heteroscedasticity**

This study used Breusch-Pagan/ Cook-Weisberg to test for Heteroscedasticity. The Breusch-Pagan/ Cook-Weisberg test is most common method of detecting Heteroscedasticity in linear models. Breusch-Pagan / Cook-Weisberg test the null hypothesis that the error variances are all equal versus the alternative that the error variances are a multiplicative function of one or more variables. A greater chi-square value larger than 9.21 (Martz, 2013) would show that Heteroscedasticity was present.

## CHAPTER FOUR: DATA ANALYSIS, INTERPRETATIONS AND DISCUSSIONS

### 4.1 Introduction

The study sought to establish the effect of accountability on financial sustainability of NGOs in Nairobi County. This chapter presents the research findings by focusing on; demographic characteristics of the respondents and data analysis based on the specific objectives of the study. It also describes the inferential analysis, correlation and regression analysis and finalizes with the discussion of the key findings.

### 4.2 Response Rate

The study's target sample was total of 85 respondents who entailed finance managers at the NGOs in Nairobi County. Out of the 85 questionnaires that were issued out, 77 questionnaires were duly filled and returned, translating to a response rate of 91 percent as shown by Table 4.1. This response rate was considered to be adequate to enable generalization of the study's findings and adequate for the purpose of the study.

**Table 4. 1: Response Rate**

Status	Frequency	Percent
Responded	77	91 %
Not Responded	8	9 %
<b>Total</b>	<b>85</b>	<b>100 percent</b>

*Source: Researcher, 2017*

### 4.3 Reliability Analysis

In evaluating reliability data collection instrument, a pilot study was undertaken on 10 percent of the respondents. Cronbach's alpha was used to determine the internal consistency of the

research instruments. This aimed at establishing how sets of variables are related in the group. The results obtained are as shown by Table 4.2.

**Table 4. 2: Reliability Analysis**

Variable	Cronbach's Alpha	N of Items	Decision
Financial Planning Practices	0.754	8	Cronbach acceptable
Financial Monitoring And Evaluation Practices	0.776	7	Cronbach acceptable
Financial Control Practices	0.702	4	Cronbach acceptable
NGO Regulatory Framework	0.706	4	Cronbach acceptable
Financial Sustainability	0.704	4	Cronbach acceptable

*Source: Researcher, 2017*

As shown in table 4.2, financial planning practices had a Cronbach’s alpha of 0.754, financial monitoring and evaluation had a Cronbach’s alpha of 0.776, financial control had a Cronbach’s alpha of 0.702, NGO regulatory framework had a Cronbach’s alpha of 0.706 while financial sustainability had a Cronbach’s alpha of 0.704. This implies that all the variables had Cronbach Alpha greater than 0.7 hence implying that the research instruments were reliable in carrying out the study.

#### **4.4 Years Worked at the Organization**

This section sought to determine the number of years the respondents had worked at the NGOs. This was used to access their knowledgeability in the organizations’ operations. The findings obtained are shown by Table 4.3.

**Table 4. 3: Years at the Organization**

Years Worked	Frequency	Percent
Less than 2 years	8	10
2 – 5 years	15	20
5 – 10 years	27	35

Over 10 years	27	35
<b>Total</b>	<b>77</b>	<b>100</b>

*Source: Researcher, 2017*

The findings in Table 4.3 indicated that that 35 percent of the respondents had worked in the organizations for a duration of 5-10 years, 35 percent for over 10 years, 20 percent had worked for a period of 2-5 years while 10 percent had worked for a period less than 2 years. This implied that the respondents had worked in their respective organizations for a considerable length of time thus well conversant with the firms' operations.

#### **4.5 Description of Study Variables**

The study independent variables were financial planning, financial monitoring and evaluation and financial control while the dependent variable was NGO financial sustainability. The variables were measured by different components of the variables and quantified using a five point liker scale.

##### **4.5.1 Financial Planning**

The study sought to determine the extent of adoption of various financial planning practices in the organizations. A likert scale of 1 to 5 was used to rate their responses, where 1 is no extent, 2 is small extent, 3 is moderate extent, 4 is large extent and 5 is a very large extent. The findings obtained are as shown by Table 4.4.

**Table 4. 4: Financial Planning**

<b>Financial Planning</b>	<b>NE</b>	<b>SE</b>	<b>ME</b>	<b>LE</b>	<b>VLE</b>	<b>Mean</b>	<b>Std. Dev</b>
Annual budgets preparation	0	2.6	18.2	58.4	20.8	3.97	0.70
Regular comparison of actual and budget	2.6	10.4	24.7	40.3	22.1	3.69	1.01
Expenditure outside the budget requires directors approval and justification	6.5	10.4	36.4	22.1	24.7	3.48	1.16
Ceilings on administration and overheads expenditure	7.8	9.1	24.7	32.5	26	3.6	1.19
Full and accurate financial reporting	20.8	7.8	14.3	28.6	28.6	3.36	1.49
Financial planning advise sought	3.9	14.3	18.2	37.7	26	3.68	1.12
Financial proposals analysis and discussion	14.3	19.5	19.5	23.4	23.4	3.22	1.38
Stakeholders' participation in budgetary process.	10.4	24.7	13	36.4	15.6	3.22	1.27

Where NE=No Extent, SE=Small Extent, ME=Moderate extent, LE=Large Extent, VLE=Very

Large Extent

Source: Researcher, 2017

The findings in table 4.4 indicated that NGO were preparing budgets on annual basis to guide spending for the NGO to a large extent (mean of 3.97 and standard deviation of 0.70). This meant that most NGOs had adopted budgets as financial planning tools. The standard deviation was small indicating that the respondents agreed more on the adoption of budgets to large extent. This relates to Mpfu (2012) studied the cultural capital and the sustainability of NGOs' development programs in Zimbabwe and found that proper budget plan provides a guideline for the spending.

Regular comparison of actual and budget being determined and corrective action taken was being done to large extent (mean of 3.69 and standard deviation of 1.01). Therefore, to a large extent, most NGOs were comparing the actual and budget as a financial planning tool. The standard deviation indicated the variation in the responses. In a similar way, Tooley and Hooks (2009) also analysed the annual report of 37 schools in Queensland and indicated importance

of the emphasis on public accountability and perceived usefulness on the regular comparison of actual budgets.

Expenditure outside the budget requiring directors approval and must be fully justified had a mean of 3.48 and standard deviation 1.16. This implied that approval for expenses above the budgets was being done to a moderate extent. Further, the findings indicated that to a large extent, administration and overheads expenditure had a ceiling which was set in relation to expected funding (mean of 3.6 and standard deviation 1.19). On the contrary, Ernest (2012) while on a study on the organizational factors influencing sustainability of local non-governmental organizations in Ghana found that the long approvals during budgeting hindered the overall effectiveness of the process.

To a moderate extent, for most NGOs, there was a full and accurate reporting on the financial planning to the stakeholders with a mean of 3.36 and standard deviation 1.49. This implied that reporting was accurate but not at all times. In financial planning, management seeks counsel and guidance from professional advisors had a mean of 3.68 and standard deviation 1.12. This implied that to a large extent, NGOs' management sought counsel on the budget matters. Financial proposals are analyzed and debated vigorously by all stakeholders before they are approved and implemented had a mean of 3.22 and standard deviation 1.38. Thus, to a moderate extent, financial proposals were being debated. Stakeholders of the organization participating in budgetary process had a mean of 3.22 and standard deviation 1.27. This implied that stakeholders of organizations participated in budgetary to a moderate extent which concurs with Lambert (2015) who evaluated the impact of non-governmental organizations in Ghana.

The findings implied that most financial planning practices had not been fully adopted by the NGOs. Notably, only budget planning had a large extent of adoption while the rest had moderate extents of adoption with stakeholders' participation having the least extent. Financial

plans enable organizations to identify all the major activities required to achieve the study objectives as well as the estimated actual work time. They thus ought to be well formulated and implemented so as to enhance the financial operations in an organization.

#### 4.5.2 Financial Monitoring and Evaluation

The study sought to determine the extent of adoption of various financial monitoring and evaluation in the organizations. A likert scale of 1 to 5 was used to rate their responses, where 1 is no extent, 2 is small extent, 3 is moderate extent, 4 is large extent and 5 is a very large extent. The findings obtained are as shown by Table 4.5.

