

**FINANCIAL PLANNING PRACTICES AND DONOR RETENTION RATE OF
EDUCATION-CENTERED NON-PROFIT ORGANIZATIONS IN NAIROBI
CITY COUNTY, KENYA**

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D53/CTY/PT/20927/2022

**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS,
ECONOMICS, AND TOURISM IN PARTIAL FULFILLMENT FOR THE
AWARD OF THE DEGREE OF MASTER OF BUSINESSADMINISTRATION
(FINANCE OPTION) OF KENYATTA UNIVERSITY**

JUNE 2025

DECLARATION

Student's Declaration

As undersigned, I proclaim to be the sole pioneer of this study project, and thus, this document has yet to be declared as theirs, nor has it been used to acquire a degree from any institution.

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DEDICATION

The study's research activities honor my dearest wife, Ms. Abigail Fegtly's, tireless advocacy for education among the underprivileged communities in Nairobi, Kenya. She serves as a beacon of hope to many, and this research serves as a reminder of her incredible efforts and unwavering determination to make a difference. To my family—Irene and Aflin—you have been my support system and rock throughout this research journey. In every setback and triumph, your love and encouragement have lifted me higher.

ACKNOWLEDGEMENT

Special thanks to Kenyatta University as an institution. The department's resources, equipment, faculty members, and academic guidance greatly benefited me. Most importantly, I would be remiss not to extend my heartfelt appreciation to my instructor, Dr. Margaret Kosgei. Her invaluable expertise and discernment during this academic journey have been a Godsend blessing. Her timely and insightful feedback has played a fundamental role in shaping the outcome of my research activities. The significant impact reflected in this research is attributed to her commitment to excellence and passion for academic growth. I would also like to acknowledge my friend Teddy Odhiambo for his unwavering belief in me, which ultimately became my source of strength. Finally, I would like to express my gratitude to my classmates and colleagues for their steadfast support, motivation, and encouragement, which were instrumental in helping me complete this academic journey.

TABLE OF CONTENTS

DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS	v
LIST OF TABLES	ix
LIST OF FIGURES	ix
OPERATIONAL DEFINITION OF TERMS	xi
ABBREVIATIONS AND ACRONYMS	xii
ABSTRACT	xiv
CHAPTER ONE	1
INTRODUCTION	1
1.1 Background to the Study	1
1.1.1 Financial Planning Practices.....	3
1.1.2 Donor Retention Rate	6
1.1.3 Education-Centered Non-Profit Organizations in Nairobi City County, Kenya.....	7
1.2 Statement of the Problem	9
1.3 Objectives of the Study	11
1.3.1 General Objective	11
1.3.2 Specific Objectives	11
1.4 Study Hypotheses	12
1.5 Significance of the Study	12
1.6 Scope of the Study.....	14
1.7 Limitations of the Study	15
1.8 Study Organization.....	16
CHAPTER TWO	18
LITERATURE REVIEW	18
2.1 Introduction	18
2.2 Theoretical Review	18
2.2.1 Stewardship Theory	19
2.2.2 Resource Dependence Theory (RDT)	19

2.2.3 Social Exchange Theory	20
2.3 Empirical Review	21
2.3.1 Budgeting and Donor Retention Rate.....	22
2.3.2 Financial Forecast and Donor Retention Rate	23
2.3.3 Cash Flow Management and Donor Retention Rate	26
2.3.4 Risk Management and Donor Retention Rate	27
2.4 The Summary of Literature Review and Research Gaps	28
2.5 Conceptual Framework	33
CHAPTER THREE	35
RESEARCH METHODOLOGY	35
3.1 Introduction	35
3.2 Research Design.....	35
3.3 Target Population	35
3.4 Sampling Technique and Sample Size	36
3.5 Data Collection Instrument	37
3.6 Pilot Test.....	38
3.7 Validity and Reliability.....	39
3.7.1 Validity Test	39
3.7.2 Reliability Test.....	39
3.8 Data Collection Procedures	40
3.9 Data Analysis and Presentation	40
3.10 Operationalization and Measurement of Variables	41
3.11 Diagnostic Tests.....	43
3.11.1 Normality Test	43
3.11.2 Multi-collinearity Test	43
3.11.3 Heteroscedasticity Test	44
3.12 Ethical Considerations.....	44
CHAPTER FOUR.....	46
DATA ANALYSIS, PRESENTATION, AND INTERPRETATION	46
4.1 Introduction	46
4.2 Analysis of the Response Rate and Descriptive Statistics	46
4.3 Bio-Data Information of the Respondents	47
4.3.1 Distribution of the Respondents by Gender	47

4.3.2 Distribution of the Respondents by Age Bracket	48
4.3.3 Distribution of the Respondents by Academic Qualification	49
4.3.4 Distribution of the Respondents by Number of Years of Experience.....	50
4.4 Reliability Test	52
4.5 Diagnostic Tests	53
4.5.1 Normality Test	53
4.5.2 Multicollinearity Test.....	54
4.5.3 Heteroscedasticity Test	55
4.6 Descriptive Statistics	56
4.6.1 Budgeting Practices	56
4.6.2 Financial Forecasting Practices	60
4.6.3 Cash Flow Management Practices.....	65
4.6.4 Risk Management Practices.....	68
4.6.5 Donor Retention Rate	71
4.7 Inferential Statistics.....	76
4.7.1 Correlation Analysis	76
4.7.2 Regression Analysis.....	79
4.7.2.1 Model Summary Analysis for Budgeting Practices.....	80
4.7.2.2 ANOVA for Budgeting Practice	80
4.7.2.3 Coefficient Table for Budgeting Practices.....	81
4.7.3.1 Model Summary Analysis for Financial Forecasting Practices.....	82
4.7.3.2 ANOVA for Financial Forecasting Practices	83
4.7.3.3 Coefficient Table for Financial Forecasting Practices	84
4.7.4.1 Model Summary Analysis for Cash Flow Management Practices	85
4.7.4.2 ANOVA for Cash Flow Management Practices.....	86
4.7.4.1 Coefficient Table for Cash Flow Management Practices	87
4.7.5.1 Model Summary Analysis for Risk Management Practices	87
4.7.5.2 ANOVA for Risk Management Practices	88
4.7.5.3 Coefficient Table for Risk Management Practices	89
4.8 Multiple Regression Analysis.....	90
4.8.1 Model Summary Analysis for Multiple Regression	91
4.8.2 ANOVA for Multiple Regression	92
4.8.3 Coefficient Table for Multiple Regression	93

4.9 Hypothesis Testing	96
4.9.1 Budgeting Practices and Donor Retention Rate	97
4.9.2 Financial Forecasting Practices and Donor Retention Rate	97
4.9.3 Cash Flow Management Practices and Donor Retention Rate.....	98
4.9.4 Financial Risk Management Practices and Donor Retention Rate.....	98
CHAPTER FIVE	99
SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS	99
5.1 Introduction	99
5.2 Summary of the Findings	99
5.3 Conclusions	100
5.4 Recommendations of the Study	102
5.5 Suggestion for Further Research	103
REFERENCES.....	104
APPENDICES	114
Appendix I: Introduction Letter	114
Appendix II: Research Questionnaire	115
Appendix III: List of Education and Research NPOs in Kenya.....	119
Appendix IV: Research Authorization Letter	124
Appendix V: NACOSTI Research License	125

LIST OF TABLES

Table 2.1 Literature Review Summary and Research Gaps-----	29
Table 3.1 Target Population Table -----	36
Table 3.2 Sampling Frame Table-----	37
Table 3.3 Operationalization and Measurement of Variables -----	42
Table 4.1 Reliability Analysis -----	52
Tables 4.2: Kolmogorov-Smirnov Test-----	53
Table 4.3: Multicollinearity Test -----	54
Table 4.4 Breusch-Pagan Test -----	55
Table 4.5 Descriptive Analysis for Budgeting Practices-----	59
Table 4.6 Descriptive Analysis for Financial Forecasting-----	63
Table 4.7: Descriptive Analysis for Cash Flow Management-----	66
Table 4.8: Descriptive Analysis for Risk Management -----	69
Table 4.9 Descriptive Analysis for Donor Retention Rate -----	74
Table 4.10: Correlation Results -----	77
Table 4.11: Model Summary of Budgeting Practices in Establishing the Model Fitness -----	80
Table 4.12: ANOVA for Budgeting Practices -----	81
Table 4.13: Coefficient Table for Budgeting Practices-----	82
Table 4.14: Model Summary Analysis for Financial Forecasting -----	83
Table 4.15: ANOVA for Financial Forecasting -----	83
Table 4.16: Coefficient for Financial Forecasting -----	84
Table 4.17: Model Summary for Cash Flow Management Practices -----	85
Table 4.18: ANOVA for Cash Flow Management -----	86
Table 4.19: Coefficient for Cash Flow Management-----	87
Table 4.20: Model Summary for Risk Management -----	88
Table 4.21: ANOVA for Risk Management Practices -----	89
Table 4.22: Coefficient for Risk Management -----	90
Table 4.23: Model Summary for Multiple Regression-----	91
Table 4.24: ANOVA for Multiple Regression -----	92
Table 4.25: Coefficient for Multiple Regression-----	94

