

**STRATEGIC FINANCIAL PRACTICES AND FUNDING SUSTAINABILITY OF  
NON-GOVERMENTAL ORGANIZATIONS IN KENYA: A CASE OF ISLAMIC  
RELIEF KENYA**

**BY**

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**D53/OL/CTY/26136/2015**

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE  
REQUIREMENTS FOR THE AWARD OF DEGREE IN MASTER OF BUSINESS  
ADMINSTRATION IN FINANCE OF KENYATTA UNIVERSITY**

**JANUARY 2022**



## **DECLARATION**

### **Declaration by Candidate**

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

Sign ..... Date .....

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### **Declaration by Supervisor**

I confirm that the work in this research project was done by the candidate under my supervision.

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## **DEDICATION**

To my Father (Issack Mohamed), Mother (Amina Hassan), Brother (Abdulaziz Isaack) and my wife (Shamsa Somo) who have been very supportive in the course programme. For also the support I received from my supervisor ,lecturers and friends God bless all.

## **ACKNOWLEDGEMENT**

I wish to register my sincere gratitude to my Supervisor Dr. Daniel Makori for guiding me all along. I wish to acknowledge also my brother Abdul-Aziz for his encouragement and support that I needed. I am grateful to Kenyatta University fraternity especially my lecturers, librarians and colleagues for supporting me during my research period.

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## **ABBREVIATIONS AND ACRONYMS**

AED	Academy for Educational Development
CBOs	Church Based Organization
CT	Complexity Theory
DFID	Department of Foreign and International Development
DRR	Debt Reduction in Repayment
FS	Funding Sustainability
ID	Income Diversification
IG	Income Generation
MDR	Management of Donor relationship
NGO	Nongovernmental Organization
OXFAM	Oxford Committee for Famine Relief
PBO	Performance Based Organization
RBV	Resource Based View
SFM	Strategic Financial Management
USAID	United State Agency for International Development

## OPERATIONAL DEFINITION OF TERMS

<b>Funding Sustainability</b>	An NGO's capability in securing and managing enough resources, financial and human in effectively fulfilling its mission in the long term.
<b>Income Diversification</b>	The process in which several revenue sources are create organization. In this study it is measured in terms of risk management, economic downturn, flexibility in financial management.
<b>Financial Planning</b>	is analyzing and recognizing investor's current financial affairs of the organization and future financial affairs by using today's known parameters to plan and predict future cash inflows and outflows, values of the fixed and non-fixed items and withdrawal methods plans. In this study it is measured using budget control, financial analysis and stock selection.
<b>Own Income Generation</b>	Way for an organization to diversify its sources of revenue and includes all other ways an organization may generate unrestricted income. In this study it is measured in terms of social responsibility, business activities and corporate alliances.
<b>Donor Fund Management</b>	The process of enhancing prudent use of resources in order to increase donor retention, engagement and investment opportunities. In this study it is measured in terms of donor segmentation, providing accountability and meaningful communication.

## ABSTRACT

Sustainable funding assist various NGO's implements several programmatic interventions that not only assist the societies but will equally improve the living standard. But global funding has been in one way or the other affected by harsh economic times. A number of NGOs are stopping operations every day because they don't have sustainable funding. Many new NGOs are falling into the financial un-sustainability pitfall since they are in operation for a few years and then disappear. NGOs' failure to sustain their work arise from various inadequacies and majorly, the lack of financial resources. The general study objective was to establish the strategic financial practices and funding sustainability of Kenyan NGOs with specific reference to Islamic Relief Kenya. Descriptive research design was adapted. The target population was 224 staffs including the management both top and middle level and operational staffs team of the Islamic Relief Kenya in Nairobi. 67 respondents were picked using stratified proportionate random sampling technique and data obtained by questionnaires. Descriptive statistics included percentages, frequencies, standard deviation and mean while inferential statistics included regression and correlation. Data was collected and analyzed qualitatively using content analysis. The data variable was factored in the multiple regression model. The study found that own income generation contributed the least followed by income diversification and then financial planning while donor fund management contributed most to funding sustainability of nongovernmental. The study found that income diversification played a significant role as it fuels growth through corporate donor sourcing. The study also found that donor fund management played a significant role as evidenced by the information management which affects most and maintaining regular meaningful communications with their donors. The study further found that financial planning systems played a critical role mostly in preparation of budget control which contributed to financial planning as tool for enhancing sustainability. The study recommends that the NGO should hire skilled and competent staffs so that fair financial planning is achieved, the skilled staffs should have understanding in the areas of financial analysis, implementation of plan and budget control. The management team of NGO should find other ways to increase their income from their current source hence to increase income diversification. Through information management, the organization should ensure enhance communication and accountability to maintain a good relationship with the donors. The management should also participate more in income generating activities to enhance accountability.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background to the Study

Funding sustainability is vital to an organization's survival. Renz and David (2010) define funding sustainability as "the ability of an NGO to initiate a variety of resources so that it could continue with its operations after the withdrawal of donor funding." Bowman (2011) defines funding sustainability as an NGO's ability in maintaining financial superiority over a certain duration. Non-Governmental Organizations have a major challenge regarding funding sustainability. Central Asia NGOs are not able to finance and sustain the operations (Alymkulova and Seipulnik, 2005) Renz and David (2010) reported that funding was stopped by 52% of USA based NGOs because of the harsh economy in the country. The NGOs faced financial difficulties because of the cuts on state and federal financing to the NGOs. Local NGOs in Canada faced funding challenges resulting to stoppage of organizational operations (Akingbola, 2004). A research on 19 countries in Sub-Saharan, funding sustains 6.2% of the African NGOs (USAID, 2010). The investigation drew a conclusion that great service was given by local NGOs but funding sustainability was lacking because external donors were over depended as the sole funding sources.

The poor performing economies also contribute to the low funding sustainability since donations cannot be generated to NGOs (Bowman, 2011). In a 2008 survey on 800 NGOs, Renz (2010) reported that 52% already felt the funding cuts, 75% were experiencing the downtown effect. Nonprofit institutions are financially struggling, especially the ones depending on funding from the government- 61% of nonprofits reported stoppage in government funding- and the ones

depending on foundations financially with 48% of nonprofits reporting cuts in foundation assistance.

A study by Besel *et al.* (2011) in Mississippi on 26 health, economic, social and human service institutions found that respondents had reservations regarding their institutions' dependence on funding from the government to for their activities because of huge amount of resources and time used and enhanced restrictions on utilizing state funds in adhering to state and federal needs. In the Canadian Red Cross case study, Akingbola (2004) stated that employee retention challenges were brought about by dependence on contract-based funding. Even though contract funding has benefits (e.g., provision of new program opportunities), service delivery and mission of NGOs may e hindered by temporary staffing as this affects the recruitment and retention of workers as well as negatively affect their training practices and morale (Akingbola, 2004).

In Ghana, Okorley and Nkrumah (2012) studied the funding sustainability of NGOs and reported that 26% were not sustainable. Local NGOs' sustainability was affected by efficient management, development of demand driven and need-based programmes, strong leadership, quality material resources and availability of funds. Many Academicians on the sustainability of LNGOs, including Kenya have reported enhanced NGO industry growth. In 2020, an estimate of 11,374 NGOs operated in Kenya (NGO coordination board, 2020). Kshs. 100 billion was contributed in 2020 by the NGO to the economy of Kenya. Presently, many International, regional and national NGOs exist in Kenya although their sustainability is still a challenge. Many Kenyan NGOs are not able to meet the set conditions to access funds, have unreliable funding sources and are faced with funding challenges (Karanja and Karuti, 2014).

### **1.1.1 Strategic Financial Resources**

Among the hindrances that the NGO sector encounters is absence of strategic financial practices (Bray, 2010). Few Non-Governmental Organizations possess strategic financial plans that can help them in having ownership over their activities, values and mission. This results to them being vulnerable in the donors' eyes and make it easy in measuring the impact for a period of time. Numerous NGOs in areas with scarce resources do not have the high capability of doing formal evaluation in that complex business environment. Practically, increasing efficiency in utilizing resources is way institutions use in targeting toward sustainability, it's linked to other main attributes and is key in strategic planning areas (Walace, 2011). Therefore, areas of external relations, financial resources, service delivery efficiency, human resources, management practices, governance, moral values, spiritual values and strategic planning consider sustainable strategies. According to Ogara & Gitoho (2010), in attracting resources from international and local sources, any effort in organizational generation and ability and skills in planning resources efficiently and effectively, strategic direction and a clear mission are the essential skills. According to Pearson and Robinson (2012), the strategic financial practices is a process containing tasks including; selecting short and long-term objectives, highlight the mission, analysing the organization's various options and deciding the best for its mission, reviewing the external and internal environment of the company. The strategic choice implementation and the choices' failure or success analysis is done by the process.

Ansoff (2013) studied how strategic financial practices can help companies in ensuring they are still competitive and adapt to changing environments and to deal with uncertainties of the operating environment in ensuring they are still stable to meet its mission (Ansoff 2013). Therefore, strategic

financial practices can be an organization's game plan providing a framework for managerial decision making. A firm's sustainability depends on its critical assets' imitability and substitubility (Tse, 2009), organization qualify sustainability as a primary strategic financial practices' concept competitive. When an organization can do something the competitor is not able or have what the competitor wants, this represents competitive advantage and hence withstanding the test of time (Lumpkin, 2013).

Strategic financial practices on sustainability of NGO's funding may include, donor fund Management, income diversification and own income generation, financial planning. diversification of sources of funding is vital in increasing an NGOs' income streams. As a way of responding to economic downturn, it is crucial to control streams of international funding (Kurosaki, 2011). According to Carley & Christie (2013), creativity and improvement in the art of governance and citizenship will help in moving to a path of sustainability. Fair wealth distribution among generations can only be ensured by business leaders and ethical states. Like the recent case of Oxfam alleged scandal that includes corruption, sexual exploitation and hiring unqualified personal this has an impact on the funding by the donor organization whereby USAID stated that it will review its earlier arrangement with OXFAM, therefore integrity and proper governance is essential in NGO sector.

Financial instrument which is a strategic financial practice is a financial contract giving rise to financial liability to one firm and a financial asset to another. An institution's financial instruments majorly comprises of existing for sale financial assets which are government securities and investments in equity. Finding continuous, appropriate and sufficient funding for their operation is a challenge for NGOs, this is the reason why NGOs engage in Income generating activities to reduce depending on external funding (Jacobsen, 2011). Just like dealing with funding condition,

it's difficult for NGOs to access donors. Donor fund Management is not only a toll for analysing information from donors but also a methodology, holistic strategy for every donor aspect's collection, planning and analysis. A need for relationship fundraising was highlighted by Burnett (2002). "A strategic fundraising plan provides an opportunity to explain what is working well and where there are opportunities for improvement, ensures non-profits to set specific goals, and motivates non- profits to make a commitment to focus on the big project." A fundraising plan development ought to be integrated into other planning endeavors like budgeting, strategic planning and program planning (Bray, 2010). The NGO council Kenyan regulates NGOs, it is a non-partisan, self-regulating body which consists of all registered NGOs. Its formation dates back to August 1993 under the NGOs Coordination Act, 1990 (Brass, 2018).

According to Kamanu (2019) membership in the NGO Council comprises of national, regional and International NGOs which operate in Kenya and operating with several groups and CBOs. Overall leadership is provided by The NGO council to the NGO industry. Good governance, justice, accountability, transparency and probity are the key values it advocates for. It provides members' self-regulation and helps them in realizing their capability in enhancing the services improving the Kenyan society's socio-economic status in realizing sustainable development. Sustainability challenges are faced by Kenyan NGOs in their operations. Within the development circles, sustainability is a challenge. It explains a given project's capability to still be viable even after withdrawing external support.