**Table 4. 5 Financial Monitoring and Evaluation**

<b>Financial Monitoring and Evaluation</b>	<b>NE</b>	<b>SE</b>	<b>ME</b>	<b>LE</b>	<b>VLE</b>	<b>Mean</b>	<b>Std. Dev</b>
Fully functional internal financial monitoring department	1.3	1.3	28.6	51.9	16.9	3.82	0.773
NGO expenditure monitoring	9.1	16.9	24.7	32.5	16.9	3.31	1.206
Financial transactions recording	11.7	11.7	27.3	35.1	14.3	3.29	1.202
Financial statements and management reports	19.5	10.4	23.4	29.9	16.9	3.14	1.364
Using internationally accepted accounting principles and practices in reporting.	11.7	20.8	20.8	28.6	18.2	3.21	1.291
Evaluation programmes are conducted at completion of projects	13	14.3	18.2	35.1	19.5	3.34	1.304
The results of monitoring and evaluation	16.9	20.8	13	28.6	20.8	3.16	1.415

Where NE=No Extent, SE=Small Extent, ME=Moderate extent, LE=Large Extent, VLE=Very Large Extent

Source: Researcher, 2017

As shown in table 4.5, there existing a fully functional internal financial monitoring department including internal audit with mean of 3.82 and standard deviation of 0.773. To a large extent, the NGOs had a functional financial control section. NGO expenditure being continuously monitored in relation to the budget and the planned use of NGO funds had a mean of 3.31 and

standard deviation of 1.206. The finding implied that to a moderate extent, expenditure of the NGOs was continuously monitored. The standard deviation was greater than 1 implying that the respondents disagreed more on monitoring of the NGO expenditure. This coincides with Mbuva (2014) who studied an investigation into the factors influencing financial sustainability of women owned SMEs in Kenya in Machakos County and established that most of the expenditures in the NGOs was minimally controlled.

To a moderate extent, the NGOs financial transactions were being recorded immediately they occur to facilitate finance monitoring (mean of 3.29 and standard deviation of 1.202). This implied that there were some NGOs where financial recording was not being done on real time basis which is a serious concern. In a similar way, Edmund (2010) studied the key factors influencing the sustainability of local NGOs in Ghana and also obtained relatively low levels of financial monitoring in the NGOs which resulted in most of them experiencing low performance.

To a moderate extent, financial statements and management reports were being timely and reliable had (mean of 3.14 and standard deviation of 1.364). This implied that the practice had not been fully adopted by the NGOs. To a moderate extent too, financial statements and reports were prepared and presented following internationally accepted accounting principles and practices with a mean of 3.21 and standard deviation of 1.291. This indicated that reporting was not being done for some NGOs according to international standards. To a moderate extent, evaluation programmes are conducted at completion of projects (mean of 3.34 and standard deviation of 1.304). The findings indicated that for some NGOs, evaluation of programmes was not being conducted on all projects which raises questions on management of NGO resources. Monitoring and evaluation exercises being communicated to the stakeholders had the least mean of 3.16 and standard deviation of 1.415 implying that the practice had been

adopted to a large extent. On the other hand, Mbugua (2013) studied the effects of financial accountability on the performance of nongovernmental organizations in Kenya and established that most of the NGOs still lacked effective monitoring and evaluation practices.

This implies that the Financial Monitoring and Evaluation practices in the NGOs had moderate extents of adoption with functional internal financial monitoring department having the most extent of adoption. Lack of transparency in financial practices has been established to be due inadequate monitoring and evaluation and this does not auger well with most of the stakeholders such as the donors, the government, and even the beneficiaries all which affects NGOs revenue streams and hence financial sustainability (Odhiambo, 2013).

#### 4.5.3 Financial Control

The study sought to determine the extent of adoption of various financial control practices in the organizations. A likert scale of 1 to 5 was used to rate their responses, where 1 is no extent, 2 is small extent, 3 is moderate extent, 4 is large extent and 5 is a very large extent. The findings obtained are as shown by Table 4.6.

**Table 4. 6 Financial control**

<b>Financial Control</b>	<b>NE</b>	<b>SE</b>	<b>ME</b>	<b>LE</b>	<b>VLE</b>	<b>Mean</b>	<b>Std. Dev</b>
Value for money is determined on all projects	2.6	1.3	35.1	44.2	16.9	3.71	0.856
Variances of the budgets is communication	3.9	15.6	19.5	35.1	26	3.64	1.146
Unacceptable variances on budgets approved	6.5	18.2	27.3	31.2	16.9	3.34	1.154
Budget performance reports communication to the donors and other financiers	7.8	19.5	15.6	28.6	28.6	3.51	1.304

*Where NE=No Extent, SE=Small Extent, ME=Moderate extent, LE=Large Extent, VLE=Very Large Extent*

*Source: Researcher, 2017*

As shown by the table 4.6, value for money is determined on all projects had a mean of 3.71 and standard deviation of 0.856. The finding implied that the practice had been adopted to a large extent and thus for most NGOs, value for money in projects was being considered.

Variances of the budgets is communicated annually to stakeholders and full justification obtained had a mean of 3.64 and standard deviation of 1.146 implying adoption of this practice to a large extent. There are unacceptable variances on budgets that the management must seek approval from the stakeholders had a mean of 3.34 and standard deviation of 1.154. This implied moderate adoption of the practice of communication of unacceptable limits. Budget performance reports are communicated to the donors and other financiers had a mean of 3.51 and standard deviation of 1.304 implying adoption of the practice to a large extent. This implied that for most NGOs, budget performance was being communicated. Similarly, Gitonga (2014) studied who studied the sustainability of orphans donor funded project of church based organization in Kenya: a case of Zoe Ministry indicated that effective communication of the budget performance was essential for the overall sustainability of the NGOs.

The findings indicate that financial control measures in the NGOs had moderate extents of adoption with value for money being determined on all projects being implemented the most and budget performance reports being communicated to the donors and other financiers being the least.

#### **4.5.4 NGO Regulatory Framework**

The study aimed at establishing how the NGO framework related to various financial aspects of the organization. A likert scale of 1 to 5 was used to rate their responses, where 1 is no extent, 2 is small extent, 3 is moderate extent, 4 is large extent and 5 is a very large extent. The findings obtained are as shown by Table 4.7.

**Table 4. 7 NGO regulatory Framework**

<b>NGO Regulation</b>	<b>NE</b>	<b>SE</b>	<b>ME</b>	<b>LE</b>	<b>VLE</b>	<b>Mean</b>	<b>Std. Dev</b>
NGO regulation affect the amount of financing available to the NGOs.	0	6.5	28.6	41.6	23.4	3.82	0.869
NGO financial plans are affected by the NGO regulatory framework.	1.3	24.7	20.8	37.7	15.6	3.42	1.068
NGO regulations affects financial monitoring practices adopted by NGOs.	6.5	24.7	14.3	31.2	23.4	3.4	1.27
NGO regulatory framework affects evaluation and control practices at NGOs.	13	15.6	9.1	39	23.4	3.44	1.352

Where *NE=No Extent, SE=Small Extent, ME=Moderate extent, LE=Large Extent, VLE=Very Large Extent*

Source: Researcher, 2017

The results on the NGO regulatory framework on table 4.7, the responses indicated that NGO regulation affect the amount of financing available to the NGOs to a large extent (mean of 3.82 and standard deviation of 0.869). To a large extent, NGO financial plans were being affected by the NGO regulatory framework (mean of 3.42 and standard deviation of 1.068). Further, to a moderate extent, NGO regulations affected financial monitoring practices adopted by NGOs with a mean of 3.4 and standard deviation of 1.27. To a moderate extent, NGO regulatory framework affected evaluation and control practices at NGOs with a mean of 3.44 and standard deviation of 1.352. However, Ayom (2013) while investigating the internal controls and performance in NGOs in South Sudan established there was inadequate frameworks in the NGOs which are implemented in overseeing the monitoring of the financial practices.

The findings indicated that NGOs were either being affected by regulatory framework to a large extent or moderate extent. This implied that NGO regulation had a significant effect on financial practices adopted by NGOs. This indicates that NGO regulation affecting the amount of financing available to the NGOs was the least implemented while the rest had moderate extents of implementation. This coincides with Lambert, (2015) who established that by

regulating the amount of financing available, this acts as limiting effect on how other financial practices are undertaken.

#### 4.5.5 NGO Financial Sustainability

The study sought to establish how various aspects of the financial sustainability applied to their respective NGOs. A likert scale of 1 to 5 was used to rate their responses, where 1 is no extent, 2 is small extent, 3 is moderate extent, 4 is large extent and 5 is a very large extent. The findings obtained are as shown by Table 4.8.

**Table 4. 8: NGO Financial Sustainability**

<b>Financial Sustainability</b>	<b>NE</b>	<b>SE</b>	<b>ME</b>	<b>LE</b>	<b>VLE</b>	<b>Mean</b>	<b>Std. Dev</b>
NGO annual statement of income and expenditure always has surplus	0	3.9	37.7	48.1	10.4	3.65	0.721
NGO funding is fully diversified where donor funding does not exceed 40 percent of organization funding.	5.2	23.4	15.6	36.4	19.5	3.42	1.196
The organization has less percentage of fixed cost as compared to total cost.	9.1	26	24.7	24.7	15.6	3.12	1.224
Average debt amount does not exceed 40 percent of total assets.	9.1	18.2	29.9	15.6	27.3	3.34	1.304

*Where NE=No Extent, SE=Small Extent, ME=Moderate extent, LE=Large Extent, VLE=Very Large Extent*

*Source: Researcher, 2017*

The findings in table 4.8 obtained indicated that to a large extent, the NGO annual statement of income and expenditure always has surplus with a mean of 3.65 and standard deviation of 0.721. To a moderate extent, NGO funding was fully diversified where donor funding does not exceed 40 percent of organization funding with a mean of 3.42 and standard deviation of 1.196. Also, to a moderate extent, the organization has less percentage of fixed cost as compared to total cost with a mean of 3.12 and standard deviation of 1.224. To a moderate extent, average debt amount did not exceed 40 percent of total assets with a mean of 3.34 and standard deviation of 1.304. This shows that the organization having less percentage of fixed cost as

compared to total cost was the least implemented. From the findings, most of the NGOs were sustainable to a moderate extent implying that the NGOs were not very sustainable. This compares with Obo (2009) who also established relative low sustainability of most NGOs.