LIST OF FIGURES

Figure 2.1 Conceptual Framework-----	34
Figure 4.1: Respondents' Rate of Response -----	47
Figure 4.2: Respondents' Gender Distribution-----	48
Figure 4.3: Respondents' Distribution by Age Bracket-----	49
Figure 4.4: Respondents' Academic Qualifications -----	50
Figure 4.5: Respondents' Years of Experience-----	51
Figure 4.6: Frequency of Involvement in Budgeting Practices -----	57
Figure 4.7: Frequency of Budget Preparation -----	58
Figure 4.8: Accuracy and Reliability of Financial Forecasting-----	61
Figure 4.9: Effect of Accurate and Reliable Financial Forecasting Practices -----	62
Figure 4.10: Distribution of Preferred Risk Management Actions -----	68
Figure 4.11: The Extent to which Organizations have Stability in Donation -----	72
Figure 4.12: Determinants of Adopted Financial Planning Practices -----	73

OPERATIONAL DEFINITION OF TERMS

- Budgeting Practices:** - These are procedures used by education-based non-profit organizations aimed at estimating, allocating and monitoring financial resources across organizational mandates. These practices were measured in terms of estimated revenue, budget planning, coordination, and evaluation.
- Cash Flow Management:** - This is the aspect of monitoring the donations revenues and expenses to ensure education nonprofit organizations have adequate cash to meet its short-term financial requirements as and when they occur. In this study, the practices were measured in terms of liquidity management, cash flow optimization, and monetary assets management.
- Donor Retention Rate:** - This refers to the proportion of donors who give their contribution every month to continue supporting the operations and projects in education-based non-profit organizations. The current study measured donor retention rate in terms of donor lifetime value since the value measures the amount a donor contributes throughout their entire engagement and relationship with the education-based non-profit organization.
- Education Non-Profit Organizations:** - These are nonprofit organizations that operate to drive and support education in various underprivileged communities.
- Financial Forecast:** - These are processes employed by education-based non-profit organizations to estimate and predict the future financial revenues and expenses based on the past financial data and trends. The current study used revenue forecast, expenditure forecast, trend

analysis, and scenario analysis in measuring the extent of influence of financial forecasting practices on the donor retention rate of education-based non-profit organizations.

Financial Planning Practices:

- These are practices that involve the systematic process of setting financial objectives implemented by education-based non-profit organizations in enhancing their continued stability and prolonged donor engagement. In this study, the practices were measured in terms of budgeting methods, financial forecasting procedures, cash flow management practices, and financial risk management methods in an education-based non-profit organization.

Risk Management:

- This is the process of recognition, investigation, and alleviation of financial hazards that could potentially hinder the financial sustainability of the education-based non-profit organizations. This study used risk identification, evaluation, management, and control in measuring this variable.

ABBREVIATIONS AND ACRONYMS

CAF	Charities Aid Foundation
CEOs	Chief Executive Officers
CLRM	Classical Linear Regression Model
DLV	Donor Lifetime Value
DRR	Donor Retention Rate
EFA	Education For All
NACOSTI	National Commission for Science, Technology and Innovation

NGO	Non-Governmental Organization
NPO	Non-Profit Organization
NPT	National Philanthropic Trust
RDT	Resource Dependency Theory
SPSS	Statistical Package for Social Sciences
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNHCR	United Nations High Commissions for Refugees
USAID	United States Agency for International Development
VIF	Variance Inflation Factor

ABSTRACT

The donor retention rate is a nonprofit concept that requires strategic and tactical efforts to sustain the stability of most education-based nonprofit organizations. These organizations have consistently bridged the gap in education by providing resources to underserved and vulnerable regions. Since 2019, the donor retention rate has become a critical challenge for education-based nonprofit organizations, given the uncertainty of reduced income and donor withdrawals. This study highlights the role of financial planning practices on the donor retention rate of education-based nonprofit organizations in Nairobi City County, Kenya. The objectives of this study are as follows: the influence of budgeting practices, the effect of financial forecasting practices, the effect of cash flow management procedures, and the influence of risk management practices on the donor retention rate of education-based nonprofit organizations in Nairobi City County, Kenya. The research scope covered educational institutions in Nairobi City County and targeted 109 NPOs in the education sector. It anchored its theoretical foundation in stewardship, social exchange, and resource dependency theories. The sample size included 85 respondents, targeting finance managers, program coordinators, and fundraising officers selected through a simple random sampling technique. Open and closed-ended questionnaires assisted in gathering the data. A pilot study was conducted with six participants. Cronbach's alpha coefficient determined reliability before the measuring tool was administered, and variables with coefficients greater than 0.7 were regarded as reliable for the study. The validity of the measuring tool was established with the assistance of supervision and research experts. Three diagnostic tests were performed before inferential analysis: normality, multicollinearity, and heteroscedasticity tests. Descriptive survey and explanatory research designs guided both quantitative and qualitative data collection. Descriptive and inferential techniques directed the analysis of data after collection, using Excel and SPSS software version 30.0.0. Data was analyzed with the Pearson correlation to determine the strength of the associations. Descriptive analysis results were presented in diagrams, pie charts, and tables, while inferential statistics results were presented in tables. The results of the data analysis indicated R-squared values for the predictor variables as follows: 0.485 for budgeting, 0.149 for financial forecasting, 0.055 for cash flow management, and 0.656 for risk management practices meaning that 48.5%, 14.9%, 5.5%, and 65.6% of the total variations in the donor retention rate are explained by variables, respectively. Additionally, multiple linear regression analysis served as the decision rule for testing the study's hypothesis. The results of the multiple regression analysis indicated that all predictor variables, budgeting (with a coefficient of 0.344), financial forecasting (with a coefficient of 0.112), cash flow management (with a coefficient of 0.114), and risk management practices (with a coefficient of 0.570), positively and significantly influenced the donor retention rate. The study concluded that budgeting, financial forecasting, cash flow management, and financial risk management practices significantly influence donor retention rates in education-centered nonprofit organizations in Nairobi City County. The study recommends that education-based nonprofit organizations adopt and strengthen these four financial planning practices to improve donor retention and long-term financial sustainability. Further studies can be conducted to replicate the research activities of nonprofit organizations beyond education-centered nonprofit organizations.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Nonprofit organizations operating within the education sector play a significant role in addressing various gaps in access, equity, and quality of learning. Their ability to consistently retain donors through fundraising or monthly or annual contributions is crucial for their financial health and sustainability. Fang et al. (2021) point out that even a slight improvement in retaining existing donors may significantly enhance the lifetime value of fundraising efforts. For instance, a 10% increase in retention rates can lead to a 200% improvement in anticipated value, as donors are likely to upgrade their donations, contribute in various ways, and encourage others to give (Fang et al., 2021). Despite the efforts to uplift the societies they serve, education-centered non-profit organizations continue to experience substantial donor attrition.

Globally, there has been a notable shift in donors' willingness to support education-based programs they previously contributed to, despite overall increased humanitarian aid. For instance, in the United States, the Association of Fundraising Professionals (AFP) reported a 10.6% increase in overall donations for school operations and projects from 2019 to 2020, yet the donor retention rate for recurring monthly/annually donors decreased by 4.1% (AFPglobal, 2023). The COVID-19 pandemic prompted various donors to redirect their contributions towards pandemic-related causes, shifting their loyalty from previously supported organizations, including education-based non-profit organizations.

Many countries in South America confront harsh economic conditions, frequent violence, unstable political environments, failing education systems, and natural

disasters that hinder many underserved populations from accessing basic needs (NOG Council, 2024). According to Ranucci and Lee (2019), most donors for education-based non-profit organizations in these countries become uncertain as these conditions raise safety concerns regarding the organizational use of funds, financial planning practices, and the potential for disruptions in school projects.

African countries, specifically those in the Sub-Saharan regions, face a myriad of challenges in meeting their educational goals due to financial instability caused by declining donor funding. According to the World Bank (2023), more than two-thirds of African children lack adequate resources to access basic education due to these financial constraints. In the quest to understand the retention challenge, a USAID study conducted in Benin on 20 education-based NPOs in 2022 found that only 7% were financially stable. According to Piller (2022), many of these education-based NPOs need help convincing donors to maintain monthly/annual contributions, compounded by minimal social protection from national governments.

In Kenya, education-based non-profit organizations rely heavily on foreign contributions, with over 90% of their funds coming from abroad. According to Gatua (2021), most of these local education nonprofits need more resources and expertise to foster strong donor relationships and engagement. They frequently seek new donors to sustain operations, which is costly and time-consuming (Baber, 2020). According to Fang et al. (2021), the chances of enhancing a substantial donor retention rate for education-based non-profit organizations are high where the employees in these organizations employ strong donor base and engagement practices.