### **1.1.2 Funding Sustainability**

In the next decade, funding sustainability will be among the key challenges for NGOs, only the organizations with sound monetary structures and a stable flow of income will give response to the present hurdles in the constant challenging and global environment and fulfill their multiple

missions. Funding sustainability aims at ensuring the goals of a firm are met with a guarantee that the organization produces enough income in enabling it invest in its future. Hence, sustainability means that no more resources can be used by society exceeding what is generated. According to Hawken (2015), “the definition can be in terms of the ecosystem’s carrying capacity and description with resource consumption input-output models.” Accommodation of operations of unsustainability may be either by planning for lack of the currently available resources in future or by developing sustainable operations. Mostly, organizations aim at sustainability through efficiency increment in ways of utilizing resources. It is linked to all other important components and is the organizational effectiveness’s core. (WCC, 2014). Therefore, consideration of sustainable strategies should be done places of external relations, financial resources, service delivery impact, human resources, management practices, governance, moral values, spiritual values, and strategic direction. Sustainable firms have at a minimum strategic direction and clear mission, ability and skills for efficiently and effectively managing resources, required skills for attracting resources from numerous international and local sources (Brown, 2016).

### **1.1.3 Profile of Islamic Relief Kenya**

Islamic Relief is a humanitarian and developmental firm aiming at alleviating poverty and suffering of vulnerable persons in the world. In Kenya, the Islamic relief commenced operation in 1993 on person-to-person sponsoring project through a local CBO in Mandera County. In 2016 March at the height of drought in the Horn of Africa, it opened its fully fledged office and onwards it has been helping the poor communities. Various development and relief activities have been implemented by the Islamic relief in the region over the years and lives of less privileged and vulnerable communities have changed significantly. The activities were extended to Wajir County

in 2010 January and further to Garissa County in 2011 October, targeting to purposely support the Dadaab camp refugees and host communities at North eastern Region (Istan & Fahlevi, 2020).

Islamic Relief has made its programs towards livelihood support, DRR, recovery, emergency response & sustainable development. Additionally, the programmes are aligned to act and comply with government developmental policies like global millennium development goals, regional vision, society focus and Vision 2030 with the focus on the project areas being the Seasonal Programmes; Emergency and Relief Supplies; Education, Disaster Risk Reduction & Livelihoods, Orphans Sponsorship, Water and sanitation; and Health and Nutrition. Islamic relief has extended its operation in other parts of the country and it has offices in north eastern, part of Kenya and it's headquartered is in Nairobi Ngong Road The number of employees of the organization are 224 (Ahmednoor, 2019).

## **1.2 Statement of the Problem**

Sustainable funding will assist various NGO's implements several programmatic interventions that not only assist the societies but will equally improve the living standard. Karanja & Karuti (2014) posit that funding sustainability is essential to the NGOs' survival. Funding sustainability ensures NGOs are meeting their day-to-day operations and fund their projects after donor fund support termination (Sirman, 2015). In the Kenyan scenario, NGOs are increasing significantly annually with currently 11,374 NGOs registered and most depending on foreign donor funding. This has led to dependency on donors and often shift interventions to match donor priorities (Nyanje, 2016). However, of the NGOs, 70% fall in less than 6 years of operation (NGO Board, 2015). The foreign donation's declining state doubled with the 2013 miscellaneous amendment Bill tried to cap the foreign funding amount to non-governmental organizations at 15% of their budget. The legislation

also poses a challenge to current difficult circumstance thus resulting to a situation where foreign funding supply is exceeded by its demand hence the NGOs' sustainability is affected.

Ali (2012) noted that "majority of the NGOs depend on international donors for funding which has created financial crisis when the donors cut or stop the funding to these NGOs making some NGOs to stop operations and leave pending projects." Local studies have been done on NGOs Sustainability in Kenya including Karanja and Karuti (2014) studied factors that influence Kenyan NGOs' sustainability and discovered that their sustainability was affected by finance sources, management and government policies. Ali (2012) who studied factors that influence Sisters Maternity Home's sustainable funding in Garissa and disclosed that the maternity home's sustainable funding was affected by the government support, own income generation and relationship management. But tough economic times have affected global funding. Majority of NGO's continues to stop operating daily because of inadequate sustainable funding. Beam (2011), Educational Development (AED) is among international NGOs which stopped operating due to stoppage of donor funding. In 2010, USAID stopped their funding and three months later, AED collapsed. Jhuti (2015) did a study on "determinants of implementation of non-governmental project projects focusing on world vision." Nyanje (2016) studied factors affecting the implementation of NGO projects in Nakuru County.

Rather than organizational factors and processes influencing organizational impact, majority of the Kenyan research on NGOs focus on government participation, capacity building and program outcomes. To the scholar's knowledge, there is no international or local researches had covered the strategic financial responses the Kenyan NGOs adapted to the shorter life-spans. A notable gap in knowledge is represented and ought to be filled as NGO are providers of crucial component of health, education and other Kenyan social developments. This background necessitated the

investigator to try and fill the current gap by undertaking a study on the Kenyan NGOs' strategic financial practices and funding sustainability with particular reference to Islamic Relief Kenya.

### **1.3 Objectives of the Study**

#### **1.3.1 General Objective**

To establish the effect of strategic financial practices and funding sustainability of NGOs with specific reference to Islamic Relief Kenya

#### **1.3.2 Specific Objectives**

- i. To determine the effect of income diversification on funding sustainability at Islamic Relief Kenya.
- ii. To establish the effect of financial planning on funding sustainability at Islamic Relief Kenya.
- iii. To determine the effect of own income generation on funding sustainability at Islamic Relief Kenya.
- iv. To examine how donor fund management affects funding sustainability at Islamic Relief Kenya.

### **1.4 Research Questions**

- i. To what extent does income diversification affect funding sustainability at Islamic Relief Kenya?
- ii. What is the effect of financial planning on funding sustainability at Islamic Relief Kenya?
- iii. To what extent do own income generating activities affect funding sustainability at Islamic Relief Kenya?
- iv. How does the donor fund management affect funding sustainability at Islamic Relief Kenya?

## **1.5 Study Significance**

This study will benefit the Islamic Relief Kenya managers and other NGO industry managers. It will aid in understanding the strategic practices and how several NGOs in sustaining funding long afterwards. It will also assist other managers to understand the approaches utilized in organizing and application of different strategic practices, that could add value to their management styles. The study also will touch more essential associations requiring further researching like the association between funding and various donors' attached requirements and the impact of failing to achieve the requirements.

Academicians and researchers will gain since it forms a basis for further researching. The education sector and students will utilize this as a foundation for discussing sustainable funding and the strategic processes required. It will further be used a reference material for future studies

## **1.6 Study Scope**

The study was carried out at Islamic Relief Kenya headquarter offices in Nairobi. The study focused on the strategic financial practices on funding sustainability of non-governmental organization on Islamic Relief Kenya. Participants were the management and staffs of the Islamic Relief Kenya. Questionnaires were used to gather data. The study was carried on May 2021 to July 2021.

## **1.7 Study Limitations**

The nature of the work was busy, as it was challenging to have an interview with the management team because they were busy with their normal duties, but the researcher booked an appointment before the actual meeting this was to minimize uncalled meeting and enhanced proper interview with the management and staff team. Participants were reluctant in providing the sought data since they had fear of the data being used to paint a negative picture about the institution or them or

utilized to intimidate them, the investigator curbed this by getting an introductory letter from the University and gave them assurance of confidentiality of the obtained data and that it was going to be utilized solely for academic purposes.

### **1.8 Organization of the Study**

Chapter one introduces the study. It covers the study background, states the problem, the study objectives, questions, significance, scope, limitations and organization. The second chapter forms, literature. This sections present review of theories, empirical literature and conceptual framework of the study. Third section introduces the research methodology. This consists of the study design, target populations, sample size and sample procedure, data collection instrument and its reliability and validity, procedure for collecting data, methods of data evaluation and ethical considerations. The fourth chapter highlights detailed analyses of the data that was collected and brings out the interpretation of the findings as was collected from the various respondents and subjected to statistical operations. Chapter five is a summary of findings by way of discussion basing on the findings and the relevance to the literature review and study objectives. It further carries the conclusions and study recommendations.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

The section highlights study other researchers have done in the same area. These areas cover theoretical, empirical review, Conceptual framework and operationalization.

#### **2.2 Theoretical Review**

In these segments the researcher identifies the theories linked to the variables of the study. Theory is a scientific description that has been tested over a period of time.

##### **2.2.1 Financial Synergy Theory**

The basis of this study was on the theory of financial synergies by Fluck and Lynch (1999) who claim that a business with inadequate assets in liquid form or lack of finance are not able to maximize opportunities on investment that have value to them with asymmetrical information in markets of finance. In this scenario, if the asymmetric information linking the two firms is lower compared to the firm with inadequate finance together with creditors outside that company, the business will maximize its worth by combining with a slack-rich firm. Mergers can thus be an effective means of alleviating asymmetric knowledge and generating synergy in finance. It is predicted from this theory that companies that has more likelihood of merger operations to achieve their goals or acquirer in financial distress but with good investment incentives.

Lewellen (2011) argues “synergy in finance can be achieved through merger through combination of imperfect correlation of streams of income or acquisition of other firms from the industry not

related in practice; basically, it is the diversification of the Markowitz portfolio at the corporate level.” Good outcomes of a company carrying lower earnings volatility into the merger firm can balance the bad outcomes in another company. Lower default risk can be as a result of lower earnings uncertainty since the insurers (merger firms) cover coactively every merging firm’s debt - corporate debt co-insurance. lower expected default rates are contributed by higher default risk and hence enhances combined organization’s funding strength or leverage potential.

This theory is important to the research, because of the way financial synergy is often measured. The synergy forms are associated with enhancement of the already merged measures of business finance in terms of its sales, efficiency in leverage, cost of capital and output. Therefore, financial synergies will lead to greater leverage efficiency, higher cash flows, lower capital expenses, tax benefits etc.

### **2.2.2 Resource Based Theory (RBV)**

RBV offers critical and basic in-depth performance (Barney, 1995). Argued why firms with well organized, scarce, and valuable resources may perform better than their competitors. Even though NGOs are categorized as non-profit making institutions, they are economic institutions using scarce resources in the society (capital, labour and land) to produce valuable services and goods. The present dominant RBV aspect of organizations is founded on the economic rent concept and the firm’s view as a capability collection. According to Kay (2005), this strategy view has an integrative and coherence at placing it at the head of the rest of strategic decision-making measures.

A more elaborative sustained variation discussion among firms to develop a more competitive heterogeneity theory was suggested by Hoopes, Madsen and Walker (2003) to build on the RBV. The theory tends to make an assumption of whatever it’s seeking to discuss hence diluting its

power to explain. For instance, an individual may argue that, instead of hypothesizing, RBV defines sustained performance differences as the variation's impact across firm capabilities and resources. Hoopes et al. (2003) posit that, this variation is small, but ends up frustrating the comprehension of the RBV and its contribution. RBV does not show clarity concerning its primary premise and lacks a clear boundary hindering gainful conversation. Since the theory lacks specificity, a hypothesis-based or definition-based logic can be invoked anytime. Further, resources are but a sole competitive heterogeneity's potential source. Hoopes et al. (2003) posit that, "competitive heterogeneity is ensuring and systematic performance differences among close competitors."