On the sustainability of the NGOs, the findings obtained as shown by Table 4.9 indicate that 56 percent of the respondents stated their organizations to sustainable while 44 stated that the NGOs were not sustainable. This shows that majority of the NGOs were sustainable.

**Table 4. 9: NGO Sustainability**

<b>Sustainability</b>	<b>Frequency</b>	<b>Percent</b>
Not Sustainable	34	44.2
Sustainable	43	55.8
<b>Total</b>	<b>77</b>	<b>100</b>

*Source: Researcher, 2017*

## **4. 8 Diagnostic Tests**

### **4. 8.1 Test for Multicollinearity**

Multicollinearity tests was conducted on the regression model so that incorrect conclusions about the relationship between dependent variable and predictor variables to be avoided. Variance Inflation Factor (VIF) and tolerance degree was used to indicate presence of multicollinearity test. The findings obtained are presented by Table 4.10.

**Table 4. 10 Multicollinearity Test**

<b>Variable</b>	<b>Tolerance</b>	<b>VIF</b>
Financial Planning	0.657	1.521
Financial Monitoring and Evaluation	0.44	2.272
Financial Control	0.511	1.955
Regulatory Framework	0.582	1.717

*Source: Researcher, 2017*

The study findings in table 4.10 indicated that financial planning had a tolerance of 0.657 and VIF of 1.521, financial monitoring and evaluation tolerance of 0.44 and VIF of 2.272, financial control 0.511 and VIF 1.955 and regulatory framework tolerance of 0.582 and VIF of 1.717. Multicollinearity occurs where tolerance is less than 0.1 and VIF greater than 10. However, for all the variables, the measures were within acceptable range and therefore the problem of multicollinearity did not exist.

#### 4.8.2 Test for Normality

Multiple regression analysis requires that the study variables are normally distributed. The findings on Normality Test obtained are presented by Table 4.11.

**Table 4. 11 Normality Test**

	Skewness	Kurtosis
Sustainability	-0.24	-1.995
Financial Planning	0.757	-0.36
Financial Monitoring and Evaluation	0.386	0.48
Regulatory Framework	0.171	-1.091
Financial Control	-0.002	-0.465
Financial Sustainability	0.001	-0.649

*Source: Researcher, 2017*

Sustainability had a Skewness of -0.24 and a kurtosis of -1.995. Financial planning had a Skewness of 0.757 and a kurtosis of -0.36. Financial monitoring and evaluation had a Skewness of 0.386 and kurtosis of 0.48. Regulatory framework had a Skewness of 0.171 and kurtosis of -1.091. Financial control had a Skewness of -0.002 and kurtosis of -0.465. Financial sustainability had a Skewness of 0.001 and kurtosis of -0.649. All the variables were acceptable since their Skewness statistics were falling between +/-2 to +/-2. Also, the kurtosis values were all close to 0, +2 or -2 indicating that the data was distributed towards respective means and

hence normal. This implied that the data was appropriate for analysis using regression and correlation analysis.

### 4.8.3 Heteroscedasticity Test

Heteroscedasticity occurs when the variance of the errors varies across the observations. This study used Breusch-Pagan/ Cook-Weisberg to test for Heteroscedasticity. The findings obtained are presented by Table 4. 12.

**Table 4. 12 Heteroscedasticity Test**

H0	Chi2 (4)	Prop>Chi2
Constant variance	0.291	0.682

*Source: Researcher, 2017*

The study obtained a chi square of 0.291 and p-value of 0.682>0.05. This indicated that at 95 percent confidence, the null hypothesis of homoscedasticity was accepted. Hence, Heteroscedasticity was not a problem and therefore the data was appropriate for analysis.

## 4.9 Inferential Analysis

The study sought to establish the underlying relationships between variables and the extent to which the independent variables influenced the dependent variables. Correlation analysis, multiple regression analysis were used to accomplish this purpose.

### 4.9.1 Correlation Analysis

Correlation analysis is used to find the relationship between two or more sets of variables. Table 4.13 gives the relationship between different sets of variables that was obtained.

**Table 4. 13 Correlation Analysis**

		Financial Sustainability	Financial Planning	Financial Monitoring and Evaluation	Financial Control	Regulatory Framework
Financial Planning	Pearson Correlation	.438**	1			
	Sig. (2-tailed)	0.000				
Financial Monitoring and Evaluation	Pearson Correlation	.597**	.576**	1		
	Sig. (2-tailed)	0.000	0.000			
Financial Control	Pearson Correlation	.685**	.473**	.693**	1	
	Sig. (2-tailed)	0.000	0.000	0.000		
Regulatory Framework	Pearson Correlation	.505**	.519**	.558**	.565**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	
N		77	77	77	77	77

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Source: Researcher, 2017

Correlation Analysis results obtained on table 4.13 indicated that financial planning and financial sustainability had a Pearson Correlation of 0.438 and a p-value of 0.000. The positive coefficient indicated that financial planning had a positive effect on financial sustainability of NGOs. The p-value<0.05 indicated that the positive effect of financial planning was significant at 95% confidence level. Therefore, an NGO that adopts appropriate financial planning practices will significantly improve financial sustainability. These findings compared with those of Juma (2012) who examined the factors affecting sustainability of donor funded community development projects in Bungoma County and concluded that donor policy affected sustainability of the project at very great extent. Ayom (2013) and found out that financial planning procedures positively influenced NGO sustainability.

Financial monitoring and evaluation and financial sustainability had a Pearson's coefficient of correlation of 0.597 and a p-value of 0.000. The positive coefficient indicated that financial monitoring and evaluation had a positive effect on sustainability of NGOs. The p-value<0.05 indicated that the positive effect of financial monitoring and evaluation was significant at 95%

confidence level. Therefore, an NGO that adopts appropriate financial monitoring and evaluation practices will significantly improve financial sustainability.

Financial Control and financial sustainability had a Pearson's coefficient of correlation of 0.685 and a p-value of 0.000. The positive coefficient indicated that financial monitoring and evaluation had a positive effect on sustainability of NGOs. The p-value < 0.05 indicated that the positive effect of financial control was significant at 95% confidence level. Therefore, an NGO that adopts appropriate financial control practices will significantly improve financial sustainability.

Regulatory Framework and NGO sustainability had a Pearson's coefficient of correlation of 0.505 and a p-value of 0.000. The positive coefficient indicated that regulatory framework had a positive effect on sustainability of NGOs. The p-value < 0.05 indicated that the positive effect of regulatory framework was significant at 95% confidence level. Therefore, an NGO that adopts appropriate financial control practices will significantly improve financial sustainability.

Notably, all the accountability measures studied individually influenced sustainability of an NGO. Thus, an increase in this variables would result in improved financial sustainability at the NGOs. The effect was significant at the 95 percent confidence level as the p-value were < 0.05.

The correlations between the independent variables was used to show the relationship between independent variables and confirm lack of multicollinearity. The independent variables were not strongly correlated and hence multicollinearity was not a problem.

## 2.9.2 Multiple Regression Analysis

The study sought to establish the influence of accountability on financial sustainability of NGOs. A multiple regression model was used to establish the relationship between Financial Control, Financial Planning, Financial Monitoring and Evaluation (predictor variables) and Financial Sustainability (dependent variable). The Regression model summary is presented in Table 4.14.

**Table 4. 14: Model Summary**

R	R Square	Adjusted R Square	Std. Error of the Estimate
.709a	0.503	0.483	0.49928

*a. Predictors: (Constant), Financial Control, Financial Planning , Financial Monitoring and Evaluation*

*Source: Researcher, 2017*

From Table 4.14, the coefficient of correlation was 0.709 indicating that accountability has a positive effect on financial sustainability. Thus, NGOs incorporating accountability measures in their operations would improve the financial sustainability. The coefficient of determination (Adjusted R<sup>2</sup>) was 0.483 implying that that the regression could explain up to 48.3 percent of the variation in the financial sustainability. The remaining percent of the variation could be due to other predictors not in the model which could include the source of funding for the NGO, management and specific NGO factors.

The findings were in line with those of Kamwana and Muturi (2014) found that financial planning, financial monitoring, financial evaluation and financial controls (some measures of accountability) contributed to project performance. Kakumani and Prabhakar (2014) also found that accounting process offered the greatest leverage for planning, measuring, and increasing the overall sustainability of the development aid NGO.

The model test of fitness results are presented in Table 4.15 indicating the reliability of the model in predicting financial sustainability.