The choices of the budgeting practices, financial practices, cash flow management practices, and financial risk management practices as the independent variable

emanated from the practical actualities of the education-centered non-profit organizations. These practices build a solid donor base that depends on developing effective donor retention strategies, prioritizing retention over acquisition. Various studies, such as Brigham and Daves, (2019) and Mustaffha et al. (2021), have demonstrated how strong budgeting methods have enhanced proper allocation of financial resources, effective financial forecasting procedures have enabled planning for the future financial needs, adequate cash flow management practices have aided in ensuring liquidity as and when financial need arises, and financial risk management strategies have mitigated the risk of financial losses and uncertainty. Numerous local education-focused nonprofit organizations lack adequate resources and technical capacity to cultivate robust donor relationships, thereby limiting their ability to align transparent financial practices with sustained donor engagement (Mwangi & Muchelule, 2020). This study, therefore, explored the influences of financial planning on long-term donor retention rates in the education sector. Focusing on Nairobi City County, it developed insights into effective financial planning strategies that enhance donor retention.

1.1.1 Financial Planning Practices

In this study, financial planning practices are conceptualized as a multidimensional concept encompassing the techniques, approaches, and processes organizations use to plan, allocate, and manage financial resources to achieve long-term stability and sustainability of the education-based non-profit organizations. For these organizations, proper financial planning practices are not only considered a regulatory obligation but also a significant element for donor trust and school projects' continuity (Chukwuma-Eke et al., 2022; Brigham & Daves, 2019). As Brigham and Daves (2019) stipulate,

financial planning is central to organizational finances, ensuring resources are allocated based on priorities.

Based on various literature reviews and pragmatic applicability within the education-based NPO sector, the research focused on the four key measures of financial planning practices. The measures of financial planning explored in this research include budgeting practices, cash flow management practices, financial forecasting practices, and financial risk management practices. According to Mauro et al. (2021), these four dimensions of financial planning represent the crucial operational financial approaches commonly explored by education-based non-profit organizations and are also directly associated with donor engagement, relationship, and retention.

Budgeting practices refer to a systematic process that involves the development of a comprehensive financial blueprint for a specified period by allocating finances, approximating incomes, and forecasting expenditures. According to Maaldu (2019), proper budgeting practices enhance organizational financial accountability and ensure that the organization's expenditure and objectives align. Mauro et al. (2021) argue that proper budgeting practices can be measured in terms of revenue estimation, budget planning, coordination, and evaluation. Budgeting practices can also be measured in terms of budget variance analysis, participatory budgeting, and the use of budgeting tools.

Financial forecasting practices involve the prediction of future financial outcomes through the estimation of the organization's projected income and expenses based on historical data and trends. These practices help in identifying potential opportunities and threats that could affect financial performance (Shmueli & Polak, 2024). A thorough forecast includes short- and long-term outlooks on conditions affecting

revenues and the inclusion of contingencies for unforeseen expenditures. Key indicators of financial forecasting are trend analysis and scenario planning. Trend analysis examines past economic data to predict future outcomes, which is beneficial for educational NPOs to estimate future revenue streams, like donations and grants. Scenario planning, on the other hand, develops various alternatives for anticipating multiple potential outcomes (Shmueli & Polak, 2024). Financial forecasting practices can also be measured in terms of the use of external data, staff training, and forecast accuracy.

Cash flow management practices involve the techniques organizations use to monitor cash inflow and outflow, which are necessary to ensure that there are always adequate finances to meet short-term financial requirements as and when they arise. According to Mikeladze (2023), determining where and when funds come from and how they are used aids education non-profit organizations in identifying cash inflow and outflow patterns. Significant indicators of cash flow management include cash flow optimization, monetary asset management, and liquidity management. Cash flow management practices can also be measured in terms of cash reserve practices and cash burn rate monitoring. Educational organizations rely on this forecast to plan their calendar year and ensure they have enough finances to cover upcoming expenses (Mikeladze, 2023).

Financial risk management practices encompass techniques that identify, evaluate, mitigate, and monitor potential financial hazards that could adversely impact institutions' ability to achieve their monetary objectives. This process includes identifying, assessing, quantifying, and controlling risks. These risks are subsequently evaluated and monitored to ensure they effectively minimize their impact on the organization's financial health. Such risks may include financial mismanagement, tax

liabilities, investment risk, donor dependency, or revenue volatility (Brigham & Daves, 2019). Additionally, financial risk management can be assessed in terms of insurance coverage, internal controls, and staff training.

1.1.2 Donor Retention Rate

In this study, Donor Retention Rate (DRR) is conceptualized as the measure of the ability of an education-based non-profit organization to establish and maintain a continuous relationship with its existing donors over time. The DRR reflects both the effectiveness of donor engagement strategies and the perceived value donors place on the organization's mission and transparency. As inferred by Barber (2020), a high donor retention rate suggests strong donor loyalty and operational credibility, while a lower retention rate indicates gaps in communication, financial planning, or accountability. Barber (2020) also asserts that prospecting for new donors is expensive, regardless of the method used. Retaining existing donors can be more cost-effective, but it primarily entails communicating the program's progress to the donors to assure them that their contributions make a positive difference.

Halverson (2022) defined DRR as the proportion of contributors who continue contributing to an organization or cause annually over a given period. Retaining donors is not just about recurring contributions; it also includes donor satisfaction, trust, and emotional investment (Halverson, 2022). Donor Lifetime Value (DLV, a related concept) estimates the cumulative net contribution a donor makes over the lifespan of their relationship with the organization (Beverdam, 2024). According to Barber (2020), on average, a nonprofit organization loses 75% of its donor value within five years due to declining donor numbers. This loss necessitates acquiring new donors to compensate for the shortfall.

According to the Fundraising Effectiveness Project (2022), average annual DRRs across global education-based non-profits remain below 45%, whereas a retention rate of 60-70% is generally regarded as sustainable. Although sectors like religion and international affairs have been experiencing an average increase of 10% in donations since 2020, the education and research sector has faced a significant decline, with an average annual giving falling by 4.4%. According to Whitley (2021), education and research institutions relying on donations for operations may spend more than four times the lost donor value to maintain stable revenue after losing a substantial number of donors. Thereby, a consistent donor base for these institutions reduces the urgency of acquiring new donors, lowering operational costs, and improving donor retention.

DRR has been extensively studied as a critical indicator of financial stability for education-based non-profit organizations. This study measures the Donor Retention Rate using Donor Lifetime Value as the main indicator of measurement. The DVL is operationalized through four key constructs designed to capture both behavioral and relational dimensions of donor loyalty. These constructs include tracking donor interactions and contributions, repetitions of monthly or annual contributions, donor involvement beyond financial contributions, and the use of donor engagement channels. These constructs were measured using both structured and unstructured questionnaires targeting finance officers, fundraising teams, and program coordinators within education-based non-profit organizations in Nairobi City County, Kenya.

1.1.3 Education-Centered Non-Profit Organizations in Nairobi City County, Kenya.

Kenya hosts a wide range of nonprofit organizations (NPOs) that serve various sectors, including health, education, social services, environment, and civic engagement. According to the NGOs Coordination Board (2022), Nairobi City County accounts for

approximately 56% of all registered nonprofit organizations in the country, making it the epicenter of Kenya's nonprofit activity.

This study focuses on a subset of these organizations, that is the education-centered nonprofit organizations, defined as registered non-governmental organizations (NGOs) whose core mission involves promoting access to education, providing scholarships, supporting school infrastructure, enhancing literacy, or delivering educational services to underserved populations across primary, secondary, and tertiary levels.

As per the latest registry from the NGOs Coordination Board, there are 109 active education-based NPOs in Nairobi City County. This number constituted the target population for the current study. Using a census approach sampling design, 67 completed and valid questionnaires were returned and analyzed. The unit of analysis in this study was the organization, while the unit of response was drawn from these organizations' sponsorship and finance departments and included finance managers, program coordinators, and fundraising officers with insight into the organization's financial planning practices and donor engagement strategies.

Education-centered NPOs in Nairobi City face a mixed operational background. On the one hand, they play a crucial role in improving educational access and outcomes for vulnerable populations. On the other hand, they struggle with issues of financial sustainability and donor loyalty. Surveys by the NGOs Coordination Board show that an average of 40 new education NPOs are registered annually, yet the average donor retention rate remains low at approximately 41%. This suggests that over half of donors disengage within the first few years, exposing these organizations to financial vulnerability.

Research by Ngaruiya and Mungai (2023) found that 70% of education-centered nonprofit organizations in Nairobi County fail within six years of establishment, largely due to donor fatigue, shifting priorities, and weak internal financial systems. Similarly, Mwangi and Muchelule (2020) concluded that inefficient financial planning and poor resource management are among the leading causes of declining donor confidence, which directly impacts organizational sustainability.

Considering these challenges, education-based nonprofits in Nairobi must adopt effective financial planning practices to demonstrate impact, foster accountability, and build long-term donor relationships. These practices are vital for securing recurring contributions and ensuring their ongoing capacity to serve educationally marginalized communities.