In describing heterogeneity of a firm in performance and strategy is described by RBV using its internal characteristics. A firm is a "unique, organized set of factors described as capabilities and resources, the theory highlights two associated advantage sources: capabilities and resources." Amit & Schoemaker (1993) indicates that, resources are the cumulative assets of a firm which include anything that can be used by a firm in creating, producing its products to the market. They are considered to legal protection. Based on Priem and Butler (2001), the RBV misses operational validity or managerial implications, there are no managerial consequences. RBV indicates that strategic resources should be obtained and implemented by managers in meeting the valuable criteria, scarcity, and non-substitution and on developing a well-organized firm. Connor (2002) indicates that, though how the managers are able to do this is not described by the RBV. RBV includes infinite regress (Priem and Butler, 2007 & Collins, 2006). Compared to organizations which are best in practice, those which can initiate the capability better can overtake firms with resources to put in best practice (Collins 2013). Its applicability is not expansive. Kraaijenbrink (2010) points out three areas of the RBV applicability criticism. It is argued by Connor (2002) that

smaller organizations do not apply RBV since their static resources cannot be the basis for enhanced competitive advantage and thus cannot be categorized under the RBV bounds.

### **2.2.3 Power Relations Theory**

DiMaggio and Powell, a neo-institutional theorist, initiated this theory in 1983. It gives an explanation that changes occur in NGOs due to their asymmetrical power association with donor institutions. DiMaggio and Powell (1983) state that “the more reliance on an organization is on its exchange partners, the more this causes greater identities between organizations.”

To understand the connection between foreign funders and local NGOs, compliance and strictness are crucial concepts (Wallace, Bornstein and Chapman, 2006). Markowitz & Tice (2002) indicates that funds are provided by donor organizations hence are in a power position, they set the conditions and agenda needed to receive grants and the repercussions of the local NGOs losing the funding. According to Wallace et al. (2006), since donors control the funding and may make a decision of withdrawing the contribution, intimidation might comprise force, implying that Kenyan NGOs must adhere to donor set requirements to acquire funding. The NGOs may miss funding if they fail to meet the conditions thus fail to fund their projects and programs.

## **2.3 Empirical Review**

The reviewed literature on what other authors have examined strategic financial practices and sustainability of NGO’s funding is covered in this section.

### **2.3.1 Income Diversification and Funding Sustainability**

Wachira (2016) examined “factors that affect local NGOs’ financial sustainability in Kiambu County.” The study found that NGOs are funded by donors and other sources like income generating activities derived from several sources, the finding also highlights donor funding as not

the only source of finance for funding sustainability to be achieved. Implying that even with the Kiambu County having various funding/financing sources, majority got funding from donors. From the findings it indicated that organizations highly depended on donors for funding; did fundraising from external donors and took part in income generating activities and established that the institution did not solely depend on donor funding for financing. The research emphasized on the NGOs in Kiambu County only and involves 38 NGOs and a respondent of 180 employees in the county and used STATA for analysis of data and simple random technique was used. However, this study involves only one NGO which is Islamic relief Kenya, SPSS was used to evaluate and the respondents were 67 employees of the organization.

Omeri (2015) investigated “the influence of income diversification on NGOs’ financial sustainability in Nakuru County.” The research established that income diversification and having a financial strategic plan would significantly affect the financial sustainability of NGOs. The high donor financing dependence was inclining interventions in matching priorities of donors which means that a diverse resource base should be developed by NGOs to meet their objectives and not those of the donors and be “independent”. Domestic funding sources were promising since NGO operations are being viewed by local charities to mitigate the society challenges, meaning that NGOs should develop strategies encouraging the public in stepping in and filling the financial support gap the foreign funders have left. The study recommended that NGOs in Nakuru County should consider local sources of funds to reduce their overreliance on donor aid which was increasingly becoming unreliable. A sample size of 154 was obtained from 249 active and registered NGOs, the descriptive statistics used was chi-squares and three parameters/variables for the study was used. However, the current study used 67 respondents out of 224 population size on a case study of NGO in Nairobi and descriptive statistics used were frequencies and percentages.

Despard, Nafziger-Mayegun, Adjabeng and Ansong (2017) examined the effect of revenue diversification on monetary stability among Sub-Saharan Africa NGOs. The study suggested that the need to be able to cover rising operation costs remains one of the major reasons as to why NGOs should pursue income diversification. Non-governmental organizations, just like other business enterprises have to incur various operational costs in their day to day running and with donor funding being restricted to execution of identified programs, the need for the NGOs to have other income sources to meet their daily expenses have grown. The study focused on NGOs in sub-Sahara Africa, data was collected using online survey of 170 NGOs and results were analyzed using probit regression. However, the current study used multiple regression model. The study focused a case of a NGOs in Kenya and questionnaires were mainly used in data collection.

Islam (2016) study examined the NGO vulnerabilities in terms of donors and resource dependence and resource dependence. The study observed that in a bid to achieve financial sustainability when faced with declining financial support from external donors, NGOs have scaled up their activities aimed at sourcing for funds at community levels and made use of local corporate donors in an effort to raise money and other support as well as seeking local and national government support. The study further argued that the NGOs should diversify their funding base to strengthen their organization. A single doner dependence would be discouraged by a wide range of private and public sources thus, rather than a few, donor power would be dispersed amongst various agencies. The chances are minimal that NGOs would host governmental or be close to foreign motives if they don't depend fully on them for resources, enhancing room and autonomy for advocacy.

The study analyzed three NGOs located in Lebanon and used three variables. However, the current study emphasized on a single Ngo in Kenya and four variables were used in the study.

### **2.3.2 Financial Planning and Funding Sustainability**

Milelu (2018) examined financial planning's effect on Nairobi based NGOs' financial sustainability and found that the way organizations managed their funds was guided by proper financial planning policies; the organizations' operations are done depending on budgetary allocations and that the organization periodically review their budgets and any financial plans to confirm their agreement with the institutional mission. Failure by an organization to properly engage in sound financial planning can lead it to run the risk of focusing on the daily financial challenges and this can lead on loss of focus on its long-term financial goals. This was also consistent with Rono (2012) who opined that dependence on international funding reduces local NGOs independence and ability to set own agendas and which is a common concern for NGOs internationally. The study further, declared that proper financial planning practices were vital to NGOs for moral reasons and long and short-term plans, so the associations could satisfy their mission and commitments to individuals and partners and additionally accomplish their objectives. He further, argued that "sound financial planning and organizational frameworks will aid in persuading donors that the local NGOs have solid financial controls that would guarantee that money given would be utilized for the intended purpose." The study population of the research was 80,200 Kenyan NGOs' employees, the study had a sample of 100 participants, analysis of research data was done using quantitative techniques and that study focused on three variables. However, the current study had a sample 67 respondents of 224 employees of NGO in Nairobi, Kenya, the study used qualitative technique and focused on four variables.

Shigoli (2018) investigated the factors influencing donor funded projects' strategic implementation of Kenyan NGOs with particular reference to International Rescue Committee, Kenya and the study indicated that despite the availability of notable opportunities to enhance how

managers are making key decisions on investment, structuring and financing them, large projects often encounter financial distress. Large project proportion are not meeting their objectives and only 40% of objectives align with the strategy of organization. Donors keep track of their finances to specific expenses and most don't permit their beneficiaries using the money in covering overhead costs (fundraising, human resources and capital costs). Additionally, funders operate with fixed durations for which they are providing finances, it ranges between 1-3 years (Shigoli, 2018). The environment in which projects are operated can be a bit unpredictable and uncertain, and this can indirectly or directly affect the financial resources that are available for the duration of the project presenting a form of risk that needs to be managed. The study used was descriptive study design targeting 146 individuals and a sample size of 44 respondents. 3 variables were used. However, the current research targeted 224 staffs of the organization with a sample size of 67 participants and 4 variables were used for the research.

Mutinda and Ngahu (2016) examined the financial sustainability determinants of Nakuru County NGOs and the findings suggested that financial controls' value, as a tool for managing finances depends on their capability in tracking the expenses and disclosing the parts of weakness in financial planning management system resulting into fund loss. The managers should make sure that their organizations include strong financial controls in their financial planning able to curb the possibility of organizational risk given that the funders are sensitive particularly in misappropriations that may result to stoppage of funding. The study drew a conclusion that a crucial role is played by financial management systems in the NGOs' financial sustainability. The study targeted 168 programme managers of 56 registered NGOs in Nakuru, Kenya, with 96 participants being the sample size. However, the current study emphasized on NGO in Nairobi with 68 participants as the selected sample size.

Mohamoud and Muturi (2017) investigated factors influencing local NGOs' financial sustainability in Somalia. The study found out that financial strategies play a notable role in NGOs' sustainability. They suggested that management capabilities and management factors including financial planning and proper governance structures positively influence NGOs' sustainability. Further, the sector faced challenges like absence of financial Planning. It further acknowledged that sustainability is enhanced by financial strategies development and execution and fund allocation for local non-government organization activities. A sample size of 94 staffs was obtained. Puntland state of Somalia based NGOs' management team formed the target group, the current study targets employees of all cadres in the organization in Nairobi, Kenya and a sample size of 67 respondents were obtained.

Kristin (2016) investigated financial sustainability of Canadian NGOs and discovered that different NGOs employed financial instruments to cater for future risks that are unexpected like donor withdrawals or financial shortage. Financial sustainability is being reliant on prudent financial planning, therefore the financial standing of NGOs must be gauged and reported. Priority is not given to profitability by NGOs. Financial reporting is the type of financial information utilized by NGOs to help in making decisions. Proper practices of reporting should go past just accounting practices like disbursement and deposit records to add comparing real expenditure against historical spending and budget (Kristin, 2016). The study examined five different NGOs operating in three different sectors in Canada, qualitative data analysis was used. However, the current study was based in Kenya and used only a single NGO in Nairobi.

### **2.3.3 Donor Fund Management and Funding Sustainability**

Shigoli (2018) examined the factors influencing donor-funded projects' strategic implementation in NGOs in Kenya particularly to International Rescue Committee. The study suggested that

managing donor funds involves various aspects, with procedures typically covering statutory requirements like compliance with procurement guidelines, project funds timing and disbursement and reports. Financial resources from donors often have a set of requirements which relate to accountability and addressing project and financial performance. Majority of the donors need organizations to give periodical financial reports and narratives reviewing the projects' performance and progress against the original formulated budgets in the contracts, time lines, indicators, intended results and goals (Shigoli 2018). The research used descriptive design and targeted 146 individuals. The sample size of the study was 44 respondents, with 33 respondents having completed and returned the questionnaires, the study used three variables for the research and the study focused on a case study of international rescue committee Kenya. However, the current study targeted 224 staffs with a sample size of 68 participants, four variables were used and focused on a case study of Islamic Relief Kenya.

Wachira (2016) studied the donor fund management's effect on Kiambu County NGOs' financial sustainability. It was disclosed that majority of the participants asserted that donor fund management affected an organizations' financial sustainability to a great extent and that organizations with aligned networks with funders with regular communications and organizations that made sure they accounted for donor funds; had good connections with the funders; had many donors funded projects hence their firms many return donors. The study targeted a population of 38 NGOs in Kiambu County, with 190 participants (5 staff from every NGO). However, the current study targeted a population of 224 staffs and 67 respondents, the study was undertaken in Nairobi with a specific reference to one NGO.

Shivairo and Were (2017) studied the factors affecting project sustainability of Nairobi County's NGOs. It was found that adequate internal controls are incorporated in the NGOs as a means of

cost management so as to aid in attaining project sustainability. This indicates that internal controls have been properly established across the NGOs. Additionally, according to the study, the NGOs had been hampered by inadequate competencies. The study discovered that the NGOs had integrated adequate budgetary controls as a cost management means so as to enable the attainment of project sustainability. This also indicates that NGOs in Kenya have prioritized budgetary control in their operations. The study recommended that Kenyan NGOs need to invest more efforts in establishing the proper cost management practices in their organizations to ensure that they are able to improve their ability to remain sustainable. From a target group of 240 employees of the 6 NGOs, probability sampling technique was utilized in drawing a sample of 150 participants, data collected was analyzed using Quantitative technique, and result presentation done using pie charts and frequency distribution tables. However, the current study used a target population of 224 staffs of NGO in Nairobi and 67 participants as a sample size was adopted and results were presented in forms of tables and frequencies.