**Table 4.15: ANOVA Analysis**

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	18.424	3	6.141	24.636	.000a
Residual	18.197	73	0.249		
Total	36.621	76			

*a. Predictors: (Constant), Financial Control, Financial Planning , Financial Monitoring and Evaluation*

*b. Dependent Variable: Financial Sustainability*

*Source: Researcher, 2017*

The model result of model fitness indicates an F-statistic of  $24.636 > 2.492$  and a p-value of  $0.000 < 0.05$ . This indicates that the model is fit for prediction at 95 percent confidence level. Thus, accountability has significant effect on the NGOs' financial accountability. The findings were in line with those of Odhiambo (2013) who found that NGOs were expected to keep a minimum set of financial statements for example, statement of comprehensive income, statements of financial position and cash flow statements. Also, Mbugua (2013) found that NGOs that applied financial standards in ensuring accountability of finances in the organizations boosted donor support which resulted in improved performance. The study also established a significant relationship between financial performance of NGOs in Kenya and financial accountability. Karanja and Karuti (2014) concluded that funding in NGO's was a challenge and that there were government policies that interfere with smooth running of NGO's.

The study multiple regression model coefficients obtained which could be used for prediction are presented in table 4.16.

**Table 4.16: Model Coefficients**

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
(Constant)	0.224	0.347		0.646	0.520
Financial Planning	0.291	0.11	0.385	2.6455	0.021
Financial Monitoring and Evaluation	0.287	0.12	0.374	2.3917	0.024
Financial Control	0.464	0.105	0.511	4.4190	0.000

a. *Dependent Variable: Financial Sustainability*

*Source: Researcher, 2017*

As per Table 4.16, the findings obtained show that Financial Planning had a coefficient of 0.291. The positive coefficient imply that Financial Planning has a positive impact on the financial sustainability. The variable had a p-value of 0.021 implying it was significant at the 95 percent confidence level as it is less than 0.05. Thus, financial planning significantly affects sustainability of NGOs.

Financial Monitoring and Evaluation had a coefficient of 0.287. The positive coefficient imply that Financial Monitoring and Evaluation has a positive impact on the financial sustainability. The variable had a p-value of 0.024 implying it was not significant at the 95 percent confidence level as it is less than 0.05. Therefore, an increase in financial monitoring practices will improve financial sustainability of NGOs significantly. Financial Control had a coefficient of 0.464. The positive coefficient imply that Financial Control has a positive impact on the financial sustainability. The variable had a p-value of 0.0 implying it was significant at the 95 percent confidence level as it is less than 0.05.

This implies that all the accountability variables namely; financial planning, financial monitoring and financial monitoring and evaluation have a positive and significant impact on the financial sustainability. Therefore, an unit increase in these independent variables will result in a significant unit increase in the financial sustainability level in the NGOs. The

findings were similar to those of Nturibi, (2004) who holds that for an NGO to be sustainable, it requires reliable financial systems to facilitate accountability and cash flow projections. From the model coefficients table, the following regression model was fitted

$$Y_i = 0.224 + 0.291 X_1 + 0.287X_2 + 0.464X_3$$

Whereby;  $Y_i$  refers to financial sustainability,  $X_1$  is the Financial Planning,  $X_2$  is the Financial Monitoring and Evaluation practices and  $X_3$  is the Financial Control practices.

#### 4.9.3 Moderating Effect of NGO Regulatory Framework

The study sought to establish the moderated effect brought about by the moderating variable which was the Regulatory Framework. A comparative regression model was thus conducted with the Predictors being Financial Control, Financial Planning, Financial Monitoring and Evaluation, Regulatory Framework and the dependent variable being financial sustainability. The Regression model summary is presented in Table 4.17.

**Table 4.17: Moderated effect Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.709a	0.503	0.483	0.49928	0.503	24.636	3	73	0.000
2	.714b	0.51	0.483	0.49915	0.007	1.037	1	72	0.312

*a. Predictors: (Constant), Financial Control, Financial Planning , Financial Monitoring and Evaluation*

*b. Predictors: (Constant), Financial Control, Financial Planning , Financial Monitoring and Evaluation, Regulatory Framework*

Source: Researcher, 2017

From Table 4.17, the coefficient of correlation was 0.714 indicating that accountability has a positive effect on financial sustainability. The coefficient of determination (Adjusted R<sup>2</sup> Square) brought about by the moderating variable was 0.483 implying that that the regression

could explain up to 48.3 percent of the variation in the financial sustainability. The remaining 41.7 percent of the variation could be due to other predictors not in the model. This implies that incorporating the Regulatory Framework has a minimal impact on the relationship that exists between accountability and financial sustainability as it strengthens the influence obtained by only by 0.7 percent. Comparing to these findings, Kamwana and Muturi (2014) found that financial monitoring and financial evaluation contributed to project performance. Contrary to these findings, Gitonga (2014) found that that a financial resource was vital in attaining sustainability.

The model test of fitness results are presented in Table 4.18 indicating the reliability of the model in predicting financial sustainability.

**Table 4.18: Moderated ANOVA Analysis**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	18.424	3	6.141	24.636	.000a
	Residual	18.197	73	0.249		
	Total	36.621	76			
2	Regression	18.682	4	4.671	18.746	.000b
	Residual	17.939	72	0.249		
	Total	36.621	76			

*a. Predictors: (Constant), Financial Control, Financial Planning , Financial Monitoring and Evaluation*

*b. Predictors: (Constant), Financial Control, Financial Planning , Financial Monitoring and Evaluation, Regulatory Framework*

*Dependent Variable: Financial Sustainability*

*Source: Researcher, 2017*

The model result of model fitness indicates an F-statistic of 18.746 and a p-value of  $0.000 < 0.05$ . This indicates that the model is fit for prediction at 95 percent confidence level. Thus, implying that the Regulatory Framework has significant effect on the NGOs' financial sustainability.

The multiple regression model coefficients for the moderated regression equation are presented in Table 4.19.

**Table 4.19: Model Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	0.224	0.347		0.646	0.52
	Financial Planning	0.291	0.11	0.385	2.645	0.408
	Financial Monitoring and Evaluation	0.287	0.12	0.374	2.392	0.122
	Financial Control	0.464	0.105	0.511	4.419	0
2	(Constant)	0.166	0.352		0.473	0.638
	Financial Planning	0.169	0.114	0.174	1.482	0.059
	Financial Monitoring and Evaluation	0.266	0.121	0.293	2.198	0.018
	Financial Control	0.434	0.109	0.477	3.976	0.000
	Regulatory Framework	0.098	0.096	0.11	1.018	0.312

*a. Dependent Variable: Financial Sustainability*

*Source: Researcher, 2017*

The findings obtained as shown by Table 4.19 indicated even under the moderated effect of NGO regulations, all the independent variables namely; financial planning, financial monitoring and evaluation and financial control have a significant positive impact on the financial sustainability. This implies that incorporating the Regulatory Framework has a minimal but significant impact on the relationship that exists between accountability and financial sustainability. This shows that the Regulatory Framework does have an influence on how the NGOs financial sustainability was impacted by the various accountability measures. As such adopting appropriate policies will ensure that the NGOs not only formulate but also implement the most efficient accountability practices (Odhiambo, 2013).

#### **4.10 Discussion of Research Findings**

The study sought to determine the effect of financial planning on financial sustainability of NGOs in Nairobi County. Only budget planning was found out to have a large extent of adoption while the rest had moderate extents of adoption with stakeholders' participation having the least extent. This indicates that the financial planning practices were relatively low in the NGOs. Financial planning had a Pearson Correlation of 0.438 and a p-value of 0.0, indicating significant positive relationship on the financial sustainability. Based on the regression analysis, Financial Planning had a coefficient of 0.091 implying that it has a positive impact on the financial sustainability. This relates to Juma (2012) who examined the factors affecting sustainability of donor funded community development projects in Bungoma County and also obtained the importance of financial planning in ensuring organization financial sustainability.

The study sought establish how financial monitoring and evaluation impacts on financial sustainability of NGOs in Nairobi County. Financial Monitoring and Evaluation practices in the NGOs were established to have moderate extents of adoption with functional internal financial monitoring department having the most extent of adoption. Financial Monitoring and Evaluation had a Pearson's coefficient of 0.597 and a p-value of 0.0, indicating significant positive relationship on the financial sustainability. Based on the regression analysis, Financial Monitoring and Evaluation had a coefficient of 0.187 implying that it has a positive impact on the financial sustainability. This concurs with Kamwana and Muturi (2014) who studied the effects of financial management on performance of World Bank funded projects in Kenya. The study found that financial monitoring and financial evaluation contributed to project performance.

The study also aimed at establishing the effect of financial controls on financial sustainability of NGOs in Nairobi County. The findings indicate that financial control measures in the NGOs had moderate extents of adoption with value for money being determined on all projects being implemented the most and budget performance reports being communicated to the donors and other financiers being the least. Financial Control had a Pearson's coefficient of correlation of 0.685 and a p-value of 0.0, indicating significant positive relationship on the financial sustainability. Based on the regression analysis, Financial Control had a coefficient of 0.464 implying that Financial Control has a positive impact on the financial sustainability. This is similar to Mbuva (2014) who studied an investigation into the factors influencing financial sustainability of women owned SMEs in Kenya in Machakos County.

On the moderating effect of NGO regulation on the relationship between accountability and NGO financial sustainability. The indicate that NGO regulation affecting the amount of financing available to the NGOs was the least implemented while the rest had moderate extents of implementation. Regulatory Framework had a Pearson's coefficient of correlation of 0.505, indicating significant positive relationship on the financial sustainability. Based on the comparative regression model, it was established that incorporating the Regulatory Framework has a minimal impact on the relationship that exists between accountability and financial sustainability as it strengthens the influence obtained by only by 0.7 percent. This shows that the Regulatory Framework does have an influence on how the NGOs financial sustainability was impacted by the various accountability measures. In this regard, NGOs have to develop various internal accountability structures in addition to the accountability levels demanded by the regulatory bodies and the external players (Odhaimbo, 2013).