1.2 Statement of the Problem

Despite significant strides in expanding access to basic education in Kenya through initiatives such as the 2003 Free Primary Education (FPE) policy, many marginalized populations, such as orphans, girls, street children, and children with disabilities, still face systemic barriers to progressing into secondary and tertiary education. To help bridge this gap, education-centered non-profit organizations (NPOs) have emerged to offer scholarships, infrastructure, and academic support, relying heavily on donor contributions for sustainability.

Despite the efforts instigated by these education-centered non-profit organizations, the donor retention rate (DRR) among these NPOs has been consistently low, signaling growing instability in funding streams. Recent reports indicate troubling trends in donor retention rates experienced in education-centered non-profit organizations. According to the National Philanthropic Trust (2023), while sectors like religion and international

affairs experienced a 10% rise in donations, the education and research sector recorded a 4.4% decline in annual giving. Locally, the NGO Sector Annual Reports from 2019 to 2023 show donor retention rates for education-centered non-profit organizations averaging below 45%: 43.1% (2019), 42.6% (2020), 43.4% (2021), 41.6% (2022), and 40.9% (2023). These statistics indicate that more than half of donors do not continue their monthly contributions, limiting the education nonprofits' abilities to sustain their operations. Additionally, according to surveys by the NGOs Coordination Board, an average of 40 new education-focused NPOs are registered each year in Nairobi City County. However, donor retention for the newly registered organizations remains low at around 41%, indicating that more than half of donors withdraw their support within the first few years, leaving these organizations financially vulnerable. The trends also suggest that the donor lifetime value is diminishing, undermining the long-term sustainability and operational continuity of education-centered NPOs.

As much as various recent studies have investigated the challenges in donor retention rates facing local education non-profit organizations in Kenya, key conceptual and contextual gaps still exist. Mwangi and Muchelule (2020) investigated the coordination and sustainability of education NPOs in Nairobi but focused narrowly on team management and resource mobilization. Their study did not incorporate financial planning practices such as budgeting, forecasting, or risk mitigation, which this study seeks to address. Ngaruiya and Mungai (2023) examined control structures and found that 70% of education NPOs in Nairobi collapse within six years due to donor attrition. However, their work failed to analyze how budgeting and cash flow management practices influence this decline, which is a very critical conceptual omission. Mwangoma and Kisimbii (2022) studied donor retention factors in Kilifi County and found that accountability and transparency influence donor loyalty. Nonetheless, Kilifi

differs significantly from Nairobi in terms of organizational density, donor demographics, and funding structures, hence creating a contextual gap in applicability.

In this study, DRR is measured through the lens of donor lifetime value, which refers to the total net financial contributions made by a donor over their lifetime of engagement with an organization. As measured by donor lifetime value, this study fills the identified gaps by investigating how four key financial planning practices, budgeting, financial forecasting, cash flow management, and financial risk management, influence donor retention. It offers new knowledge by positioning financial planning practices as strategic tools for enhancing donor loyalty and sustaining education-based NPOs in Nairobi. The findings aim to inform both policy and practice, particularly for education-focused non-profit leaders seeking to stabilize revenue flows and maintain long-term donor engagement.

1.3 Objectives of the Study

1.3.1 General Objective

The main objective of this study was to examine the influence of financial planning practices on donor retention rates in education-centered non-profit organizations in Nairobi City County, Kenya.

1.3.2 Specific Objectives

- i) To evaluate the effect of budgeting practices on donor retention rates of education-centered non-profit organizations in Nairobi County, Kenya.
- ii) To assess the influence of financial forecasting practices on donor retention rates of education-centered non-profit organizations in Nairobi County, Kenya.

- iii) To investigate the influence of cash flow management practices on donor retention rates of education-centered non-profit organizations in Nairobi County, Kenya.
- iv) To examine the effect of financial risk management practices on donor retention rates of education-centered non-profit organizations in Nairobi County, Kenya.

1.4 Study Hypotheses

The research deliberated on the null hypotheses below:

H₀₁: Budgeting practices have no significant influence on donor retention rates in education-based non-profit organizations in Nairobi County, Kenya.

H₀₂: Financial forecasting practices have no significant effect on donor retention rate in education-based non-profit organizations in Nairobi County in Kenya.

H₀₃: Cash flow management practices have no significant influence on the donor retention rate in education-based non-profit organizations in Nairobi County, Kenya.

H₀₄: Financial risk management practices have no significant effect on donor retention rates in education-based non-profit organizations in Nairobi County, Kenya.

1.5 Significance of the Study

This research bridges the substantial gaps in understanding how financial planning methods influence financial stability through donor retention rates in Kenyan NGOs focusing on education and research. It examined how financial planning practices and donor retention interact, thus enhancing organizational efficiency and sustainability over time. The primary operational challenge addressed in this investigation is maintaining a stable donor base. Mastering donor retention is critical for educational

nonprofits with volatile and unpredictable funding streams. This research provided concrete empirical evidence of the effectiveness of financial practices such as budgeting, forecasting, financial risk management, and cash flow management in growing and maintaining donor trust.

From a policy perspective, the research led to more transparent, accountability-oriented policies and practices within education and research nonprofits. These findings may benefit managers and leaders within the nonprofit education sector, enabling them to develop financing strategies responsive to existing and potential contributors and strengthen their appeal. Ultimately, the goal is to create an environment where donors feel confident in the system, resulting in better funding models for education and research NPOs.

Academically, this paper substantially adds value to the nonprofit finance literature. Investigating the linkages between financial planning and donor retention filled various empirical gaps and set the stage for subsequent studies in this area. The study's findings may enhance the ability of education-oriented nonprofits in Nairobi City County to optimize their financial mechanisms and increase donor retention. This, in turn, supports ongoing educational initiatives that contribute to socio-economic development, addressing educational inequities through human capital development and fostering regional growth and prosperity.

To donors and philanthropic institutions, the findings may help in assessing the financial stewardship and planning competency of education-based NPOs before making long-term funding commitments. It promotes donor confidence by linking good financial governance with measurable donor loyalty outcomes.

Ultimately, for the wider society, particularly vulnerable communities benefiting from nonprofit education programs, the study contributes indirectly by enhancing the financial health and sustainability of organizations serving their needs. By supporting long-term donor engagement, these organizations are better positioned to deliver consistent, high-quality educational services that address inequalities, develop human capital, and promote socio-economic development.

1.6 Scope of the Study

This study focused on 109 registered educational nonprofit organizations (NPOs) operating in Nairobi City County, as documented by the NGO Coordination Board (2022). These organizations were selected due to Nairobi's status as Kenya's nonprofit hub, hosting more than 50% of the country's total registered NGOs. This contextual focus was intentional, as Nairobi's education-based NPOs operate in a uniquely competitive environment compared to other counties. Prior studies, such as Mwangoma and Kisimbii (2022), have been conducted in other counties like Kilifi, which possess vastly different economic and donor dynamics, creating a geographical and contextual gap that this research sought to address.

The research adopted a sample size of 85 organizations, with respondents drawn from key finance-related roles such as finance managers, fundraising officers, and program coordinators. These individuals are strategically placed to offer insights into how internal financial planning systems relate to external donor behaviors, specifically donor retention.

This study was carried out during the second half of 2024, specifically from July to December. This period was selected due to its strategic significance, since most donor reporting cycles, grant renewals, and financial reviews within education-based NPOs

in Kenya typically occur in the third and fourth quarters of the year. Thus, this timeframe allowed the researcher to collect data when financial practices were most visible and donor interaction trends were current, offering a scientifically sound and timely reflection of donor retention dynamics.

The study addressed key gaps in the literature by investigating financial planning practices, including budgeting, forecasting, financial risk management, and cash flow management, as predictors of donor retention rate, measured through donor lifetime value indicators such as repeat donations, donor engagement, and contribution behavior over time. Previous studies (e.g., Mwangi & Muchelule, 2020; Ngaruiya & Mungai, 2023) did not explicitly connect these specific financial planning constructs with donor retention metrics, thus leaving a conceptual gap in understanding how internal financial decisions shape long-term donor commitment.

1.7 Limitations of the Study

Several challenges were encountered during the research process, which had the potential to influence the accuracy, reliability, and comprehensiveness of the data collected.

One significant limitation involved discrepancies in the NGO Coordination Board's records. Some nonprofit organizations listed as active were found to be non-operational during fieldwork. To mitigate this, the researcher identified and included alternative education-focused nonprofit organizations with similar characteristics to maintain the integrity and relevance of the study.

Another challenge was low response rates from organizations facing acute financial difficulties. Some respondents were either unwilling or unable to participate due to the sensitive nature of their financial circumstances, introducing a possibility of response

bias. To address this, the researcher assured participants of strict confidentiality and anonymity. Additionally, emphasis was placed on the practical value of the study, particularly its potential to strengthen donor relationships and improve organizational sustainability.

The data collection timeline also faced delays, as many respondents were preoccupied with their day-to-day responsibilities and required more time than the initially allocated two weeks. In response, the researcher adopted a flexible scheduling approach, allowing respondents to complete the questionnaires or participate in interviews at their convenience.