Ali (2016) studied donor relationship practices' effect on Garisa County NGOs' financial sustainability and drew a conclusion that NGOs' financial sustainability is enhanced by effective communication with funders. Additionally, in effective organizational management, dialogue and good communication are key. Further, donor segmentation entails using various strategies and engagement level for donors based on the size of the grant and characteristics of other funders. 228 top managers from Garissa based NGOs was targeted with 90 managers drawn as the sample size and standard deviation, percentages and tables generated quantitative reports. However, the current study target population of 224 staffs of a Ngo in Nairobi, Kenya and a sample size of 67 staffs were taken these generated reports in form of tables and percentages.

Seyeoum (2015) investigated charity organizations' financial sustainability in Ethiopia. The study found that institutions can also give funders the choice on if they wish to be requested for a particular fund. Revising the modality of requesting call for proposal and commitment for capacity building, transparency and feedback methodology on proposed appraisal, willingness and shared values among NGOs to better serve society and also mobilization from people volunteerism and corporate efforts has to be fueled towards changing attitude of the public (Seyoum, 2015). Others would prefer that the GNO does not prompt but to take such a decision by themselves, where there is a request for particular funds, NGOs make sure are appropriate considering the donor's financial reliability. The study analyzed data quantitatively, the target population for the study was 1054 Ethiopian residents' charities from 38 organizations and 30 samples of the residents were randomly selected, exploratory research design was deployed. However, the current research targeted a population of 224 staffs of a local Ngo in Nairobi, Kenya and a sample of 67 employees were selected, the research adopted used qualitative data analysis.

#### **2.3.4 Own Income Generation and Funding Sustainability**

Busienei (2017) examined income generating strategies and Nairobi County NGOs' financial sustainability. It indicated that, NGOs require a secure income flow to meet future and current needs in order to sustain themselves. Some organizations engaged in training activities and others in training activities to obtain financing. NGOs can sustain themselves by utilizing other means other than limiting themselves to pegging their monetary plans on funder limitation.

The findings show that the capability for GNOs in raising funds from government, community, business, individual and locally generated income can be provided for NGOs through mobilizing local resources. The study concludes that NGOs receive a majority of their income from foreign donor funding. This inflow of money into the country is a contribution that should not be

underestimated. The study first selected a sample of 25 NGOs (15 national and 10 international) and finally it used random sampling in getting a sample size 127 participants from the Nairobi based NGO list. However, the current study used a sample of 67 respondents of Ngo in Nairobi, Kenya.

Gervase, Kapondoro, Darko and Tengeh (2015) looked into the determinants of sustainability and effectiveness of NGOs in Cape Town, South Africa. The study noted that it is not easy to move a firm to greater funding sustainability the super solutions do not exists and its through hard work that you can gradually achieve this. It is not a good choice to rely on foreign funders. Non-profit enterprises or Earned income are entrepreneurial strategies for reducing cost or generating more revenue for creation of new resources for NGOs to aid in operational or programmatic expenses. Even with the conditions, however, where minimal NGOs are able to attain 100% self-reliance, a number of organizations are generating own revenue in an effort to gain control over part of their finances. The study was conducted in South Africa and researcher's sampling frame consisted of 984 NGOs which are based in Cape Town, interviews were mainly used in collecting data. However, the current emphasized as ingle NGO based in Nairobi, a sample size of 67 employees was deployed and data obtained mainly by questionnaire.

Ludovic (2016) examined financial sustainability and business income generating in non-profit sector in selected developing and developed countries. The study found that the long-standing belief that trading should be confined to the for-profit sector seems to be changing, partly in response to several major financial crises within the social sector. Based on the findings, more than half of NPOs see trading as having a place in the non-profit sector. Non-profit organizations have the option of using their staff and expertise to generate new income. An example would be an NPO using counsellors from the organization to provide counselling to an organization in the corporate

sector. Non-profit organizations can also generate income by using their clients' resources of renting or leasing land and buildings. The study further suggested that more income needs to be produced than is currently generated by the NPO sector. It also shows that NPOs are unsatisfied with their actual earnings, which prevent them from unlocking the full potential of their organizations and providing high quality services. It also reveals that the current income generation methods are not effectively meeting the financial needs of NPOs. This suggests that new and alternative approaches to funding need to emerge in the sector, which will eventually enable NPOs to fulfill their social goals without being limited by financial constraint. The research deployed an exploratory and descriptive research design and quantitative approach. The population chosen was represented by both NPOs in developing and developed countries depicts the six countries where NPOs were selected it includes Australia, India, Canada, Nigeria, United Kingdom and South Africa. The total size of the initial sample consisted of 4,186 organizations and final sample of 1,911 was used. Online survey was deployed for data collection. However, the current research used descriptive research design 224 employees of Ngo in Nairobi, Kenya. A samples size of 67 respondents was selected and questionnaires was used in collecting data.

## **2.4 Summary of the Reviewed Literature and Research Gaps**

Table 2.1 shows a summary of literature reviewed and the corresponding research gaps identified.

**Table 2.1: Summary of Literature Review and Research Gaps**

<b>Author &amp; Year</b>	<b>Research Topic</b>	<b>Research Findings</b>	<b>Research Gaps</b>	<b>Focus on the Current Study</b>
Wangechi & Wachira (2016)	“Factors affecting financial sustainability of local NGOs in Kenya, Kiambu county”	Donor funding as not the only source of finance for funding sustainability organizations that ensured accountability had a large number of donor funded projects	Targeted a population of 38 NGOs in Kiambu County and a sample of 190 respondents were involved STATA was used for data analysis study was NGOs in Kiambu county only	Study targeted a population of 224 staffs and a sample 67 respondents. The study was done in Nairobi with a specific reference to one Ngo SPSS was used for data analysis
Omeri (2015)	“Factors influencing financial sustainability of non-governmental organizations : a survey of Ngos in Nakuru county”	income diversification and having a financial strategic plan would significantly affect the financial sustainability. NGOs should consider local sources of funds to reduce their overreliance on donor aid	The study targeted 249 registered and active NGOs in Nakuru County A sample size of 154 was obtained The descriptive statistics used was chi-squares Three parameters/variables for the study was used	The study targeted one NGO based in Nairobi Sample size of 67 respondents was obtained Descriptive statistics used were frequencies and tables. Four parameters studied
Despard <i>et al.</i> (2017)	“Does revenue diversification predicts financial vulnerability among non-governmental organization in Sub Saharan Africa”	The need to be able to cover the rising operation cost is the reason why NGOs pursue income diversification	The study focused on Sub Saharan Africa. Data was collected through online survey. The target population was 170 NGOs. Data was analysed using probit regression	The study was conducted in Nairobi, Kenya Data was collected through questionnaires One NGO was the target Analysis done using multiple regression

Islam (2016)	“Non-governmental organization vulnerabilities: donors and resource dependence”	NGOs had made use of local corporate donors in an effort to raise money and other support Wide range of public and private sources would encourage less dependence on a single donor	The study analyzed three NGOs located in Lebanon and used three variables	The sample size of the study obtained 67 staffs Data was analyzed using frequencies and Tables .The target for the study constitute an NGO in Nairobi, Kenya.
Milelu (2018)	“Factors affecting financial sustainability of non-governmental organizations in Nairobi, Kenya”	The way organizations managed their funds was guided by proper financial planning policies; sound financial planning practices were vital to NGOs for both short-and long-haul plans i	The study population of the research was made up of 80,200 employees of NGOs in Kenya, study had a sample of 100 respondents Study used quantitative techniques The study focused on three variables.	The study researched on a single Ngo in Kenya and four variables were used
Shigoli (2018)	“Factors that influence strategic implementation of donor funded projects in non-governmental organizations in Kenya: a case of international rescue committee-Kenya”	Indicated that large projects often encounter financial distress despite the existence of significant opportunities Managing donor funds involves the timing of disbursement of project funds, reports and compliance	Descriptive research design with a target population of 146 was used. A sample size of 44 respondents and 3 variables were used for the study	224 employees of NGO in Nairobi, Kenya, the study had a sample 67 respondents The study used qualitative technique and focused on four variables
Mutinda & Ngahu (2016)	“Determinants of financial sustainability for non-governmental organization in Nakuru, Kenya”	The value of the financial controls, lies in their capability in tracking every expenditure proper financial policies which guided how the organizations managed their funds	The study targeted 168 programme managers of 56 registered NGOs operating in Nakuru, Kenya A sample size of 96 participants was chosen.	Targeted a population of 224 staffs -A sample size of 67 respondents and 4 variables were used for the research

Sendaza (2014)	Income Diversification among small households in developing countries: evidence from Ghana.	Proper financial management guides in fund management. Sound financial planning is vital to organization short and long goal.	Research was carried out in Ghana involving rural households and used multinomial approach in its findings	Study used stratified sampling and was carried out in Kenya concerning an NGO
Mohamoud & Muturi (2017)	“Factors influencing financial sustainability of local non-governmental organization in Puntland, Somalia”	Sustainability of NGOs is influenced positively including financial planning and proper governance structures.	A sample size of 94 staffs was obtained target population was the NGO’s management team in Puntland, Somalia	The study emphasized on NGO in Nairobi. A sample size of 68 participants were selected
Kristin (2016)	Non-profit financial sustainability	Financial sustainability is being reliant on prudent financial planning A budget is one of the basic tools for effectively managing any organization	closely examines five different non-profit organizations operating in three different sectors in Canada	Study targets employees of all cadres in the organization in Nairobi, Kenya .A sample size of 67 respondents were obtained
Mbangile (2020)	Factors affecting financial sustainability of NGOs	NGOs Still have inadequate funding on implementing projects	The study took a sample size of 135 through interview. The target population of out 12 NGOs employees. Used triangular approach including documentary.	The target population is 224 staffs of 67 respondents and questionnaire was used.
Shivairo & Were (2017)	“Factors affecting Project Sustainability in Non-Governmental Organisations in Nairobi City County, Kenya”	As a means of cost management, adequate internal controls had been incorporated by NGOs	The study used a sample of 150 from a target population of 240 staff members of 6 NGOs	Targeted a population of 224 employees of a NGO in Nairobi with a sample of 67 respondents