On the overall effect of accountability on financial sustainability of NGOs in Nairobi County, the respondents indicated that majority of the NGOs were sustainable. Correlation analysis

was used to establish the relationship between the variables, whereby all the variables had positive coefficients. This indicates that an increase in these variables would result in improved financial sustainability at the NGOs. This is supported by the multiple regression analysis undertaken that showed accountability has a strong positive effect on financial sustainability, accounting up to 48.3 percent of the variations. Based on the model coefficients, all the variables have a positive effect on financial sustainability in the NGOs. This concurs with Odhiambo (2013) who also established a positive impact on the accountability of donor funding by non-governmental organisations in Kisumu County. Hence having well-structured accountability systems in the NGOs, will act greatly in enhancing their Financial Sustainability by ensuring transparency and reliability in the financial operations. However, it contradicts Karanja and Karuti (2014) who obtained a negative relationship. Lambert (2015) also found that NGOs were faced with competition for individual donations, foundation funds, and government grants.

## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter presents the summary of the findings in chapter four, presents the conclusions and recommendations drawn. The chapter also covers the limitations of the study and suggestions for further study in the quest of addressing the research question or achieving the research objective.

### **5.2 Summary of Findings**

The study sought to determine the effect of financial planning on financial sustainability of NGOs in Nairobi County. Only budget planning was found out to have a large extent of adoption while the rest had moderate extents of adoption with stakeholders' participation having the least extent. Correlation analysis obtained indicated that financial planning and financial sustainability had a Pearson Correlation of 0.438 and a p-value of 0.000. The positive coefficient indicated that financial planning had a positive effect on financial sustainability of NGOs. The p-value < 0.05 indicated that the positive effect of financial planning was significant at 95% confidence level. Therefore, an NGO that adopts appropriate financial planning practices will significantly improve financial sustainability through ensuring that all the financial resources in the NGOs are fully accounted for.

The study also sought establish how financial monitoring and evaluation impacts on financial sustainability of NGOs in Nairobi County. Financial Monitoring and Evaluation practices in the NGOs were established to have moderate extents of adoption with functional internal financial monitoring department having the most extent of adoption. Financial monitoring and evaluation and financial sustainability were further established to have a Pearson's coefficient of correlation of 0.597 and a p-value of 0.000. The positive coefficient indicated that financial

monitoring and evaluation had a positive effect on sustainability of NGOs. The  $p\text{-value} < 0.05$  indicated that the positive effect of financial monitoring and evaluation was significant at 95% confidence level. Therefore, an NGO that adopts appropriate financial monitoring and evaluation practices will significantly improve financial sustainability as transparency and financial accountability will be improved.

Additionally, the study also aimed at establishing the effect of financial controls on financial sustainability of NGOs in Nairobi County. The findings indicate that financial control measures in the NGOs had moderate extents of adoption with value for money being determined on all projects being implemented the most and budget performance reports being communicated to the donors and other financiers being the least. Financial Control and financial sustainability had a Pearson's coefficient of correlation of 0.685 and a  $p\text{-value}$  of 0.000. The positive coefficient indicated that financial monitoring and evaluation had a positive effect on sustainability of NGOs. The  $p\text{-value} < 0.05$  indicated that the positive effect of financial control was significant at 95% confidence level. Therefore, an NGO that adopts appropriate financial control practices will significantly improve financial sustainability through controlled inflow and outflow of resources in the organization.

To determine the moderated effect brought about by the moderating variable which was the Regulatory Framework, a comparative regression model was conducted. Incorporating the Regulatory Framework was established to have minimal impact on the relationship that exists between accountability and financial sustainability as it strengthens the influence obtained by only by 0.7 percent. This indicated that the regulatory framework did have a significant influence on the relationship between NGOs accountability and financial sustainability. Hence, NGOs have to develop various internal accountability structures in addition to the accountability levels demanded by the regulatory bodies and the external players.

The overall objective of the study was to determine the effect of accountability on financial sustainability of NGOs in Nairobi County. To achieve this objective, multiple regression analysis undertaken. The findings were that accountability had strong positive effect on financial sustainability. The coefficient of correlation was 0.709 indicating that accountability has a positive effect on financial sustainability. Thus, accountability accounted up to 48.3 percent of variation in financial sustainability. The p-value<0.05 indicating that accountability had significant positive effect on NGO financial sustainability. Hence having well-structured accountability systems in the NGOs, will act greatly in enhancing their Financial Sustainability by ensuring transparency and reliability in the financial operations.

### **5.3 Conclusions of the study**

Based on the findings obtained, the study concludes financial planning practices adopted by the NGOs were relatively low. Financial Monitoring and Evaluation practices in the NGOs had moderate extents of adoption with functional internal financial monitoring department having the most extent of adoption. Similarly, the study concludes that Financial Monitoring and Evaluation practices in the NGOs had moderate extents of adoption. This indicate that the accounting practices in the NGOs are not fully adopted which may be the reason that most of the NGOs were experiencing low levels of sustainability.

The study established that financial planning, financial monitoring and evaluation and financial control have a positive and significant effect on financial sustainability of NGOs. The study therefore concludes that adoption of financial planning, financial monitoring and evaluation and financial control. This implies that accountability is a great determinant of the financial sustainability position of the NGOs. The study further found out that regulatory framework has a significant but minimal moderating effect on the relationship between NGO accountability and financial sustainability. The study thus makes the conclusion that regulatory framework

influences the accountability practices adopted which in turn improves financial sustainability of the NGOs.

The overall objective of the study was to determine the effect of accountability on financial sustainability of NGOs in Nairobi County. The study concludes that accountability has strong positive effect on financial sustainability. Therefore, improvement of the NGO accountability practices will improve sustainability of NGOs. Hence, the low financial sustainability experienced in the NGOs is partly due to lack of sufficient accountability practices in the NGOs. Thus, accountability practices are key in attaining improved financial sustainability in the NGOs.

#### **5.4 Recommendations of the study**

The study established that accountability practices were not fully adopted by the NGOs. The study thus recommends that the management at the NGOs should highly prioritize accountability practices among their key strategies. The management of the NGOs need to enhance various accountability practices among others having budget control, having ceilings on overheads, financial reporting, analysis of financial proposals, and stakeholders' participation. By doing so, this will enhance financial sustainability in the NGOs to a great extent and improve their overall performance.

The study recommends that NGOs management should come up with proper and effective accountability mechanisms, which were to measure performance, enhance legitimacy and accountability. The study also recommends that for NGOs to gain credibility from financiers, they should be accountable by adopting appropriate financial controls and partner with an established NGO or gain sponsorship from a well-known organization.

The study also recommends that all NGOs management to ensure their firms have accountability policies and procedures established so that boards and officers understand their fiduciary responsibilities to ensure NGO finances are managed properly and the charitable purposes of the organization are carried out.

NGO regulatory framework was found not to have significant moderating effect on the relationship between accountability and financial practices. However, accountability practices affected by regulatory framework were found to have significant effect on financial sustainability of the NGOs. The study therefore recommends that NGOs regulation board to formulate minimum accountability standards to be met by the NGOs. This will lead to improved accountability and hence more NGOs will be sustainable. The regulators should monitor adherence to these practices. The study further recommends that policy and practice for accountability practices to be carefully evaluated by the NGO management and the results of that evaluation feedback used to improve accountability mechanisms.

### **5.5 Suggestions for Further Research**

This study investigated the effect of accountability on financial sustainability of NGOs' in Nairobi County. The study recommends that further research should be done on the effect of accountability on NGO financial sustainability but on those NGOs working in other parts of the country. This will confirm the findings and enable generalization of the findings. The study was also done on NGOs dealing with public governance. This meant that the findings were applicable to NGOs in the public governance segment and may not apply to NGOs in other segments. A repeat study is therefore recommended where other categories of NGOs will be studied.

The study found that NGO regulation has no significant moderating effect on the relationship between NGO accountability and financial sustainability. A repeat study is recommended on the effect on NGO regulatory framework on NGO accountability or financial sustainability. This will confirm the findings by this study.

Further study should be done on other determinants of financial sustainability of NGOs' in Kenya. The study found that accountability accounted for 50 percent of NGO sustainability. This therefore meant that other factors affecting financial sustainability were not studied. Additionally, a similar studies may be conducted in other organizations apart from the NGOs, this will enable comprehensive generalization of the study's findings.

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## APPENDICES

### Appendix I: Questionnaire

This study seeks to find out the **effect of accountability on financial sustainability of non-government organization in Nairobi County**. Please answer all the study questions as honest as possible. All information obtained will strictly be used for academic purpose only and treated strictly confidential.

#### SECTION A: BACKGROUND INFORMATION

1. How many years have you worked with the NGO or within NGO sector?

Less than 2 years ( )      2 – 5 years ( )

5 – 10 years ( )      Over 10 years ( )

#### SECTION B: NGO ACCOUNTABILITY

2. To what extent do the following **financial planning practices** apply to your nongovernmental organizations? Use a scale of 1 to 5 where 1 is to no extent, 2 to small extent, 3 is to moderate extent, 4 to a large extent and 5 to a very large extent.