Finally, some targeted organizations were in high-risk areas that posed safety concerns. To ensure both personal safety and data validity, the researcher worked closely with trusted community personnel and local officials to facilitate safe access. In instances where physical visits were not feasible, remote data collection methods—such as phone interviews and virtual meetings—were employed with the consent of the respondents.

1.8 Study Organization

The research project was categorized into five chapters, each detailing a specific aspect. Chapter one introduced the research and gave a summary of and setting of the research. It outlined a synopsis of the research backdrop and its justification. Chapter two reviewed the literature by summarizing prior published academic sources that resonate with the problem under study. This chapter delineated theoretical and empirical analyses necessary for underpinning the study's purposes and identifying various research gaps. The third chapter focused on different methodologies to ensure reliable and valid outcomes of the research activity. These procedures involved the nature of the data, where the data would emanate from, and how the data analysis was conducted.

The fourth chapter focused on descriptive statistics and correlation techniques, which helped analyze and interpret the collected data. The final chapter, chapter five, summarizes the research activity. It outlined the research's deliberations based on the results, conclusions, and recommendations to assist further research activities.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The literature review offers a critical position in the study by establishing the context and foundation for understanding the influence of financial planning on donor retention rates within education-focused Non-Profit Organizations (NPOs) in Nairobi County, Kenya. The chapter began by examining various theoretical frameworks that inform the study, including stewardship, resource dependency, and social exchange theories.

Next, the literature review covered empirical studies that emphasized specific financial planning measures, such as budgeting, forecasting, and risk management, directly affecting donor retention. Additionally, the chapter reviewed relevant literature by identifying gaps that offered valuable insights into effective financial strategies that increase donor loyalty. These insights are academically and practically significant since they assist education-based NPOs in maintaining economic stability and making a lasting impact in their field.

2.2 Theoretical Review

According to Kivunja (2018), a theoretical review is a framework that summarizes various previously tested and published theories that support the research under study. He further explains that the review is a synthesis of thought that seeks to better comprehend the data used for the analysis and interpretation. This research was reinforced by the Stewardship, Resource Dependency, and Social Exchange theories, as illustrated below:

2.2.1 Stewardship Theory

Stewardship Theory explains the relationship between stewards (e.g., managers) and principals (e.g., owners or donors), proposing that stewards are intrinsically motivated to act in the best interests of the principals and the organization (Chrisman, 2019). In nonprofit settings, especially within education-based organizations, this theory emphasizes values such as trust, ethical conduct, commitment, and accountability in managing donor resources. It assumes that nonprofit leaders derive satisfaction from responsible stewardship rather than personal gain, which contributes to long-term organizational success.

In this study, this theory underpins the dependent variable, donor retention rate, by asserting that responsible financial planning and ethical financial behavior reinforce donor trust. When nonprofit organizations demonstrate prudent budgeting, transparent reporting, and align expenditures with mission goals, they signal stewardship, which increases the likelihood of recurring donor support. However, the theory has limitations; it assumes altruism and loyalty among stewards, which may not hold in all education-centered NPOs, especially where internal mismanagement or misalignment of values with donors exists.

This theory supports constructs such as budgeting, financial forecasting, and cash flow management in this study's conceptual framework. It links donor retention to the stewardship behavior of managers who handle donor funds with responsibility and long-term vision.

2.2.2 Resource Dependence Theory (RDT)

The concept in this theory, as documented by Jeffrey Pfeffer and Gerald Salancik, recognized in their book "*The External Control of Organizations*," and published in

1978, remains an essential theoretical framework for organizational sociology. Its visibility is demonstrated by frequent citation and inclusion in influential academic works. Republished in 2003, this work by Pfeffer and Salancik brings together multiple theoretical and empirical findings to a comprehensive approach to organizational behavior (Biermann & Harsch, 2017). The theory emphasizes that the need for external resources exposes organizations to external control and influence. When nonprofits overly depend on a few funding sources, they become vulnerable to shifts in donor priorities, preferences, and withdrawal.

This study draws on RDT to explain how financial planning practices can mitigate such dependence and improve donor retention. By implementing forecasting, diversification of revenue streams, and contingency planning, education-based NPOs in Nairobi can reduce over-reliance on singular donors. Improved financial autonomy and adaptability, therefore, enhance organizational resilience and donor confidence.

Nonetheless, a critique of RDT lies in its somewhat deterministic outlook, if organizations passively react to external constraints. In contrast, many nonprofits strategically manage donor relations and influence donor behavior. Still, this theory effectively supports constructs like financial risk management and donor interactions, and contributions within this study's framework.

2.2.3 Social Exchange Theory

The concept in this theory originated from sociology and psychology to explain human interactions. The theory rests on the principle that association of people occurs through an exchange process. In this case, it implies that people engage in social activities to maximize benefits and minimize costs. From this vantage point, individuals look at their relationships regarding the rewards minus the expenses used to evaluate such ties

(Cropanzano et al., 2017). Donors continue their support when they perceive that the benefits of their contributions (such as social impact, recognition, and satisfaction) outweigh the costs (such as money, time, or risk of misuse).

This theory directly informs the dependent variable, donor retention rate, by suggesting that nonprofits must continuously offer value to donors through transparency, influence reporting, and meaningful engagement. Financial planning practices like timely reporting, responsible cash flow management, and demonstrating the utility of donor funds enhance the perceived value donors receive. However, the theory tends to oversimplify altruistic behavior by framing philanthropy as a rational exchange. Many donors may contribute out of passion, faith, or personal commitment rather than calculated reciprocity. Still, the theory remains relevant in explaining the dynamics of donor loyalty in resource-constrained nonprofit environments. This theory aligns with constructs in the study's framework, particularly donor engagement and financial transparency, as mechanisms that positively influence the donor retention rate.

2.3 Empirical Review

This section examined findings from preceding studies and identified the correlations between their purposes and the research gaps pertinent to the current investigation. The section analyzes key patterns, research designs, and outcomes of the studies relevant to the current research. While various investigations have established the financial sustainability in non-profit organizations, limited attention has been given to how specifically financial planning practices directly affect the donor retention rate. This review focuses on studies with influences for education-centered non-profit organizations, intending to identify various research gaps that justify the current study.

2.3.1 Budgeting and Donor Retention Rate

Ruhara and Moronge (2019) conducted significant research to assess the influence of funding approaches on the stability of health-related NPOs in Nairobi City. This study arose from the recognized need for policies that enhance adequate financing, budget practices and monitoring, record keeping, and financial planning practices. The study's findings indicated that, as much as non-profit organizations ensured that funds were used per the budget allocation, most organizations hardly created or monitored their budgets. The study clearly outlined that inefficient budgeting results in poor use of funds that can lead to failure in accomplishing project objectives, thus undermining the credibility and trust of NPOs among critical stakeholders. In contrast, the current research concentrated on education NPOs in Nairobi County, with a different economic emphasis. These NPOs mainly focus on education-related activities; hence, applying the findings of the former study to the current situation would entail proper budgeting consideration in an educational institution.

Wanga (2020) assessed the role of budget regulation and the financial endurance of NPOs in Nairobi City. Primarily, her objective was to evaluate how budgetary control influenced the financial stability of these NPOs. The research activities were carried out in 35 nonprofit organizations from 2017 to 2021, targeting 65 respondents from budget managers, financial analysts, and budget officers. The results had an R-squared of 57%, suggesting that NPOs' financial endurance substantially affects budget regulation. The study recommended that good budget controls help organizations plan for finances by aligning their activities with strategic objectives. However, due to differing operational contexts, these conclusions may not directly apply to the present research, which majors on education nonprofits in Nairobi County.

Kimunguyi et al. (2015) evaluated the determinants of the budget procedure on the financial sustainability of NPOs centered on providing healthcare services to underprivileged groups in Kenya. The study employed a stratified sampling technique on 270 nonprofits. The data from the sampled organizations was analyzed through linear regression statistical evaluation. The research conclusions elucidated that budgeting practices significantly affect the financial stability of NPOs providing healthcare to those in need in Kenya. However, this research only centered on the internal factors of an organization, a nexus that the current research fills by encompassing the elements of the external environment, such as risk, and how it affects the financial stability and resilience of an organization. The former investigation also generalized the NPOs in the entire country, presenting a knowledge gap.

In a Kenyatta National Hospital study, Kamau et al. (2017) demonstrate how inclusive budgetary processes improve budget performance. The study validates how various organizations still grapple with effectively implementing proper fiscal management practices. The study affirmed that budgets serve as plans determining how funds are disbursed or managed and highlights budgeting as a tool for managing financial resources for any organization. The research results are invaluable to the development of the present study; however, they present a contextual gap. The current research focused on how this budgetary practice affects the rate at which donors are retained in education nonprofits in Nairobi City County.