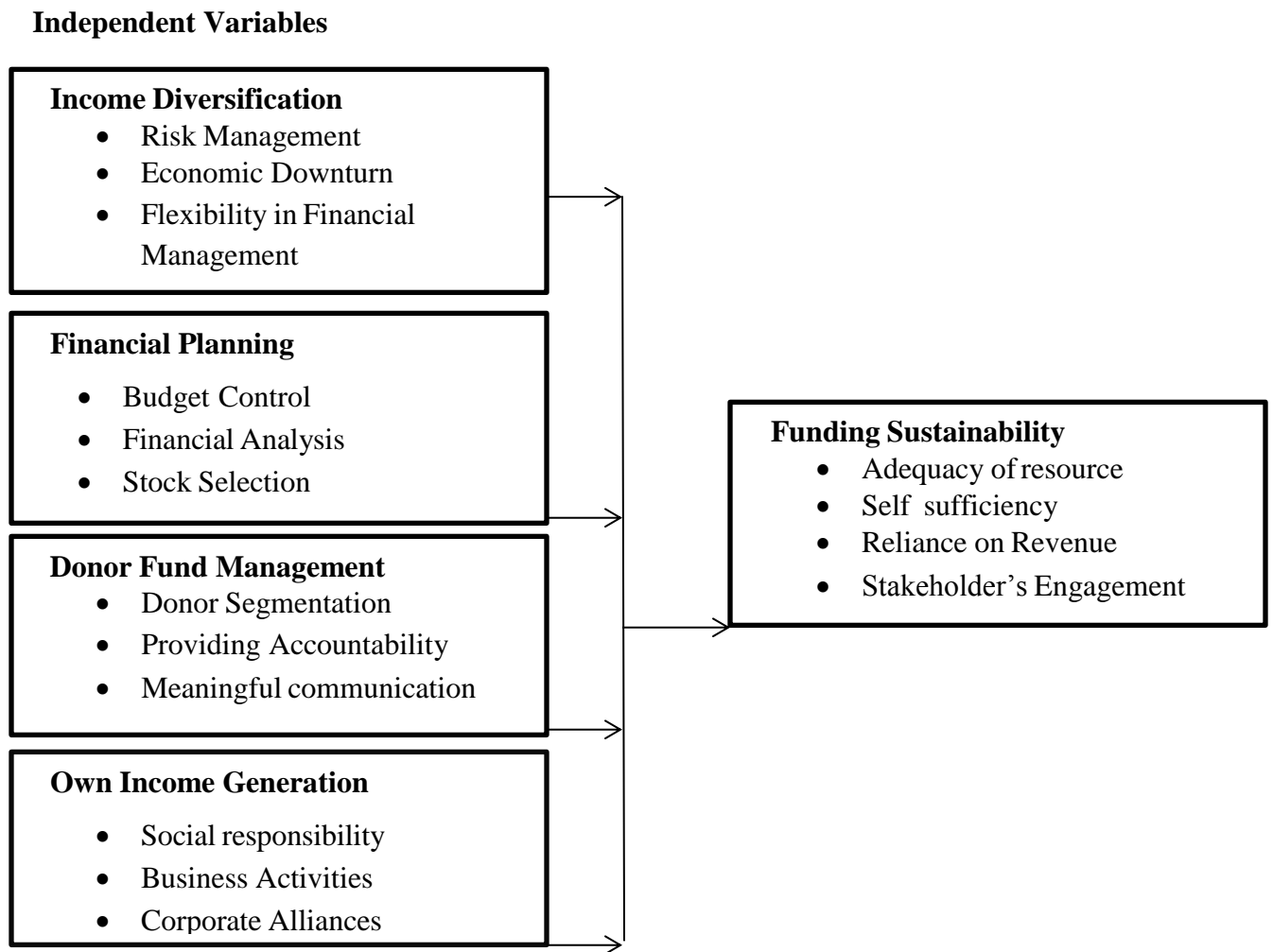
Ali (2016)	“Effect of donor relationship practices on financial sustainability of NGOs operating in Garissa County, Kenya.”	Communicating effectively with donors boost NGOs’ financial sustainability	The population was 228 top managers of NGOs in Garissa. 90 top managers formed the sample size	The target population of the current study was 224 staffs of with 67 respondents and the study employed questionnaires in collecting data
Seyoum (2015)	Financial sustainability of Ethiopian resident’s charity organization: challenges and opportunities	NGOs should be sure they are appropriate given the financial reliability of the donor	The target population for the study was 1054 Ethiopian residents charities from 38 organizations and 30 samples was obtained The study analysed data quantitatively	Study target population of 224 staffs of Kenya and a sample size of 67 of all staffs
Busienei (2017)	“Income generating strategies financial sustainability of non-governmental registered organisations in Nairobi city county, Kenya”	In order to sustain themselves, NGOs need a secure income flow to meet current and future program needs.	The study first selected a sample of 25 NGOs (10 international and 15 national) and select a sample size 127 respondents from a list of NGOs in Nairobi	study targeted a population of 224 staffs of a local Ngo in Nairobi, Kenya sample of 67 employees were selected
Gervase et al. (2015)	determinants of sustainability and organizational effectiveness in NGOs	More organizations are trying to gain control over at least part of their funds by generating revenue themselves	Researcher’s sampling frame consisted of 984 NGOs in cape Town interviews were mainly used in collecting data	The target population of the study was 224 employees of Islamic relief Kenya based in Nairobi used a sample size of 67 employees Data was collected using questionnaire
Ludovic (2016)	Financial sustainability and business income generating in nonprofit sector	More than half of NPOs see trading as having a place in the non-profit sector. more income needs to be produced than currently generated	Study used an exploratory and descriptive research design and quantitative approach.the target population was NGOs in 6 countries. A sample of 1,911 was used. Data was collected through online survey	Study focused on a single NGO based in Nairobi a sample size of 67 employees was used and data was collected through questionnaire

Malebo (2019)	An exploratory study of the Financial Sustainability of the Non-Profit organizations	All NPOs should generate their income from their own resources and should minimize their dependence on donors	The target population in this study were 354 NPOs registered in Lesotho. A sample of 20 NPOs was selected. Data was collected through interviews.	Target population of the study was 224 staffs of a local Ngo in Nairobi, Kenya. A sample of 67 respondents were selected data was collected using questionnaires.
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**Source: Empirical Literature Review (2014-2020)**

## 2.5 Conceptual Framework

It describes how the variables under study relate to each other. Figure 2.1 shows that the independent variables include; income diversification, financial planning, donor fund management and own income generation. The dependent variable is the funding sustainability.



**Figure 2.1: Conceptual Framework**

**Source: Researcher (2021)**

The conceptual model states that, attainment of Funding Sustainability in NGOs would require Strategic Planning analysis and Competitive Position/Strength Analysis to enhance a foundation for fostering strategic financial management. This would promote orientation of the organizations

towards acquiring of Strategic and Financial Planning and Sound Management of Resources/Costs. At the same time, the need for change adaptation occurs in terms of: Income Diversification, Financial planning; Own Income Generation; Management of Donor Relationship. It is anticipated in this study that the said factors will minimize challenges associated with the reliance syndrome in the wake of reduced donor support and subsequently promote funding sustainability of the NGOs. It can, thus, be argued that Funding Sustainability of NGOs depends on strategic financial practices such as: Income Diversification, Own Income Generation, Financial management, and Management of Donor Relationship.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1 Introduction

The section involves research design, target group, sampling design and procedure, instruments for collecting data, evaluation of the data, limitations of the research and research ethics.

#### 3.2 Research Design

Kerlinger (1986) defines research design as “the plan and structure of examination so as to gain answers to research questions or test the research hypotheses, the plan targets the overall strategy that will be enacted in collecting and analyzing data in order to answer the research questions.” According to Cooper and Schindler (2003) “research design essentials is an activity and time-based plan; always depend on the research question; guides the selection of sources and forms of information; a framework for specifying the relationship among the study variables and indicating the procedures for every research study. In this study, descriptive research design was adapted.” Descriptive study design is used when study uses case study approach and qualitative studies is majorly deployed to enhance overall strategy for data collection and evaluation adequately understand the study problem (Hagerman, 2002).

#### 3.3 Target Population

A population is properly defined units, elements being examined (Ngechu, 2004). A target population should have an Observable feature so that it can be examined (Mugenda and Mugenda, 2003). The top, middle management and operational staffs of the Islamic Relief Kenya formed the target group. The total number of employees at Islamic Relief Kenya is 224 as shown in Table 3.1.

**Table 3.1: Target Population**

<b>Category</b>	<b>F</b>	<b>%</b>
Top level managers	14	6.3
Middle level managers	47	21.1
Operational level staffs	163	72.6
<b>Total</b>	<b>224</b>	<b>100</b>

**Source: Islamic Relief Kenya (2021)**

### **3.4 Sampling Design**

The benefit of choosing a representative sample by coming up with a sampling frame is highlighted by Ngechu (2004). A sample was drawn from the population size by selecting the require number of firms, elements, respondents and units. Saunders et al. (2007) posit that, any probability's sampling framework is any population that is under consideration from which final sample is drawn. A sample is a smaller group of the entire population that is to be considered, hence one is able to provide the population's accurate picture as a whole, with respect to the study's particular aspect. 224 staff was the target population and stratified proportionate random sampling approach was utilized in sample selection.

The approach produces estimate of whole population indicators with a lot of precision and ensures that from a relatively homogeneous population, a more representative sample is achieved (Olso, 2009). The population was divided into three strata i.e. middle, top managers and operational staffs. According to Mugenda and Mugenda (2003), "a sample size of 30% is adequate for the generalization of the findings to the whole population if the sample size in more than 30 elements." Therefore, in this study 30% of the population which is 67 respondents was used.

**Table 3.2: Sample Size**

<b>Category</b>	<b>Population Size</b>	<b>Sample Ratio</b>	<b>Sample Size</b>
Top level managers	14	0.3	4
Middle level managers	47	0.3	14
Operational level staffs	163	0.3	49
<b>Total</b>	<b>224</b>	<b>0.3</b>	<b>67</b>

**Source: Islamic Relief Kenya (2021)**

### **3.5 Data Collection Instruments**

#### **3.5.1 Research Instruments**

The research used primary data that was collected using questionnaires. Kealy and Turner (2013) indicate that, “using questionnaires in data collection provides more structured responses to facilitate easy and quick answers from the respondents which are easier to code and statistically analyse.”

The questionnaires contained six parts (A to F), section A obtained participants background information, section B was based on income diversification variable, C financial planning variable, D donor funding management variable, E own income generation variable and section F covered funding sustainability. The questionnaire used Likert scale; participants rated each questionnaire item according to the extent to which they agreed.

#### **3.5.2 Research Instruments Validity**

To ensure instrument validity, a pilot test was done (Cronbach, 1971). This was achieved through questionnaire administration onto the pilot section. The tool’s content validity

was enhanced through the pilot group's actual administration. 20 employees who did not participate in the actual exercise were selected in an effort to validate the tool. Content and face validity were deployed. Face validity was checked through sending test items to the pre-testing unit to get any suggestion for change. "Content validity is concerned with sample-population representativeness, that is, the knowledge and skills covered by the test items should be representative to the larger case of knowledge and skills," (Cronbach, 1971). The investigator implemented the instruments, the tool's relevance, clarity and validity for the actual study was determined through a discussion. Revision of inadequate and ambiguous items was done to include the required data and enhance the tool's quality. Furthermore, to enhance the instrument validity, the supervisor was requested to appraise the instruments tool.

### **3.5.3 Research Instruments Reliability**

In testing the questionnaire reliability, a pilot study of 20 employees in the organization was selected thereafter Test-retest reliability was undertaken utilizing Cronbach's Alpha to weigh the reliability. This involved administering the questionnaires to the respondents and then re-administering similar questionnaire to the same participants after some time. The study used Cronbach's alpha to ascertain the tool's internal consistency. In the study, an Alpha value of not less than 0.7 was assumed to ensure acceptable reliability as recommended by Revelle and McDonald (2006).

### **3.6 Data Collection Procedure**

The investigator got approval letter from Kenyatta University and a research permit from NACOSTI, after getting approval, hard copy questionnaires were circulated to the participants using drop and pick method. This gave the participant enough time to answerer the questionnaire

since they were being picked later at an agreed time, this increased reliability and accuracy of the responses.

### 3.7 Variables Operationalization and Measurement

Table 3.3 gives a description of how variables were operationalized and measured.

**Table 3.3: Variables Operationalization and Measurement**

Variable	Variable Type	Operationalization	Measurement
Funding sustainability	Dependent	<ul style="list-style-type: none"> <li>• Adequacy of resource</li> <li>• Self sufficiency</li> <li>• Reliance on Revenue</li> <li>• Stakeholder's Engagement</li> </ul>	Interval scale
Income Diversification	Independent	<ul style="list-style-type: none"> <li>• Risk Management</li> <li>• Economic Downturn</li> <li>• Flexibility in Financial Management</li> </ul>	Ratio Scale
Financial Planning	Independent	<ul style="list-style-type: none"> <li>• Budget Control</li> <li>• Financial Analysis</li> <li>• Stock Selection</li> </ul>	Nominal Scale
Donor Fund Management	Independent	<ul style="list-style-type: none"> <li>• Donor Segmentation</li> <li>• Providing Accountability</li> <li>• Meaningful communication</li> </ul>	Nominal Scale
Own Income Generation	Independent	<ul style="list-style-type: none"> <li>• Social responsibility</li> <li>• Business Activities</li> <li>• Corporate Alliances</li> </ul>	Nominal Scale

**Source: Researcher (2021)**

### 3.8 Data Analysis and Presentation

Quantitative data analysis was used in collecting data. Quantitative method included both descriptive and inferential analysis. Data inform of tables was presented using descriptive analysis

such as percentages, standard deviation and frequencies. Data from questionnaire were recorded and logged in the computer using SPSS. It involved coding and recording closed and open-ended items to come up with simple descriptive analyses to results on status of data.