<b>Financial Planning Practices</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
The NGO prepares budgets on annual basis that guide spending for the NGO					
Regular comparison of actual and budget is determined and corrective action taken					
Expenditure outside the budget requires directors approval and must be fully justified					

<b>Financial Planning Practices</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
Administration and overheads expenditure have a ceiling which is set in relation to expected funding					
There is full and accurate reporting on the financial planning to the stakeholders.					
In Financial planning, management seeks counsel and guidance from professional advisors.					
Financial proposals are analysed and debated vigorously by all stakeholders before they are approved and implemented.					
Stakeholders of the organization participate in budgetary process.					

3. To what extent do the following **financial monitoring and evaluation practices** apply to your nongovernmental organizations? Use a scale of 1 to 5 where 1 is to no extent, 2 to small extent, 3 is to moderate extent, 4 to a large extent and 5 to a very large extent.

<b>Financial Monitoring and Evaluation Practices</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
There exist a fully functional internal financial monitoring department including internal audit					
NGO expenditure is continuously monitored in relation to the budget and the planned use of NGO funds					
Financial transactions are recorded immediately they occur to facilitate finance monitoring					

<b>Financial Monitoring and Evaluation Practices</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
Financial statements and management reports are timely and reliable.					
Financial statements and reports are prepared and presented following internationally accepted accounting principles and practices.					
Evaluation programmes are conducted at completion of projects					
The results of monitoring and evaluation exercises is communicated to the stakeholders					

4. To what extent do the following **financial control practices** apply to your nongovernmental organizations? Use a scale of 1 to 5 where 1 is to no extent, 2 to small extent, 3 is to moderate extent, 4 to a large extent and 5 to a very large extent.

<b>Financial Control Practices</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
Value for money is determined on all projects					
Variances of the budgets is communicated annually to stakeholders and full justification obtained.					
There are unacceptable variances on budgets that the management must seek approval from the stakeholders					
Budget performance reports are communicated to the donors and other financiers					

**SECTION C: NGO REGULATORY FRAMEWORK**

5. Please indicate the extent to which non-governmental **NGO regulatory framework** relate to the following financial aspects of your organization. Use a scale of 1 to 5 where 1 is to no extent, 2 to small extent, 3 is to moderate extent, 4 to a large extent and 5 to a very large extent.

<b>NGO Regulation</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
NGO regulation affect the amount of financing available to the NGOs.					
NGO financial plans are affected by the NGO regulatory framework.					
NGO regulations affects financial monitoring practices adopted by NGOs.					
NGO regulatory framework affects evaluation and control practices at NGOs.					

**SECTION C: NGO FINANCIAL SUSTAINABILITY**

6. Kindly indicate the extent to which the following aspects of financial sustainability applies to your organization. Use a scale of 1 to 5 where 1 is to no extent, 2 to small extent, 3 is to moderate extent, 4 to a large extent and 5 to a very large extent.

<b>Financial Sustainability Measure</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
NGO annual statement of income and expenditure always has surplus					

NGO funding is fully diversified where donor funding does not exceed 40 percent of organization funding.					
The organization has less percentage of fixed cost as compared to total cost.					
The organization has a positive operating margin ratio.					

## Appendix II: University Data Collection Authorization



KENYATTA UNIVERSITY  
GRADUATE SCHOOL

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NAIROBI, KENYA

Tel. 020-8704150

Internal Memo

FROM: Dean, Graduate School

DATE: 5<sup>th</sup> April, 2017

TO: Veronica Chelang'at  
C/o Accounting and Finance  
Department.

REF: D58/CTY/PT/25883/2013

SUBJECT: APPROVAL OF RESEARCH PROPOSAL  
=====

This is to inform you that Graduate School Board, at its meeting of 29<sup>th</sup> March, 2017, approved your Research Proposal for the M.Sc. Degree entitled "Accountability and Financial Sustainability of Non-Government Organization in Nairobi County, Kenya".

You may now proceed with your Data collection; subject to clearance with the Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed Supervision Tracking Forms per semester. The form has been developed to replace the Progress Report Forms. The Supervision Tracking Forms are available at the University's Website under Graduate School webpage downloads.

Thank you

EDWIN OBUNGU  
FOR: DEAN, GRADUATE SCHOOL

CC. Chairman, Accounting and Finance Department

Supervisors:

1. Dr. Paul Sang  
Department of Management Science  
Kenyatta University
2. Dr. Eddie Simiyu  
Department of Accounting and Finance  
Kenyatta University

EO/rwm

**Appendix III: NACOSTI Data Collection Authorization**



## Appendix IV: List of Public Governance NGOs

1. Abalekwa Development Organization
2. Abashiele Nende Ababukha Support Services
3. Academy For Educational Development - Kenya
4. Action For Ethical Leadership
5. Action For Peace Justice And Delopment
6. Advocacy For Community Development And Education
7. Africa 2000 Network (Kenya)
8. Africa Community Development Organization
9. Africa Peace Forum
10. Africa Rural Link
11. Africa Solutions
12. African Centre For Rights And Governance
13. African Centre For Women Information And Communication Technology
14. African Community Development Foundation
15. African Community Development Organisation
16. African Council Of Religious Leaders
17. African Financial And Technical Assistance
18. African Foundation For Civil Society Organization
19. African Regional Forum On Sustainable Development
20. African Security Sector Network - Ea/Glr
21. African Woman And Child Feature Service
22. African Women Foundation
23. Africare - Kenya
24. Agency For Pastoralists Relief
25. Agency For Peace And Development
26. Amalo Community Economic Empowerment Organization
27. Amani 2000
28. Ambassadors Of Change
29. American Friends Service Committee
30. Arid Land Development Focus, Kenya
31. Aridlife Development Agency
32. Arise And Help International
33. Article 19: Global Campaign For Free Expression
34. Association Of African Women For Research And Development
35. Association Of Former Kenya Ambassadors And Senior Diplomats
36. Ayweyo Community Centre For Development Programmes (Acoddep-K)
37. Bahati Centre
38. Benevolent Education Centre For Rural Development (Becrd)
39. Bessa Integrated Development Programme
40. Bio Right And Soil Conservation
41. Boma Welfare Organization
42. Bridge Africa-Agency For Development Concerns
43. Bridge Partner Organization
44. Brook Of Cherith Organization
45. Bukatel Development Programme
46. Bureau For Health And Development (Buhede) International
47. Busia Environmental Management Programme
48. Business Initiatives For Survival And Eradication Of Poverty
49. Capacity Building Research And Awareness Programme
50. Caring For Environment For Development
51. Catholic Fund For Overseas Development
52. Catholic Organization For Relief And Development
53. Caucus For Community Development Initiative
54. Center For Public Concern
55. Centers For International Programs - Kenya
56. Centre For Citizens Participation On The African Union
57. Centre For Civic Empowerment Through Education And Economic Development
58. Centre For Documentation And Advocacy
59. Centre For Economic And Liberitarian Affairs
60. Centre For Education Population Environment And Development
61. Centre For Ethnic Mainstreaming
62. Centre For Health And Development Research (Chdr)
63. Centre For Health, Advocacy, Gender And Education Initiative
64. Centre For Human Rights And Civic Education
65. Centre For Integrated Development Africa
66. Centre For Integrity Promotion And Information
67. Centre For Justice And Crimes Against Humanity
68. Centre For Law And Research International
69. Centre For Livelihood Opportunities Unlimited And Technologies
70. Centre For Peace And Democracy
71. Centre For Rehabilitation Of Ex-Convicts (Cerec)
72. Centre For Research And Development
73. Centre For Research Communication And Gender In Early Childhood Education
74. Centre For Restoration Of Human Rigts And Democracy
75. Centre For Rights And Development
76. Centre For Self Empowerment Organization
77. Centre For Social Welfare
78. Centre For Social Welfare, Justice And Governance
79. Centre For Strategic Affairs And Development
80. Centre For Strategic Development
81. Centre For Support Of Prisoners
82. Centre For The Study And Practise Of Direct Democracy
83. Centre For Training Research And Development Initiatives
84. Centre For Women And Youth Development
85. Chalbi Women Health Organization
86. Chanda Life Centre
87. Cheptais Community Development Projects
88. Cheripkei Community Awareness And Education Programme
89. Child Counselling And Related Issues Advisory And Consultancy
90. Child Survival Centre
91. Christian Partners Development Agency
92. Cities In Partnership With The Communities
93. Citizens Against Violence Organization
94. Citizens Awareness Network
95. Climate Network Africa
96. Coast Development Transparency Initiative
97. Collective Bargaining Advisory Centre
98. Community Action For Nature Conservation
99. Community Aid International
100. Community Based Development Agency
101. Community Based Development Services
102. Community Capacity Building Initiative
103. Community Care Initiative Organization
104. Community Facilitation Empowerment And Development Initiative
105. Community Focus Initiative
106. Community Health Education And Development Action (Cheda)
107. Community Initiative Concern
108. Community Initiative For Paralegal Development Organization
109. Community Initiatives Concern
110. Community Integrated Development International
111. Community Perceptions Empowerment
112. Community Research In Environment And Development Initiatives
113. Community Resource Development Foundation
114. Community Transformation And Rural Development (Cotard)
115. Consumer Watch