2.3.2 Financial Forecast and Donor Retention Rate

Ndungu (2023) studied financial distress concerning the financial control measures employed by HIV/AIDS NGOs in Kenya. The study aimed to bring forward a new perspective on stabilizing nonprofit organizations and give them the ability to provide crucial services and programs amid the financial woes they experience. Emanating from

an explanatory research design from a sample size of 142 organizations, the logistic regression analysis revealed that financial planning is crucial in implementing organizational goals and objectives. Remarkably, the study underpinned that management reviews and oversight in financial controls are substantial to providing effective decision-making policies and governance within organizations. However, the study fell short of investigating donors' cognitive process that influences their choices to keep being the key sources of revenue generated in these organizations. The research emphasized the financial control techniques in explaining the financial health of nonprofits, leaving the role of the sources of these finances under-explored. This study, therefore, highlights the need for further investigation. The current study not only filled the under-explored gap but also enhanced the comprehension of how financial management techniques affect the donors' cognitive process as they continue supporting the education of vulnerable individuals in Nairobi.

Orendo and Muturi (2017) scrutinized the significance of financial management procedures on the financial stability of NPOs. This scrutiny focused on budgeting, financing practice, and financial forecasting as its specific objectives. The results indicated that most organizations that adopt financial forecasting in establishing the volumes of their finances could sustain their operations longer than the organizations that do not. These results typically reveal that donors' cognitive processes and requirements are flexible, and their dynamism keeps changing. The study further recommended the need for various fundraising strategies due to the unexpected change in donors' focus. Despite being significant to the current study, the former research did not highlight the effectiveness of these financial practices concerning the logic of self-perception that instigates donors to give repeatedly. The study focused on financial distress and performance for nonprofits that effectively employ proper budgeting,

appropriate financing practices, and reliable financial forecasting. As much of the study's investigations centered on financial distress, its findings provide valuable insights for the current study. The current study highlighted revenue generation and expenditure in preserving donors' cognitive process within education NPOs.

Chelangat et al. (2018) conducted a study to determine whether financial planning affects the financial stability of non-profit organizations in Nairobi City. Drawing data from a pool of 55 NGOs, their target was to evaluate the strength of descriptive and inferential data analysis in their research. Their findings concluded that most nonprofits in Nairobi County that do not have a strong sustainability index in their operations need proper financial planning practices. Their investigations also elucidated that financial control positively influences the stability and sustainability of education nonprofits, as the predictive accuracy of financial distress intensified with the increase of the period between the examination of market trends and the collection of historical financial data. Broadly, the investigations outlined the essence of financial forecasting as a reliable indicator for predicting the financial health of a nonprofit organization. Conversely, it is imperative to distinguish the contextual gap between the Chelangat et al. study and the current study. While the former study centers on financial sustainability, the present research explains the essence of financial planning practices on the donor-retaining levels of education nonprofits. This significantly implies that Chelangat et al.'s insights are valuable when considering nonprofits' unique nature and diversity.

Odhiambo (2020) researched the challenges facing non-governmental organizations in financial resource mobilization in Kisumu Central Sub-County, Kenya. Using a descriptive survey research design, the study's findings indicated that there had been a negative relationship between key sources of financial resources of the organizations and challenges of the organizations at $R = - 0.354$. Remarkably, the research activity

concluded that for Non-Governmental Organizations to retain their donors, adopting sound financial planning practices that include accurate forecasting and transparency is essential. The research, however, presented a focus gap since the study only focused on the challenges facing non-governmental organizations in mobilizing financial resources, highlighting barriers to acquiring funds. The current exploration addressed the gap by shifting the focus from challenges in financial mobilization to strategic financial planning practices that enhance donor retention.

2.3.3 Cash Flow Management and Donor Retention Rate

Donor-funded organizations' financial management practices depend primarily on proper cash flow management. Tarus and Juma (2019) assessed the financial stability of public hospitals in Kajiado County to determine the effect of cash flow planning on an organization. The data analysis process established that cash flow management scored a mean of 3.95 against the financial sustainability of public hospitals in Kajiado County. The high mean score showed that these organizations' cash flow was adequately managed. The study also recommended consolidating cash collection techniques to improve audit processes and accounting. In practice, this ensures avoidance of focusing too narrowly or too much on immediate events, thus allowing constant examination between current needs and finances; hence, effectiveness in using donor money exists at any time during periods when they are most required for any such activity(s).

Waititu et al. (2022) focused their analysis on the effect of cash management operations on resource mobilization among Kenyan NGOs. The research assessed how human, financial, and technological resource allocation affects nonprofit organizations' Money and Evaluation (M&E) systems. Conducted on a unit analysis of 141 sampled participants, the study recommended that if resources are channeled from donations

into development, maintaining a stable financial position and inspiring trust among donors are crucially interdependent mechanisms. Therefore, good management of cash flows has implications for the fundraising abilities of donors by these institutions. This shows that manipulation of cash flows must be done correctly since it would mainly affect the process of raising funds, followed by financial reporting and budgeting, as demonstrated by this survey. The study suggested that non-governmental activities should have sufficient money to support their operations, start new initiatives, or deal with unexpected expenditures; all these result in the financial stability and improvement of an organization that stands on its own feet.

Mugenyi (2021) explored the link between financial supervision techniques and the stability of NPOs in Nairobi City, Kenya. Using a descriptive design and 286 participants, the study's outcome revealed that budgetary practices, donor dependency level, and cash flow management have significant effects on NGOs' sustainability. The study also showed that most nonprofit organizations needed to incorporate proper formal cash flow management practices, leading to their dismal financial performance. These findings fall strictly under an adequate cash flow management system, thereby improving transparency within finance departments concerning donors who trust them for better results.

2.3.4 Risk Management and Donor Retention Rate

In Ghana's context, Ebenezer et al.'s (2020) study shows that financial sustainability challenges arise from donor dependency and limited income diversification. Conducted on 56 nonprofits, the outcomes of the research indicated that poor financial planning practices, inadequate diversification of revenue, and poor donor relationships are key risks that determine the strong donor relations of nonprofits in Ghana. For better financial sustainability, the authors say Ghanaian NGOs must focus on proper financial

management practices, creating income-generating initiatives while maintaining strong donor relations. Interestingly, Odhiambo and Njuguna's (2021) study of nonprofits in Kenya established that diversification of funding sources and the competence of personnel are essential determinants of financial sustainability through donor relations. Nonprofits are making great strides toward their operational efficiencies, although these strides may not necessarily improve the effectiveness of maintaining donors. Therefore, the current study investigated the need for constant review and maintenance of control systems to mitigate financial risks.

Domański (2021) examined the influence of risk management processes in nonprofit organizations in Poland. The investigation sought to address risk management in nonprofit organizations while attempting to answer such questions about the types of risk Polish NGOs face. It also established the effectiveness of the strategic risk measures to mitigate financial risks. Centered on a simple random sample of 235 organizations in Poland, results indicated that competition and donor dependency substantively influence the stability of nonprofit organizations. As a recommendation, the research suggested that NPOs should incorporate financial accountability as a vital risk management measure for increasing donor-organization partnerships. The study's results outlined the importance of identifying and managing various categories of risks, including partnership, financial, and reputational risks, that are fundamental for NPOs. However, the study was conducted on a diverse scope and demographic space.

2.4 The Summary of Literature Review and Research Gaps

Nonprofits can considerably lower these expenses by focusing on keeping their present donors and directing more resources toward their primary mission activities. Sustainable DRR nurtures lifelong relationships with contributors beyond monetary rewards. The reviewed literature asserts that proper planning practices have a key role

in ensuring donor trust and commitment. Most prior studies, however, concentrate on non-profit sustainability with limited exploration into the specific practices that are directly linked to donor retention rate, particularly within education-centered non-profit organizations. The following table summarizes the findings, research gaps, and how the current study addresses those gaps in fostering an understanding of these under-explored areas.

Table 2.1 Literature Review Summary and Research Gaps

Author and Year	Topic	Methodology of the Study	Findings of the Study	Research Gaps	Gap Filled
Ngungu, (2023).	Financial Controls and Financial Distress of HIV-AIDS Non-Governmental Organizations in Kenya	Explanatory Research Methodology	Management reviews and oversight in financial controls have a positive influence on the financial health-related NPOs.	There is a contextual gap related to the failure to investigate other aspects affecting the financial health-related NPOs.	This research investigated the effect of financial planning practices on donor retention rate as a ration of financial health.
Mikeladze (2023)	Financial Management Role for NGOs.	Qualitative and Quantitative Research Design	A budgetary process adopted by a nonprofit organization has a significant effect on its financial stability.	A contextual gap subsists since the study generalized the performance of all nonprofit organizations.	The current study considered the factors affecting nonprofit organizations specifically in the education sector.
Wanga (2022)	Budgetary Control and Financial Sustainability of Local Non-Governmental Organizations in Kenya	Descriptive Research Design	Budgetary control has a positive effect on the sustainability of NPOs.	A contextual gap exists since the investigation focused solely on budgetary control as a financial tool for organizational sustainability, without examining other financial planning practices such as	The study focused solely on budgetary control as a financial tool for organizational sustainability, without examining other