The variables' association was measured using correlation analyses. Inferences or predictions about the population were made using the regression model so as to generalize the analysis results to the larger population (Cohen, West & Aiken, 2014). The research further used several inferential statistics. The variables factored in the multiple regression model to ascertain the association between explanatory variable; funding sustainability factors and; dependent variable. The F-test was used to determine the statistical importance of the predictor variables. T-test for coefficients significances was examined using the regression test for auto correlation technique residuals. The regression equation was as follows:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Where:

Y = Funding Sustainability

X1 = Financial Planning

X2 = Donor Relationship Management

X3 = Own Income Generation

X4 = Income Diversification

$\beta_0$  = Constant

$\beta_1, \beta_2, \beta_3$  and  $\beta_4$  = Coefficients of independent variables

$\varepsilon$  =error term”

The term “independent” variables and “dependent” variables were derived from the mathematical expression, when  $X_i$  ( $i = 1, 2, 3$ ),  $Y$  is the function of  $X_i$  ( $i = 1, 2, 3$ ) that is  $Y = f(X_i)$ . Implying that the  $Y$  variation depends on  $X_i$ . The regression coefficient ‘ $\alpha$ ’ is the  $Y$  intercept: while  $\beta_1$ ,  $\beta_2$ , and  $\beta_3$  are the net change in  $Y$  for each change of  $X_1$ ,  $X_2$  and  $X_3$ . The error term ( $\epsilon$ ) is a random variable with a mean of zero.

### **3.9 Ethical Considerations**

The researcher was confident in carrying out the research work this included not giving out the organization’s information without the consent of the organization this led to proper understanding of each other. The researcher behaved responsibly towards the respondent in seeking the views of the respondents in answering questions concerning the research work. The researcher was honest in the entire research study this will enable in providing good information from the respondent, this ensured the researcher to provide correct details concerning the research and the researcher

**CHAPTER FOUR**  
**RESEARCH FINDINGS**

**4.1 Introduction**

The findings interpretation and presentation are discussed in this section. The research purpose to analyze strategic financial practices and funding sustainability of NGO's in Kenya with specific reference Islamic Relief Kenya. Data was displayed using figures and frequency tables.

**4.2 Response Rate**

After completion of the data collection, the investigator embarked on analysis of data by establishing the respondents and non-respondents as shown in the Table 4.1.

**Table 4.1: Response Rate**

<b>Category</b>	<b>F</b>	<b>%</b>
Responses	64	95.5
Non-responses	3	4.5
<b>Total</b>	<b>67</b>	<b>100</b>

**Source: Research Data (2021)**

The researcher targeted a sample of 67 management and other staffs from the NGOs, 64 responses were obtained representing a 94.9% response rate. For data evaluation, this is reliable as pointed out by Babbie (2002) that, for analysis, a 50% and above response is adequate.

**4.3 Reliability Test Results**

In testing the questionnaire reliability, a pilot study of 20 employees in the organization was selected thereafter Test-retest reliability was undertaken utilizing Cronbach's Alpha to weigh the reliability.

**Table 4.2: Reliability Test Results**

<b>Variable</b>	<b>Cronbach's</b>	<b>Number of Items</b>
Financial planning	0.729	6
Own income generation	0.856	4
Income diversification	0.795	4
Donor fund management	0.801	6
Funding sustainability	0.946	5

**Source: Research Data (2021)**

For each variable, Cronbach Alpha was established, this formed a scale. Funding sustainability had the highest reliability ( $\alpha=0.946$ ), then own income generation ( $\alpha=0.856$ ), then Donor fund management ( $\alpha=0.801$ ) and income diversification ( $\alpha=0.795$ ) while financial planning had the least value ( $\alpha=0.729$ ). An illustration of reliability of all the four scales since their values went beyond the 0.6 prescribed threshold. According to Gliem and Gliem (2003), an Alpha value threshold at 0.6 is reliable.

**4.4 Demographic Analysis**

Participants were required to state their gender, working experience, education level and age bracket

**4.4.1 Participants Gender**

The investigator embarked on finding the participants' gender to establish if both gender is well represented. The results in this regard are as shown in Table 4.3.

**Table 4.3: Respondents' Gender**

<b>Gender</b>	<b>F</b>	<b>%</b>
Male	47	73.0
Female	17	27.0
<b>Total</b>	<b>64</b>	<b>100</b>

**Source: Research Data (2021)**

The study found that 73% of the participants were male while females were only 27% of the respondents. This shows that most of the employees in the organizations were male. In an organization, employee performance is influenced greatest by gender diversity (Chaudhry, 2016).

#### 4.4.2 Participants' Age Bracket

The researcher tried to know the participants' age to find out if the employees are mature in age and life to give clear position of the organization. The results in this regard are as shown in Table 4.4.

**Table 4.4: Participants' Age Bracket**

Age	F	%
Below 31 years	6	9.4
31 – 34 years	15	23.44
35 – 40 years	10	15.63
41 – 44 years	15	23.44
45 – 50 years	13	20.32
Over 50 years	5	7.81
<b>Total</b>	<b>64</b>	<b>100</b>

**Source: Research Data (2021)**

According to Table 4.4, 23.44% of the participants were 23.44% were 41 - 44 years old, 31-34 years old, those aged 35- 40 years and 45 -50 years were 15.63% and 20.32 % respectively while those aged below 31 years and over 50 years were 9.4% and 7.81% respectively. Findings indicate that majority of the staffs of the organization were middle aged.

#### 4.4.3 Highest Education Level

The participants' highest education level attained was sought to understand if the respondents in the organization are well educated to articulate the issues under study. The results in this regard are Table 4.5.

**Table 4.5: Highest Education Level**

<b>Education level</b>	<b>F</b>	<b>%</b>
Post graduate	30	46.9
Bachelor's degree	26	40.6
Diploma/Certificate	8	12.5
<b>Total</b>	<b>64</b>	<b>100</b>

**Source: Research Data (2021)**

Participants indicated their highest education level. 46.9% of staffs had a postgraduate degree, 40.6% had bachelors' degree while 12.5% had a diploma/certificate. This is an indication that the participants are well educated and can provide the needed information regarding the study. Organizational management is highly affected by education if the education level is higher (Kasika, 2015).

#### **4.4.4 Work Experience in the Organization**

Information regarding the duration the respondents worked in the organization was sought. This is to ascertain the duration the participants worked in the organization to understand the operation. The results in this regard are in Table 4.6.

**Table 4.6: Working Experience**

<b>Years</b>	<b>F</b>	<b>%</b>
Below 2 years	22	34.375
2 – 5 years	30	46.875
Above 5 years	12	18.75
<b>Total</b>	<b>64</b>	<b>100</b>

**Source: Field Data (2021)**

The findings demonstrated that, 46.875% of the participants had been working in the organizations for 2-5 years, 34.375% below 2 years, whereas 18.75% had worked for more than 5 years. The

results show clearly that majority had been working with the NGOs long enough to know their operations. Therefore, the results were a confirmation that the participants had the experience needed in providing the researcher's information interest. Kamau (2015) experience workers play an important role in influencing organizational performance.

#### **4.4.5 Funding Sustainability Trend**

The study sought to determine how funding sustainability organizational performance at Islamic relief was affected by strategic financial practices. Determination of the effect of strategic financial practices on cash flow, cost recovery rate, and unrestricted income helped achieve this.

**Table 4.7: Funding Sustainability Trend**

<b>Measures</b>	<b>Mean</b>	<b>Std. Dev</b>
Cash flows	3.470	1.057
Cost recovery rate	3.929	4.2227
Unrestricted income	3.1838	1.1784

**Source: Research Data (2021)**

Majority of the participants had a feeling that there was improvement in the cost recovery rate as indicated by the 3.929 mean score whereas unrestricted income and cash flows were stable/constant as illustrated by the respective 3.1838 and 3.470 mean score.

### **4.5 Descriptive Analysis of the Study Variables**

#### **4.5.1 Financial Planning**

Participants were told to state the extent to which financial planning affect funding sustainability of the organization. The results are as shown in Table 4.8 and 4.9.

**Table 4.8: Extent to which NGOs' Funding Sustainability is affected by financial planning**

<b>Response</b>	<b>F</b>	<b>%</b>
Very great extent	6	9.38
Great extent	19	29.69
Moderate extent	12	18.75
Little extent	15	23.43
Not at all	12	18.75
<b>Total</b>	<b>64</b>	<b>100</b>

**Source: Research Data (2021)**

Participants indicated the extent to which NGO funding sustainability was affected by financial planning. The findings indicate that, 29.6% of the participants to a great extent that reported that NGO funding sustainability was affected by financial planning, those who said to a moderate extent or not at all were shown by a 18.75% while 9.38% showed to a very great extent. This finding is supported by Wachira (2016) who indicated that financial planning affects funding sustainability to great extent.

**Table 4.9: Extent to which Aspects of Financial Planning Affect Funding Sustainability**

<b>Aspect</b>	<b>Mean</b>	<b>Std.Dev</b>
Budget Control	4.4082	0.7576
Financial Analysis	3.6323	1.3993
Stock Selection	1.5633	1.3973
Plan implementation	4.2653	0.96912
Asset selection	3.1837	0.85370

**Source: Field Data (2021)**

Majority of the participants felt that NGO funding sustainability was affected by the financial planning aspects (budget control, financial analysis and plan implementation) to a great extent as

illustrated by 4.4082, 3.6323 and 4.2653 mean score respectively. They further indicated to a moderate extent that asset selection affects the NGO’s funding sustainability as demonstrated by 3.1837 mean while stock selection affects the NGO funding sustainability to a little extent (M-1.5633).

The findings are supported by Omeri (2015), the results established that majority of NGOs used budgeting methods that made sure all project and operation funding is within a stipulated limit. The findings are in support of Bray (2010) who suggested that “a fundraising plan development ought to be integrated into other planning endeavors such as budgeting, strategic planning and program planning.” Abdi (2015) disclosed that NGO’s financial planning and sustainability are positively associated.

#### **4.5.2 Income Diversification**

On the effect of income diversification, the study sought to establish how effective the different income diversification strategies and how important the different drivers for income diversification in the NGO in enhancing funding sustainability at organization. The income diversification are presented in Table 4.10 and Table 4.11.

**Table 4.10: Various Drivers’ Importance in diversifying Income in the NGOs**

<b>Drivers for income diversification</b>	<b>Mean</b>	<b>Std Dev</b>
Risk Management	3.8327	0.90118
Reducing Economic Downturn	3.0102	0.947
Fueling further the NGO’s activities, growth	4.0755	1.07962
Gaining more flexibility in financial management	3.5327	1.14323
Being able to finance projects based on priorities	3.6931	1.05916
Increasing the income stream’s longer-term reliability	3.4719	1.11188

**Source: Research Data (2021)**

The results illustrate that majority of the respondents indicated that the drivers for diversifying income that were crucial include fueling NO's further growth activities as shown by a 4.0755 mean, this is with agreement with Alter (2016) pointed out that “declining funding had increased the number of nonprofits incorporating income-generating activities into their organizations.” Risk Management (M=3.8327), being able to finance projects based on priorities as illustrated by 3.6931 mean, reducing economic downturn of 3.0102 and increasing the income stream's longer-term reliability as shown by a mean score of 3.4719.