116. Co-Operative League Of The United States Of America
117. Coordinated Humanitarian And Development Services
118. Corruption Watch International
119. Crisis Assessment And Recovery Centre
120. Critical Incidents Frontiers - Africa
121. Cultural Video Foundation
122. Cuts- Centre For International Trade Economics And Environment
123. Daraja-Civic Initiatives Forum
124. Debora International Kenya
125. Development And Community Empowerment Organization (Dace)
126. Development Empowering Programme
127. Development Enhancement Programme-Kenya
128. Development Innovations For Rural Communities
129. Development Knowledge Link-Africa
130. Development Management International
131. Development Of Rural Environment And Markets Africa - Dream Africa
132. Development Operations Towards Health And Needs
133. Development Training Treatment And Research Kenya
134. Dick Tiger 72 Olympian Hero Sports Development Organization (Intl - Ngo)
135. Directed Educational Environment And Developmental Strategies For Poverty Reduction
136. Disabled For Education And Economic Development Support, Kenya
137. Dream Builders Initiative Programme
138. East Africa Youth Forum
139. Eastern Community Development Programme
140. Education And Health For Children In Kenya
141. Education Centre For Women In Democracy
142. Educational Research And Development Centre
143. Edward Junior Centre
144. Efficient Environmental Management Organization
145. Efforts Of The Poor In Development
146. Ekani Community Development Programme
147. Eldoret Information Development Programme
148. Eldoret Initiatives On Conflict Resolution
149. Elimika Africa International
150. Empower Africa
151. Empowerment And Peace Organization
152. Empowerment For Sustainable Development
153. Environment And Health Action Network
154. Environmental Research Mapping And Information Systems In Africa
155. Expert Foundation
156. Family Care Mission Organization
157. Family Empowerment And Relief Organization
158. Family Programmes Promotion Services
159. Farmers Groups Network In Kenya
160. Federation Of Women Lawyers-Kenya
161. First Voice - Africa
162. Focus On Africa Development Inc
163. Focus On Rural Economic Empowerment And Development
164. Forest Action Network
165. Forum For Development Programmes In Africa
166. Forum On Early Warning And Early Response - Africa
167. Forum Syd Swedish Ngo Centre For Development Cooperation
168. Forward Kenya
169. Foundation For Human Rights And Resources Monitoring
170. Fountain Of Democracy In Africa
171. Fraternity For Rural Development And Research
172. Fred Outa Foundation
173. Friends For Children Development Initiative
174. Friends Initiative For Peace And Conflict Management
175. Friends Of Conservation
176. Friends Of Nomads International
177. Friends Of Norway Development Agency
178. Friends Of The Passion - Kenya
179. Functional Illiteracy Research And Education, Kenya ( Fire, Kenya)
180. Future Alternatives In Developing Africa
181. Future For Africa Woman
182. Gatundu Development Organization
183. Gears Of Development Programmes
184. Gender Education Empowerment And Leadership Organization
185. Generations Intercommunity Empowerment Network
186. Genesis Community Development Assistance
187. Geno Community Development Initiative
188. German Agro Action
189. Gladben Good Shepherd Organisation
190. Global Development Of Peaceful Environments
191. Global Forces Support Programme
192. Good Governance For Rural Development And Protection Of The Minority
193. Grace Centre International (Gci)
194. Grassroot Women Empowerment And Support
195. Grassroots Development In Action
196. Great Hope Resource Youth Centre
197. Green Flower Community Center
198. Green View
199. Gucha - Bomoba Women Organization
200. Healing Wings Rescue Agency
201. Health And Water Foundation
202. Health Support International
203. Health Unlimited
204. Heart Network Africa
205. Help Child/Mother Organisation
206. Helpage International
207. Helpage Kenya
208. Helping Hand For Livelihood Organization
209. Helping Hands International Foundation Inc
210. Helplife Africa
211. Herald Development Organization
212. Hidden Talents Communications
213. Highland Development And Relief Agency
214. Homa Hills Community Development Organisation
215. Hope Africa Management Initiative
216. Hope Of Grace International
217. Horn Of Africa Pastoralist Policy And Peace Interaction
218. Horn Relief
219. Human Rights And Environmental Conservation In Kenya
220. Humanitarian International Voluntary Association
221. Humanity For Orphans ,Youth And Widows Initiatives Kenya
222. Humble Enterprise Integrated Programme(Heip)
223. Huruma Integrated Child Programme
224. Imbeli Socio - Economic Convention
225. Improve Rural Kenya Services
226. Indigenous Development Partners
227. Indigenous People Aid (Ipa)
228. Initiative For National Strategic Technoresource Programme - Kenya
229. Initiative For Transformational Community Development In Africa
230. Initiatives For Development Of East African Region
231. Institute For Culture And Ecology
232. Institute For International Development
233. Institute Of Development Research And Advocacy
234. Institute Of Participatory Development
235. Integrated Community Initiative
236. Integrated Interventions To Alleviate Poverty In Kenya
237. Integrated Social - Economic Recovery - Kenya
238. Inter Community Network
239. Intergrated Development Facility
240. Intergrated Partnerships For Community Prosperity
241. Intergrated Pastoralist Assistance And Development

242. Intermediate Interventions For Development
243. International Association For The Protection Of Marginalized Children
244. International Child Resource Institute- Africa
245. International Consortium Of Community Based Organizations
246. International Faith Rehabilitation Development Programme
247. International Institute For Gender And Community Development
248. International Peace Building Alliance
249. Intex Welfare Foundation
250. Isukha Cultural Development Organization
251. Jabali Development Organization
252. Jitegemeo Kenya
253. Jitolee - East African Volunteering
254. Jowaka Rural Community Development Initiative
255. Kapseret Initiatives For Development And Conservation
256. Karima Women Empowerment Programme
257. Kazi Mashambani Development Programme
258. Kensudan Youth For Peace And Development Agency
259. Kenya Aids Orphans Rescue Organization
260. Kenya Alliance For Communal Co-Existence And Development
261. Kenya Association For The Intellectually Handicapped
262. Kenya Association For The Welfare Of People With Epilepsy
263. Kenya Center For Environmental Protection And Agro-Aquaculture
264. Kenya Enterprise Opportunity
265. Kenya Female Advisory Organisation (Kefeado)
266. Kenya Foundation For Youth & Women Programmes
267. Kenya Human Rights Commission
268. Kenya National Council Of Traditional Practices
269. Kenya Orphans Support Organization
270. Kenya Philanthropic International Network
271. Kenya Poverty Elimination Networks
272. Kenya Poverty Reduction Volunteers
273. Kenya Programmes Of Disabled Persons
274. Kenya Slum Youths Development Organization
275. Kenya Small Scale Industrial Development Programme
276. Kenya Voluntary Development Association
277. Kenya Widows And Orphans Support Programme
278. Kenya Women And Youth League
279. Kenya Youth Economic Empowerment Organization
280. Kenyans Working For Environmental Restoration
281. Kerera Development Organization
282. Khwisero Community Health Care (Kchc)
283. Kibera Slums Community Development Program
284. Kiema Kilonzo Foundation
285. Kiharu Constituency Development Organisation
286. Kima Integrated Community Initiative Programme
287. Kinapa Women Development Organization
288. King Of Kings International
289. Kistrech Theatre International
290. Kisumu Research And Development Centre
291. Kizazi Kipya Initiative
292. Kuria Initiative For Justice
293. Kwetu Training Centre For Sustainable Development
294. Laikipia Youth For Development
295. Lake Victoria Partners For Development
296. Lamu West Professionals Organization
297. Langobaya Community Development Programme
298. Lea International Rescue Centre
299. Leadership And Development Centre
300. Legal Advice Centre (Kituo Cha Sheria)
301. Legal Research And Information Centre
302. Life Care And Support-Kenya
303. Lifebloom Services International
304. Likoni Community Development Programme
305. Living Testimony Organization
306. Local Initiative Development Support
307. Local Initiatives Development Agency
308. Locally Initiated Organization For Women, Environment And Development
309. Loolol Development Initiative
310. Love Thy Neighbour Ministry
311. Lu Gakenia Centre
312. Lubo Foundation
313. Lugari Girl Child Education Project
314. Lutheran World Federation Department For World Services
315. Lutheran World Relief - East Southern Africa Regional Office
316. Maa Habitat Restoration Initiative
317. Mafutapole Educational And Development Foundation
318. Makueni Area Development Organisation
319. Manee Kenya
320. Mazingira Institute
321. Media Development In Africa (Medeva)
322. Mercy Corps
323. Merti Development Organization
324. Meru Youth And Women Empowerment Programme
325. Metra Micro Finance Kenya
326. Mobile Education For Life International
327. Mon Kibaimwa Development Programme
328. Moramati Foundation Network Of Interveners For The Sustainable Development Of Africa
329. Mothers Rural Care For Aids Orphans
330. Mubarak For Relief And Development Organization
331. Muhoroni Aids Awareness And Counselling Services
332. Multi - Sectoral Organization For The Needy
333. Multi-Sectoral Development Programme
334. Muungano Nyeri Women Organisation
335. Narok District Wildlife Forum
336. Nation Pillars Centre
337. National Coalition Of Clergy And Community Together
338. National Democratic Institute For International Affairs
339. National Organization For Private Public Partnership
340. National Organization Of Women Teachers
341. National Youth Resource Centres
342. Neighbours Initiatives Alliance
343. Network For Environmental Conservation And Development
344. Nguma Community Development Initiative
345. Njabini Development Foundation
346. Noble Charity Homes For Destitutes
347. Northern Aid
348. Northern Peace And Development Concern
349. Norwegian Church Aid
350. Nosim Women Organization
351. Novib Oxfam Netherlands
352. Nyando District Rural Development And Resource Centre Organization
353. Nyando Human Rights Development Organization
354. Obama Opiyo Foundation
355. Obomo Foundation
356. Obuya Community Development Organization
357. Ocean Of Hope Kenya
358. Odyssey Women International Education Services
359. Olmaa Pastrolists Development Programme
360. One Kenya One Nation
361. One World Development Foundation
362. Organization For Social Science Research In Eastern And Southern Africa Kenya
363. Organization For The Advancement Of The Boy Child
364. Oxfam Novib
365. Pamoja Resources For Transformation
366. Pan Africa Hazards And Mine Action Foundation
367. Participatory Approaches For Integral Development Organization
368. Participatory Research And Development Concern