				forecasting, cash flow management, and risk management.	financial planning practices, addressing the contextual gap.
Waititu et al., (2022).	Budgeting Practices and Financial Sustainability of Women Religious Congregations (WRC) in Karen, Nairobi Kenya.	Cross-Sectional Research Design	Budgeting practices have significant relationship with financial sustainability of WRCs, with a p-value of 0.00.	A variable gap exists since the study connected budgeting practices to financial sustainability, which is broad and multidimensional.	The current research integrates various financial planning components beyond budgeting and offers a framework for enhancing donor trust and transparency.
Mugenyi (2021)	Effect of Financial Management Practices on the Sustainability of Non-Governmental Organizations in Nairobi County, Kenya.	Descriptive Research Design	Effect of Financial Management Practices on the Sustainability of Non-Governmental Organizations in Nairobi County, Kenya.	An outcome gap exists since the research concentrated on organizational sustainability, which is a broad and internally focused outcome.	The current study focused specific financial planning practices rather than general financial management.
Domański, (2021).	Competitiveness of nongovernmental organizations in developing countries.	Explanatory Research Design	Competition and donor dependency affects sustainability of nonprofits.	The investigations considered risk categories in organizations in Poland; hence, geographical and scope gaps exist.	The current study considered risk categories in organizations in Kenya.
Ebenezer et al., (2020)	Determinants of Financial Sustainability of non-governmental organizations (NGOs) in Ghana.	Qualitative, Quantitative and Mixed research methodologies	Poor financial planning practices, inadequate revenue broadening, and poor donor relationships	A knowledge gap exists because people do not understand the geographic, cultural, and societal differences	The current study focuses on nonprofit organizations in Nairobi County, Kenya.

			are essential risks that determine the strong donor relations of nonprofits in Ghana.	between Kenya and Ghana.	
Odhiambo (2020)	Challenges Facing Non-Governmental Organizations in Financial Resource Mobilization in Kisumu Central Sub-County, Kenya.	Descriptive Survey Design	The findings showed that there had been a negative relationship between key sources of financial resources of the NGOs and challenges of the NGOs (R= -.354)	A focus gap exists since the study focused on the challenges facing NGOs in mobilizing financial resources, highlighting barriers to acquiring funds.	The current study shifts the focus from challenges in financial mobilization to strategic financial planning practices that can enhance donor retention.
Shivairo, (2019).	Factors Affecting Project Sustainability in Non-Governmental Organizations in Nairobi City County, Kenya	Descriptive Survey Design	There exists a strong positive correlation between cost management and project sustainability of NGOs.	A contextual gap exists since the study focused on project sustainability which only reflects on the internal operational endurance overlooking the role of donor retention.	The present study shifts from internal cost management to proactive financial planning and its influence on donor retention rate.
Tarus and Juma (2019)	Role of Cash Planning Technique on Financial Performance in Public Hospitals in Kajiado North-Sub County, Kenya.	Descriptive Survey Design	The study established that most of the respondents agreed that cash flow was well managed at these public hospitals.	A thematic gap exists since the examination concentrated on cash flow management in relation to financial performance, and not donor retention rate.	The current study bridges this gap by examining how cash flow management as a financial planning technique directly influences donor retention rate.

Ruhara & Moronge (2019)	Influence of Financing Strategies on Sustainability of Non-Governmental Organizations of Health Projects in Nairobi County	Explanatory and Descriptive Survey Design	Financing strategies such as donor diversification, income-generating activities, and strategic partnerships positively influenced the sustainability of health-related NGO projects.	A conceptual gap exists since the study focused on health sector NPOs, emphasizing on financing strategies at the external level.	The current study narrows the focus to education-centered NPOs and explores the effect of internal financial planning practices on donor retention, addressing the contextual gap.
Chelangat, et al., (2018).	Effect of Financial Planning on Financial Sustainability of Public Governance of Non-Governmental Organizations in Nairobi County, Kenya	Descriptive Research Design	Financial planning practices have significant effects on financial sustainability.	A contextual gap exists in the time-period research gap since the research was carried out in 2018.	The current investigation explored this relationship in the first half of the year 2024.
Orendo & Muturi, (2018)	Effect of Financial Planning on the Financial Performance of Non-Governmental Organizations: A Case Study of USAID Funded International Non-Governmental Organizations.	Descriptive Research Design	Financial planning has a substantial stimulus on the sustainability and sustainability of NGOs.	A contextual gap related to the inclusion of risk management and cash flow management as practices in financial planning exists.	The current study includes various financial planning practices such as budgeting, financial forecasting, cash flow management, and financial risk management.

Researcher (2024)

2.5 Conceptual Framework

The donor retention rate (DRR) and financial planning practices are the dependent and independent variables, respectively, for this investigation. The analysis centers on their correlation. Figure 2.1 portrays the conceptual framework, which outlines the interconnection of the variables.

Independent Variables

Dependent Variables

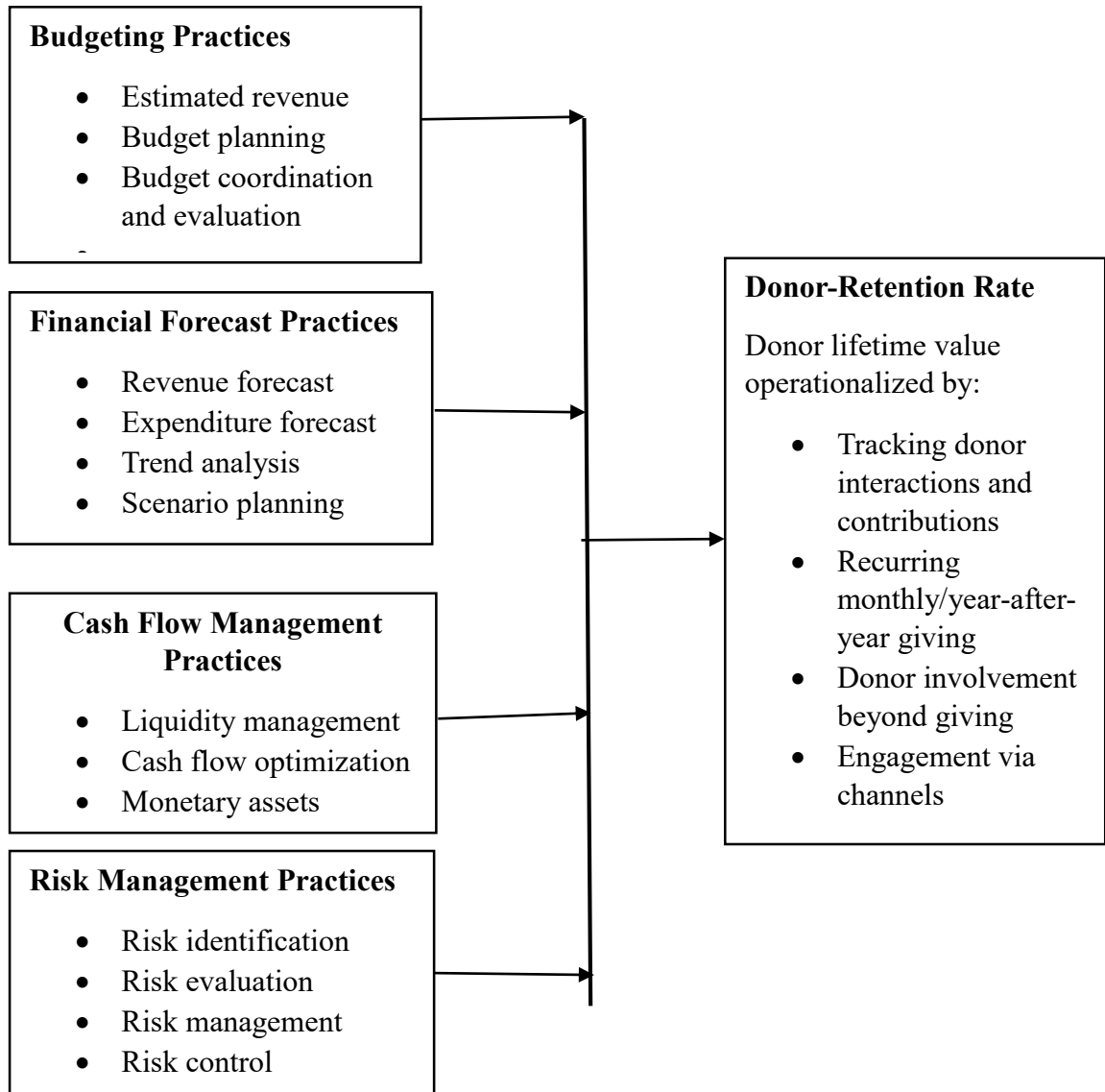


Figure 2.1 Conceptual Framework

Researcher (2024)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section outlines the research scheme employed in accomplishing the aims of the research. It covers various approaches that guarantee the reliability and validity of the measuring tool and findings and encompasses the investigation's objectives.

3.2 Research Design

Research design is a research approach an investigator applies to gather, assess, and interpret data to meet the research objectives. Both descriptive survey and explanatory research designs were utilized in this study. A descriptive survey provides a clear depiction of the unit of analysis under study by predominantly focusing on features of a particular group, event, population, or situation and seeks to clarify their current affairs (Sileyew, 2019). An explanatory research design, instead, explores the cause-and-effect link between the predictor and predicted variables and seeks to provide explanations for a particular observed behavior (Sileyew, 2019). These designs contextualize the findings by incorporating depth and applicability to the phenomenon under study. Additionally, the study incorporated both quantitative and qualitative data.