The finding is supported by Mohamed and Muturi (2017) who indicated that “diversification has a positive and significant effect on sustainability of LMGOs in Puntland state of Somalia.” He augured that in the organization, financial sustainability was enhanced by income diversification strategies.

**Table 4.11: Income Diversification Strategies' Effectiveness in Funding Sustainability**

<b>Strategy</b>	<b>Mean</b>	<b>Std Dev</b>
Social entrepreneurship	3.2714	0.67326
Fundraising and development plan	3.8206	0.78915
Corporate donors sourcing	4.2676	0.57135
Business ownership and management	3.2247	0.95220

**Source: Research Data (2021)**

The study also sought to ascertain how effective the different strategies of income diversification were in the enhancement of an organization's financial sustainability. Majority of the participants reported to a great extent that the income diversification strategies include business ownership and management, fundraising and development plan and corporate donors sourcing as demonstrated by the respective 3.224, 3.8026, 4.2676 while social entrepreneurship had a moderate extent M= 3.2714.

The finding was supported by Busienei (2017) who found that “relying on development of fundraising plan, unrestricted fund on income generating activities and also corporate donor sourcing, organization’s operations are affected.” The findings were also supported by Omeri (2015) who suggested that domestic funding sources were promising since NGO operations are being viewed by local charities to mitigate the society challenges.

The funding was further supported by Mohamed and Muturi (2017) who suggested that sustainability is enhanced by financial strategies development, these strategies included plan development, fundraising, social entrepreneurship, own business management and tapping international funding streams. The finding is also in agreement with Teixeira (2017) who stated that “funding diversity might affect strategic decision making, so the over-reliance of NGOs in a single source of funding may condition its development, as well as influence its autonomy and the lack of predictability and regularity of income.”

### 4.5.3 Donor Fund Management

The study further tried to ascertain how an organization’s funding sustainability are affected by donor relationship management. The results are shown in Table 4.12 and 4.13.

**Table 4.12: Extent that Donor Fund Management Affects Funding Sustainability**

<b>Extent</b>	<b>F</b>	<b>%</b>
Very great extent	7	10.9
Great extent	28	43.8
Moderate extent	19	29.7
Little extent	10	15.6
<b>Total</b>	<b>64</b>	<b>100</b>

**Source: Research Data (2021)**

Participants indicated the extent that an organization’s funding sustainability are affected by donor relationship management. According to the findings in Table 4.12, 43.8% stated to a great extent that an organization’s funding sustainability are affected by donor fund management, 29.7% to a moderate extent, 15.6% to a little extent whereas 10.9% indicated to a very great extent. According to Lewis (2011), funding sustainability and donor fund management relate strongly and positively.

**Table 4.13: Extent to which Aspects of Donor Fund Management Affect Funding**

**Sustainability**

<b>Aspects of Donor Fund Management</b>	<b>Mean</b>	<b>Std Dev</b>
Use of information management	5.0153	1.19017
Donor Segmentation	3.6451	1.22992
Providing Accountability	4.8623	1.1811
Promote Meaningful communication	4.3521	1.32160
Implementing a comprehensive recognition activities	3.7429	1.15025

**Source: Research Data (2021)**

The extent that various aspects of donor fund management affect NGO’s funding sustainability was ascertained. Majority of respondents indicated that to a great extent, NGO’s funding sustainability was affected by donor fund management aspects including implementation of a comprehensive recognition program, enhanced meaningful communications, providing accountability and use information management as illustrated by 3.7429, 4.3521, 4.0633, 4.8623 and 5.0153 respectively while donor segmentation affects to a moderate extent (M= 3.6451.)

The outcomes agree with Monre (2015) who indicated that “there is need to manage donor fund through regular communication, providing accountability, donor segmentation and implement recognition activities set by the donors.” The finding also concurs with Wachira (2016) who indicated that organizations had to regularly communicate and establish networks with donors.

#### 4.5.4 Own Income Generating Activities

Participants indicated the extent to own income generating activities affect funding sustainability.

The results are as shown below:

**Table 4.14: Extent to which Income Generating Affect the Funding Sustainability of NGOs**

<b>Extent</b>	<b>F</b>	<b>%</b>
Very great extent	17	26.56
Great extent	20	31.25
Moderate extent	14	21.88
Little extent	13	20.31
<b>Total</b>	<b>64</b>	<b>100</b>

**Source: Research Data (2021)**

Participants indicated the extent that the organization's funding sustainability is affected by own income generating activities. Majority of the participants (31.25%) indicated to a great extent, 26.56% said to a very great extent whereas 21.88% and 20.31% said to a moderate extent and little extent respectively. The findings are supported by Williams (2015) by arguing that NGO sustainability and fund development related positively and significantly. The findings are not in agreement with Saungweme (2014) who studied how financial sustainability is affected by own income and disclosed that financial sustainability was insignificantly affected by own income generation.

**Table 4.15: Extent to which Own Income Generating Activities on Funding Sustainability**

<b>Activity</b>	<b>Mean</b>	<b>Std Dev</b>
Corporate alliances	3.7322	0.087
Business activities	4.2539	0.390
Unrestricted income generating activities	3.6327	0.093
Public contributions	2.8452	0.648

**Source: Research Data (2021)**

This project also tried sought to establish how NGO’s funding sustainability is influenced by own income generating activities. Majority of the respondents said that business activities, corporate alliances, and unrestricted income generating activities affect the NGO funding sustainability to a great extent as shown by a 4.2539, 3.7322, 3.6327 respective mean while public contributions affect to a moderate extent (M= 2.8452).

The findings are in agreement with Omeri (2015) who indicated that “an increase of fund development through own income generating activities suggested that a decrease in foreign funding is a reality and hence likely to improve sustainability.” The findings are further supported by Busienei (2018) and found that potential is provided to NGOs by local resource mobilization to raise funds from locally generated income, business community government and individuals.

#### **4.5.5 Funding Sustainability**

The study further sought to establish the extent to which strategic financial practices influenced the funding sustainability of NGO. The results are illustrated below:

**Table 4.16: Funding Sustainability**

<b>Statement</b>	<b>Mean</b>	<b>Std Dev</b>
Has adequate resources to implement projects	4.015	0.985
Is self-sufficient	3.265	1.735
Relies on revenue from various sources	4.007	0.993
Has policy for stakeholders' engagement	3.695	1.305

**Source: Field Data (2021)**

Based on the results, majority indicated to a greater extent on the statement that NGOs have adequate resources to implement projects followed by relies on revenue from various sources, has policy for stakeholders' engagement and is self-sufficient as demonstrated by 4.015, 4.007, 3.695 and 3.265 respective means with respective SD of 0.985, 0.993, 1.305 and 1.735.

## **4.6 Inferential Analysis**

### **4.6.5 Correlation Analysis**

The study did an analysis using Pearson correlation to assess the nature of the relationship existing between the study variables. The results of correlation analysis are presented in Table 4.17.

**Table 4.17: Correlation Matrix**

		Financial Sustainability	Income Diversification	Donor Fund Management	Own Income Generation	Financial Planning
	r	1				
Financial Sustainability	Sig. (2-tailed)					
	(r)	.633*	1			
Financial Planning	Sig. (2-tailed)	0.0211				
	N	70	70			
	(r)	.719*	0.093	1		
Income Diversification	Sig. (2-tailed)	0.0211	0.267			
	(r)	.686*	0.134	0.113	1	
Donor Funding Management	Sig. (2-tailed)	0.0211	0.173	0.124		
	(r)	.641*	0.121	0.117	0.104	1
Own Income Generation	Sig. (2-tailed)	0.0211	0.164	0.134	0.119	

\*Correlation is 2-tailed and significant at 0.05 level

**Source: Research Data (2021)**

From Table 4.17, financial planning and NGO’s funding sustainability correlated significantly and positively ( $r=0.633$ ,  $p$  value  $<0.05$ ); further there was a positive and significant correlation between income diversification and funding sustainability of NGOs s ( $r=0.719$ ,  $p$  value  $<0.05$ ) additionally, there was a positive and significant correlation between donor fund management and NGO’s

funding sustainability ( $r=0.686$ ,  $p$  value  $<0.05$ ) and also there was a positive and significant correlation between own income generation and NGO's funding sustainability ( $r=0.641$ ,  $p$  value  $<0.05$ ) This indicates that financial planning, donor fund management, own income generation and income diversification were factors that positively correlated with the funding sustainability of NGOs in Kenya.

#### 4.6.6 Regression Analysis

In testing the independent variables' relationship on NGO's funding sustainability, a multiple regression analysis was conducted. The research used SPSS to code, enter and compute the measurements. The results of regression analysis are in Table 4.17, 4.18 and 4.19.

**Table 4.18: Model Summary**

Model	R	R-Square	Adjusted R square	Std Error of the estimate
1	0.960	0.841	0.762	0.4642

**Source: Research Data (2021)**

The results of regression analysis in Table 4.17 indicates that the four independent variables studied explain 76.2% of the funding sustainability. Implying that, 23.8% of the funding sustainability is contributed by factors not investigated hence more investigation ought be done to study the other factors.

##### 4.6.6.1 Analysis of Variance (ANOVA)

ANOVA is made up of calculations that give important details on the variability levels within the regression model and form the significance tests. The column marked "F" gives the statistic for testing the hypothesis (Weisberg, 2005).

**Table 4.19: ANOVA for the Independent Variables**

<b>Model</b>		<b>Sum of Square</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig</b>
1	Regression	7.558	4	1.890	9.947	0.00 <sup>a</sup>
	Residual	11.201	59	0.190		
	<b>Total</b>	<b>18.759</b>	<b>63</b>			

a. Dependent Variable: Funding sustainability

b. Predictors: (Constant), “Own income Generation, Financial planning Income Diversification and donor fund management”

**Source: Researcher Data (2021)**

The value 0.000a illustrate a less than 0.05 significance level demonstrating the model’s statistical significance on how the dependent variable is influenced by independent variables.

The F calculated value is greater than the value of F tabulated ( $25.810 > 1.890$ ) at 5% significance level confirming the significance of the model.

#### 4.6.6.2 Regression Coefficients

**Table 4.20: Regression Coefficients**

<b>Variable</b>	<b>Unstandardized</b>		<b>Standardized coefficient</b>		
	<b>coefficient</b>				
<b>Model</b>	<b>B</b>	<b>Std.Error</b>	<b>Beta</b>	<b>t</b>	<b>Sig.</b>
Constant	0.681	0.277		13.273	0.000
Financial Planning	0.620	0.025	4.175	2.484	0.001
own Income Generation	0.529	0.013	2.142	2.143	0.002
Income Diversification	0.610	0.021	1.051	1.762	0.000
Donor Fund Management	0.339	0.037	3.584	9.203	0.000

**Source: Research Data (2021)**

Multiple regression analysis was carried out to ascertain the strategic financial practices' effect on funding sustainability. As per the SPSS generated, the equation ( $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$ ) becomes  $= 0.681 + 0.620X_1 + 0.529X_2 + 0.610X_3 + 0.339X_4$ . With all factors held in account ("financial planning, own income generation, income diversification and donor fund management") constant at zero, funding sustainability of nongovernmental organizations will be 0.681. The findings further shows that all other independent variables taken at zero, a unit increment in Financial planning results to a 0.620 raise in funding sustainability of nongovernmental organizations; a unit increase in own income generation will lead to a 0.529 increase in funding sustainability of nongovernmental organizations; a unit increment in income diversification results to a 0.610 raise in Funding sustainability of nongovernmental organizations and a unit increase in donor fund management will lead to a 0.339 increase in funding sustainability of non-governmental organizations. Inferring that own income generation contributes most to financial sustainability of nongovernmental then donor fund management then income diversification while financial planning is a least contributor.