369. Partners For Capacity Building And Empowerment  
370. Partners For Transformation And Prosperity Programmes  
371. Partners In Mission  
372. Partners In Tea Initiative  
373. Partners With Vision  
374. Pastoralist Development Support Organization  
375. Pastoralist Education For Development In Arid Lands  
376. Pastoralist Integrated Support Programme  
377. Pastoralist Intergrated Support Programme  
378. Pastoralist Shade Initiative  
379. Pastoralists Community Development Organization  
380. Paticipatory Approaches For Integral Development Organization  
381. Peace And Development Network Africa  
382. Peace And Developmentpartners  
383. Peace Promoters Forum  
384. Peggy Comfort Centre  
385. Pendeza Africa  
386. Pendo Kenya Initiative  
387. People For People Initiative - Kenya  
388. People's Empowerment And Development Services  
389. Philemon Foundation  
390. Pillars Of Hope Women Development Program  
391. Pioneer Development Programme Trans - Community Organization  
392. Plumbers Without Frontiers  
393. Porini Foundation  
394. Practical Action  
395. Practical Solution For Pastoralist Development  
396. Private Agencies Collaborating Together Inc  
397. Progressive Initiatives And Methodologies For Social And Economic Enhancement In Kenya  
398. Public Leadership Centre For Women  
399. Pwani Development Group  
400. Quality Life Provision Programme  
401. Youth Progress Training Institute  
402. Reach Environmental Action Program  
403. Reed Rehabilitation And Development For Southern Sudan  
404. Refugee Consortium Of Kenya  
405. Regional Center For Combating Trafficking In Persons  
406. Regional Centre For Pastoralist Elders  
407. Regional Disaster Preparedness Program  
408. Regional Strategies Organization  
409. Relief And Environmental Care Africa (Reca)  
410. Relief, Reconstruction And Development Organization  
411. Resourceevaluation And Community Intensive Participation To Eradicate Poverty In Kenya  
412. Revive Africa International  
413. Rift - Valley Rural Women's Empowerment Network  
414. Romporinto Poghisho Development Initiative  
415. Rural Community Concern  
416. Rural Initiatives For Sustainable Development  
417. Rural Partnership For Community Advancement  
418. Rural Women Empowerment And Development Organization  
419. Sadhaqa Development Aid Organization  
420. Safe Environment And Health Organization  
421. Sahelian Solutions Kenya  
422. Salama Community Association  
423. Salt Lick (Semi Arid Lands Training And Livestock Improvement Centres Of Kenya)  
424. Samaritan People's Vision  
425. Sanepa Community Development Initiative Programme  
426. Saru Enkiteng  
427. Sauti Ya Akina Mama Kenya  
428. Save The Children Sweden  
429. Sayari Think Tank  
430. Serve Education Medical Relief Programme  
431. Set Your Roots Organization  
432. Sharmarke Peace Foundation  
433. Shelter Forum  
434. Shikoti Community Enterprise Development Organisation  
435. Sigor Community Environmental And Economic Empowerment  
436. Sikom Peacenetwork For Development  
437. Similani Development Organization  
438. Slums First-Kenya  
439. Smile International  
440. Social Accountability And Transparency For Development  
441. Social Ministry Research Network Centre  
442. Social Needs Network  
443. Social Support Community Programme  
444. Solidarity For Eco - Friendly Efforts In Kenya  
445. Somali Family Care Network - Africa  
446. Spears Of Hope  
447. Spigo Institute  
448. Sportswomen And Administrators International  
449. St Francis Community Development Program  
450. St Michael Community Development International  
451. Staff Of Hope Incorporated Organization  
452. Stepping Out By Choice International  
453. Strategic Community Development Network  
454. Strategic Partners In Research And Development  
455. Strategy For Development Of Northern Pastoralist Program  
456. Sub-Sahara Development Initiative  
457. Sudan Women In Development And Peace  
458. Sunaid - Africa  
459. Sunrise Community Service  
460. Sustainable Aid In Africa International  
461. Sustainable And Renewable Resources  
462. Sustainable Community Peace Enhancement Initiatives  
463. Sustainable Development Solution  
464. Sustainable Humanitarian Initiatives Support Africa  
465. Sustainable Integrated Herders Institute Network  
466. Sustainable Programmes On Poverty Reduction For The Marginalized Community  
467. Sustainable Rural Development Foundation  
468. Sweet Waters Visions  
469. Tact Africa  
470. Tana Development Programme  
471. Tausa Development Programme  
472. Tears Group Kenya  
473. Tender Hands Initiative  
474. Terre Des Hommes Netherlands  
475. Tesia Isanga Organisation  
476. The African Centre For Empowerment Gender And Advocacy  
477. The East African Human Rights Institute  
478. The East African Resource Centre  
479. The Friends Of The Earth Youthlink Initiative  
480. The Institute Of Cultural Affairs Kenya  
481. The Inter - Agency Rural Development Programme  
482. The Japan Centre For Conflict Prevention  
483. The Kenya Organization Of Environmental Education  
484. The League Of Pastoralists Women Of Kenya  
485. The National Intergrated Community Development And Policy Change Organization  
486. The National Organization For Private Public Partnerships  
487. The Regional Centre For Community Welfare And Extension  
488. The William Cheptumo Foundation  
489. The World Student Christian Federation  
490. The Youth Agenda  
491. The Youth Foundation Of Kenya  
492. Tobacco Alcohol Substance Abuse And Hiv/Aids Counselling  
493. Tobacco Alcohol Substance Abuse Hiv/Aids Counselling Centre  
494. Tomorrow's Child Initiative  
495. Transmara Maasai Self - Sufficiency Support Program - Kenya

496. Trocaire  
497. Tujijenge Pamoja ( Kenya )  
498. Uhai Lake Forum  
499. Under Forty Patriots  
500. Untu Africa  
501. Urban Centre International  
502. Urban Rural Initiative For Overal Development  
503. Utooni Development Organization  
504. Uzima Foundation Africa  
505. Value Addition And Cottage Industry Development Initiative Africa  
506. Values Interdevelopmental Network Techniques  
507. Vetworks Eastern Africa  
508. Vihiga Youth Development Organization  
509. Village Women Organization - Kenya  
510. Vision Integrated Community Development Programme  
511. Vision Rural Network (V-Run0  
512. Vision Self Help Programme  
513. Volunteers International Agency - Africa (Via\_Africa)  
514. Wahopnel Development Organization  
515. War Against Aids In Kenya (Waak)  
516. Wealthcare Centre  
517. Western Community Health And Development Programme  
518. Western Province Community Based Volunteers Organization  
519. Western Women Empowerment Needs  
520. Wide Rescue Initiative Organization  
521. Woman Kind Kenya  
522. Woman To Woman Africa  
523. Womanaid International Development Agency  
524. Women And Youth In African Development  
525. Women Awareness And Development Initiative  
526. Women Without Borders - Kenya  
527. Women Youth And Children Development Organization  
528. Women's Research Centre And Development Institute  
529. World In Need Kenya  
530. World Neighbours - Kenya  
531. World Reach Kenya  
532. World Service Of Mercy  
533. Worldview International Foundation  
534. Yegong Hope International  
535. You And I Kenya  
536. Young Elites For Africa Foundation  
537. Young Volunteers Forum  
538. Youth Alive! Kenya  
539. Youth Alliance For Leadership And Development In Africa - Yalda ( K )  
540. Youth Arena Organization  
541. Youth Conciousness Development And Programme - Kenya  
542. Youth Federation For World Peace  
543. Youth For Leadership Education And Development Africa  
544. Youth For Social Transformation  
545. Youth Forum In Democracy  
546. Youth Hope And Development Initiative  
547. Youth Impact Network International  
548. Youth Initiatives-Kenya  
549. Youth Partnership For Development  
550. Youth Peace Alliance

**Source: NGO Coordination Board (2014)**