The study further established that donor funding had a p-value of 0.01, financial planning had a p-value of 0.002, income diversification had a p-value of 0.000 and own income generation activities had a p-value of 0.000. It illustrates that all the variables were significant ( $p < 0.05$ ) with donor donor management the least significant and own income generation being the most significant. The finding is in agreement with Milelu (2018) who stated that income diversification; donor fund management and financial planning had a 0.000 significance level hence all the variables were significant and most significant factor being donor relationship management followed by financial management systems and income diversification, respectively. The results indicate a strong

positive association between income diversification, financial planning and sustainability and donor relationship management of NGOs in Nairobi Kenya.

The above finding is in disagree with Omeri (2015) who suggested that staff competence level was the most crucial factor in NGO's financial sustainability ( $\beta = 0.453$ ), strategic financial planning ( $\beta = 0.001$ ) and diversification of the funding sources respectively and also found that funding sources' income diversification negatively affects the NGO's financial sustainability. Wachira (2016) disagreed with the findings in some points and suggested that all the factors (donor fund management, management competence, financial management and income diversification) except financial management were found to significantly affect financial.

Kinde (2012) investigated factors that affect MFIs' financial sustainability and disclosed that "financial sustainability is a product of the extent of income generation capacity providing growth capacity for MFIs with growth projections." The results agree with Nganga (2013) who ascertained that NGOs' growth and sustainability positively relate though they depend on foreign donations.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

Discussion of data findings, conclusion and recommendations are presented in this chapter. The study purpose was to analyze the strategic financial practices and funding sustainability in NGOs in Kenya with specific reference to Islamic Relief Kenya.

#### **5.2 Summary of Findings**

##### **5.2.1 Financial Planning and Funding Sustainability**

The study highlighted that NGO's funding sustainability is affected by financial planning to a great extent. It was established that there was a positive and significant correlation between financial planning and NGOs' funding sustainability. The findings further showed that all other independent variables at zero, a unit increment in financial planning will lead to a 0.620 raise in funding sustainability of nongovernmental organizations. The aspects financial planning to a great extent affects the NGO's funding sustainability include budget control, financial analysis and plan implementation. Sound organizational planning, procedures, policies, system set-up and implementation are required which can cope and overcome and accommodate the financial challenges of an NGO.

##### **5.2.2 Income Diversification and Funding Sustainability**

The study sought to ascertain how is affected by funding sustainability income diversification at NGOs in Islamic Relief Kenya. The study revealed that NGO sustainability and income diversification positively and significantly correlate. A unit increase in own income generation results to a 0.529 increase in funding sustainability of nongovernmental organizations. The

research discovered that drivers for income diversification that organization being able to finance projects based on priority, risk management, being able to decline some income sources, fueling further NGO activities' growth and to close down. To tap international financing streams may be very gainful now as a way of responding to economic crisis and particularly, NGOs have been given excellent opportunities by international government funding.

### **5.2.3 Donor Fund Management and Funding Sustainability**

The study sought to examine how donor fund management affects funding sustainability at NGOs in Islamic Relief Kenya. The study revealed that donor fund management and funding sustainability of NGOs correlated positively and significantly. A unit raise in income diversification results to a 0.610 increase in Funding sustainability of nongovernmental organizations. The aspects of donor fund management affect NGOs' funding sustainability to a great extent include implementation of a comprehensive recognition program, enhanced meaningful communications, providing accountability and use information management

### **5.2.4 Income Generating Activities and Funding Sustainability**

The study sought to determine how own income generation affects funding sustainability at NGOs Islamic Relief Kenya. Own income generation and NGO's funding sustainability correlated positively and significantly. A unit raise in donor fund management will lead to a 0.339 increment in funding sustainability of non-governmental organizations. Further, to a great extent, the organization's funding is affected by own income generating activities. It is evident that, to a great extent, NGO's funding sustainability is affected by unrestricted income generating activities corporate alliances and business activities.

### **5.3 Conclusions**

The research draws a conclusion that NGO's funding sustainability is affected by financial planning such as Budget control, financial analysis and plan implementation. The drivers for income diversification include risk management, reducing economic downturn and fueling further NGO's activities' growth. The study further concludes funding sustainability at the NGOs to a great extent is enhanced by the income diversification strategies including business ownership and management, fundraising and development plan and corporate donors sourcing. That NGO's funding sustainability is affected by unrestricted income generating activities corporate alliances and business activities

The study also concludes that funding sustainability of NGOs is affected by donor fund management including implementation of a comprehensive recognition program, enhanced meaningful communications, providing accountability and use information management. Further, NGO's funding sustainability is affected by unrestricted income generating activities corporate alliances and business activities. The study finally concludes that own income generation contribute most to the NGO's funding sustainability then donor fund management then income diversification while the least is financial planning.

### **5.4 Recommendations**

Financial planning was found to positively affect funding sustainability. Therefore, the study recommends that for NGOs to remain sustainable, they ought to recruit competent employees in financial analysis, plan implementation and budget control which are greatly affecting funding sustainability. It was clear that to a great extent affects the NGO's funding sustainability include budget control, financial analysis and plan implementation.

Income diversification affected funding sustainability positively and therefore since to great extent funding sustainability at the organizations is enhanced by income diversification strategies, the NGO management ought to increase their income sources. Such ventures may include corporate donors sourcing, business ownership and management and fundraising activities.

The study found that funding sustainability was positively and significantly affected by own income generating activities. Therefore, in order to enhance funding sustainability, more participation in activities to generate income like corporate alliances is recommended by the study.

### **5.5 Suggestions for Further Studies**

Further research should be undertaken on the effect of strategic financial practices on the funding sustainability of all the nongovernmental organizations in Kenya for generalization. Further studies should be done on the effect of strategic financial practices on the funding sustainability of profit-making organizations. In addition, factors not investigated contribute 23.8% of the funding sustainability. Therefore, these factors (23.8%) that affect funding sustainability of NGOs should be studied.

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## APPENDICES

### Appendix I: Approval Letter



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Internal Memo

FROM: Dean, Graduate School

DATE: 17<sup>th</sup> May, 2018

TO: Adankhalif Issack Mohamed  
C/o Business Administration Dept.

REF: D53/OL/CTY/26136/2015

**SUBJECT: APPROVAL OF RESEARCH PROPOSAL**

We acknowledge receipt of your revised Research Proposal as per our recommendations raised by the Graduate School Board of 9<sup>th</sup> May, 2018 entitled "Strategic Financial Practices and Funding Sustainability of Non-Governmental Organizations in Kenya: A Case of Islamic Relief Kenya".

You may now proceed with your Data Collection, Subject to Clearance with 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.

A handwritten signature in blue ink, appearing to read 'Harriet Isaboke'.

HARRIET ISABOKE  
FOR: DEAN, GRADUATE SCHOOL

C.c. Chairman, Department of Business Administration

Supervisors:

1. Dr. Daniel Mogaka Makori  
C/o Department of Business Administration  
Kenyatta University

HI/inn

## Appendix II: Research Permit

 <b>REPUBLIC OF KENYA</b>	 <b>NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY &amp; INNOVATION</b>
Ref No: <b>405441</b>	Date of Issue: <b>22/April/2021</b>
<b>RESEARCH LICENSE</b>	
	
<b>This is to Certify that Mr.. Adankhalif Issack Issack of Kenyatta University, has been licensed to conduct research in Nairobi on the topic: STRATEGIC FINANCIAL PRACTICES AND FUNDING SUSTAINABILITY OF NON-GOVERMENTAL ORGANIZATIONS IN KENYA: A CASE OF ISLAMIC RELIEF KENYA for the period ending : 22/April/2022.</b>	
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### Appendix III: Questionnaire

Kindly tick or answer appropriately. Confidentiality of the obtained information will be assured

Note: For questions that require you to state your extent of agreement, use

Very great extent [    ]      Great extent [    ]  
Moderate extent [    ]      little extent [    ]      Not at all [    ]

#### Section A: Background Information

1. Gender:              Female      [    ] Male      [    ]

2. Age bracket

Below 25 years	[    ]	25-30 years	[    ]
31-34 years	[    ]	35-40 years	[    ]
41-44 years	[    ]	45-50 years	[    ]
Over 50 years	[    ]		

3. Highest education level

Postgraduate degree      [    ] Bachelor's Degree      [    ] Diploma/Certificate      [    ]  
Secondary Certificate [    ] Primary certificate      [    ] Others Specify      [    ]

4. Duration worked in the organization

a) 2-5 years              [    ]  
b) Below 2 years              [    ]  
c) Above 5 years              [    ]

**Section B: Financial Planning**

5. State the trend of these sustainability measures for your NGO in the past 6 years?

<b>Measures of Sustainability</b>	Greatly improving	Improving	Constant/stable	Deteriorating	Greatly Deteriorating
Cash Flows					
Cost Recovery Rate					
Unrestricted Income					

6. To what extent does financial planning affect the funding?

Very great extent [    ]      Great extent [    ]  
 Moderate extent [    ]      little extent [    ]      Not at all [    ]

7. To what extent do these affect your NGO funding sustainability?

<b>Financial Planning Indicators</b>	Not at All	Little Extent	Moderate extent	Great extent	Very great Extent
Budget Control					
Financial analysis					
Plan implementation					
Asset selection					

**Section C: Income Diversification**

8. How crucial are these drivers for income diversification in your organization? Use 1-5 where 5

= unimportant and 1= very important

<b>Drivers for Income Diversification</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Risk management					
Reducing economic Downturn					
Fueling NGOs activities' further Growth					
Gaining more Flexibility in the IFM					
Raising the long term reliability of income the stream					
Being able to finance projects based to your priorities					

9. How effective are the these income diversification strategies in promoting funding sustainability in your organization? Use a scale of 1-5 where 1= very effective and 5=ineffective

<b>Income Diversification Strategies</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Social entrepreneurship					
Fundraising and development plan					
Owning and managing businesses					
Corporate donors sourcing					

**Section D: Donor Fund Management**

10.To what extent is funding sustainability of your organization affected by donor fund management?

Very great extent [    ]      Great extent [    ]  
Moderate extent [    ]      little extent [    ]      Not at all [    ]

11.To what extent do the following affect Funding sustainability of your NGO?

<b>Donor Fund Management Indicators</b>	Very great extent	Great extent	Moderate extent	Little extent	Not at all
Implementing a comprehensive recognition activities					
Use of information management					
Promote Meaningful communication					
Providing Accountability					
Donor Segmentation					

**Section E: Own Income Generation**

12.To what Extent does own income generating activities affect of your organization’s funding sustainability?

Very great extent [    ]      Great extent [    ]  
 Moderate extent [    ]      little extent [    ]      Not at all [    ]

13.How extent is the influence of own income generating activities on funding sustainability on NGO?

<b>Income Generating Activity</b>	Very great extent	Great extent	Moderate extent	Little extent	Not at all
My firm offers effective Social Responsibility					
Has a high number of Business Activities					
Involves in strong Corporate Alliances					

Public Contributions					
----------------------	--	--	--	--	--

**Section F: Funding Sustainability**

14. To what extent does funding is sustainable in your organization?

Very great extent [    ]      Great extent [    ]  
 Moderate extent [    ]      little extent [    ]      Not at all [    ]

15. How extent is the following statements influences the funding sustainability in your organization?

<b>Funding Sustainability Indicators of the Organization</b>	Very great extent	Great extent	Moderate extent	Little extent	Not at all
Has adequate resources to implement projects					
Is self sufficient					
Relies on revenue from various sources					
Has policy for stakeholders' engagement					

**THANK YOU**

## Appendix IV: ANOVA SPSS Output

### Analysis of Variance

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	7.558	4	1.890	9.947	.000 <sup>a</sup>
Residual	11.201	59	0.190		
Total	18.759	63			

### Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.681	.277		13.273	.000
	Financial planning	.620	.025	4.175	2.484	.001
	Income Diversification	.529	.013	2.142	2.143	.002
	Donor Fund Management	.610	.021	1.051	1.762	.000
	Own income generation	.339	.037	3.584	9.203	.000