3.3 Target Population

A target population is a subgroup of units, activities, people, or objects with a common distinguishable feature that can be used in a study to draw a constructive conclusion after an analysis (Sileyew, 2019). The target population in reference to this study comprised 109 listed and registered education organizations by the NGO Coordination Board in 2022. These organizations vary in terms of purpose and focus, ranging from

basic and higher education to technical training and research-based organizations. The table below summarizes the breakdown of the organizations based on scope and focus.

Table 3.1 Target Population Table

Category	Estimated Number of Organizations	Description
Basic Education (Primary and Secondary Education Organizations)	52	Focus on scholarships, school supplies, meals, and school infrastructure
Higher Education Programs and Institutions	16	Offer post-secondary education access, scholarships, and mentorship.
Technical And Vocational Education and Training (TVET)	19	Involve skill-building programs and vocational training for youth.
Special Needs and Inclusive Education NPOs	12	Work with children with disabilities and special learning needs.
Research And Policy Advocacy in Education	10	Support educational policy analysis, research, and curriculum development.
Total	109	

Source: NGO Coordination Board (2022)

3.4 Sampling Technique and Sample Size

This investigation focused on the 109 registered education nonprofit organizations in Nairobi City County. Many formulas are applied to conclude on the specific sample size that a researcher can adopt in their research activities. Given the relatively small size of the population, a census approach was employed. The education-centered non-

profit organizations themselves were the unit of analysis, while the key individuals in the financial and operational positions, specifically the finance managers, fundraising officers, and program coordinators, formed the units of response for the study. Each organization was represented by one key respondent, who was selected based on relevance to the study variables, that is, involvement in financial planning and donor engagement.

A total of 67 organizations responded to the questionnaire, and their responses were fully completed and validated for analysis. The respondents were distributed across their departments as shown below:

Table 3.2 Sampling Frame Table

Respondents' Positions	Targeted Organizations	Responses Received
Finance Managers	45	30
Fundraising Officers	34	21
Program Coordinators	30	16
Total	109	67

Researcher (2024)

3.5 Data Collection Instrument

The investigator gathered primary data from participants in education NPOs, specifically under the Department of Finance. Both closed— and open-ended questionnaires were employed. As Sileyew (2019) points out, questionnaires are efficient in most aspects of business and economic surveys because they can mitigate biases and ambiguity. To facilitate analysis, closed-ended questions were structured using a 5-point Likert scale, allowing respondents to indicate their level of agreement

or disagreement with various statements related to budgeting, forecasting, cash flow management, risk management, and donor relationship practices. The inclusion of open-ended questions provided an opportunity for respondents to elaborate on key issues or provide insights not captured in the closed-ended items.

The questionnaires were autonomously administered in a pick-and-drop procedure. After administration, the respondents were allowed 14 days to read, understand, and give their views regarding the context of the research objectives.

3.6 Pilot Test

Before administering the questionnaires to the respective organizations for data collection, a pretest was conducted to assess their accuracy, consistency, and rationality. The decision rule specified for pilot test eligibility elucidates that the range between 5% and 10% is regarded as appropriate (Cooper & Schilder, 2011). The pretest was, therefore, conducted on six respondents, representing 5.5% of the total sample size of 109, drawn from finance and fundraising department positions, including finance officers/managers and fundraising officers in education-based nonprofit organizations within Nairobi City County.

The six participants identified for the pretest were not part of the ultimate sample population. Their responses were solely necessary to establish the authenticity of the data collection tool and identify any aspects of limitation that needed modification. Based on their responses, the questionnaire's strengths and weaknesses were established, and necessary corrections were made. Once the amendments were made, the questionnaire was proven effective for data collection and administered immediately.

3.7 Validity and Reliability

This section explored the accuracy, trustworthiness, generalization, and relevance of the results obtained using validity and reliability tests. These two tests evaluated the consistency and accuracy of the tools used to collect and measure data.

3.7.1 Validity Test

Ravid (2019) termed validity as the rationale for which a measurement tool can precisely reflect the correct concept of the research activity. The validity test was indispensable in warranting that the measurements obtained were purpose-oriented and that the study's results would portray the true picture of the situation.

The study explored content validity using a panel of research experts and the research supervisor, who substantially arbitrated the study's relevance and determined the extent to which the measuring tool sufficiently covered the entire domain under study.

3.7.2 Reliability Test

Ravid (2019) defined reliability as a construct encompassing how a research measurement tool can accurately reveal consistent findings across various respondents and under varying situations over time. According to Ravid (2019), the reliability test establishes an edge that acknowledges the minimum degree of consistency a measuring instrument must maintain.

The study measured how relevant and consistent the measurement tool is in generating accurate outcomes. Ensuring internal consistency is paramount for verifying an instrument's reliability. The study utilized Cronbach's alpha coefficient for the pilot test. This tool has its coefficient values hierarchically, and the acceptable range lies in the 0.7 to 0.9 assortment (Ravid, 2019). The result of the test showed a Cronbach's alpha

value above 0.7, signifying that the measuring tool met the reliability threshold criteria for all the variable indicators.

3.8 Data Collection Procedures

These approaches entail using various scientific techniques to collect and gather raw and unprocessed data and process them into meaningful information that is easily comprehensible by users (Sileyew, 2019). The investigator commenced the journey of data collection by obtaining an authorization mandate from the Graduate School (Appendix IV) and a research license from the NACOSTI (Appendix V). Thereafter, the researcher embarked on self-distribution of the questionnaire (Appendix II), where the respondents were given 14 days to read, understand, fill out, and then submit their responses. Upon the lapse of the 14 days, the responses were compiled and set to be analyzed.

3.9 Data Analysis and Presentation

As clarified by Sileyew (2019), a progression analysis must be put into practice through which the data collected is processed, organized, and laid out sufficiently to portray the information gathered from the data. This research utilized both descriptive statistics and inferential data analysis methods. The data collected was systematized, coded, run, and then probed through Microsoft Excel and Statistical Package for Social Sciences (SPSS) version 30.0.0. The unstructured questions were essential in collecting qualitative data, while the closed-ended questions collected the quantitative data.

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

For the inferential analysis, the level of association between independent variables (budgeting, forecasting, cash flow management, and risk management practices) and dependent variables (Donor Retention Rate) was obtained using the Pearson Correlation analysis. Therefore, the investigator implemented a multivariate regression construct to determine the linkage between dependent and independent variables, as illustrated.

$$Y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \epsilon$$

Where:

Y = Donor Retention Rate

x₁ = Budgeting

x₂ = Financial Forecasting

x₃ = Cash Flow Management

x₄ = Risk Management Practices

β_0 represents the constant term, while the coefficients β_i (where $i = 1, \dots, 4$) quantify the responsiveness of the predicted variable (Y) to every variation in the predictor variables (x₁ to x₄). The error variant was presented by the ϵ term.

Descriptive data was depicted using tables, diagrams, and graphs, while inferential data was presented solely in tables.

3.10 Operationalization and Measurement of Variables

The term operationalization constitutes a process by which abstract concepts of a study are distinct to encompass exact, observable, and measurable variables in the study (Edmonds & Gudmestad, 2018). This process, according to Edmonds and Gudmestad (2018), ensures that the theoretical concepts are organized into operational, actual, and specific terms useful in the empirical assessment of a research study. To ensure these

theoretical aspects are incorporated, the process used a measurement tool that presents the operationalization and measurement of terms, as explained in Table 3.1.

Table 3.3 Operationalization and Measurement of Variables

Variable	Operationalization	Measurement	Measurement Scale
Budgeting Practices	The financial planning process used by education-centered NPOs to estimate income and allocate resources.	Estimated Revenue Budget Planning Budget Coordination and Evaluation	Ordinal level
Financial Forecasting Practices	The use of financial data and models by education-centered NPOs to predict future revenues and expenditure.	Revenue Forecast Expenditure Forecast Trend Assessment Scenario Planning	Ordinal level
Cash Flow Management Practices	Processes used by education-based NPOs to monitor, analyze, and optimize the inflow and outflow of cash.	Liquidity Management Cash Flow Optimization Monetary Assets Management	Ordinal level
Risk Management Practices	Practices adopted by education-centered NPOs to identify, assess, and respond to financial uncertainties.	Risk Identification Risk Evaluation Risk Management Risk Control	Ordinal level
Donor Retention Rate	The ability of the education-centered NPOs to retain donors over a given period	Tracking Donor Interactions Recurring Giving Donor Involvement beyond Giving Engagement Channels	Ratio level Ordinal level

Researcher (2024)

3.11 Diagnostic Tests

Research diagnostic tests refer to assessments done on a study before estimating the linear equation to ensure that it is consistent with the classical linear regression model (CLRM) standards. Thus, they guarantee that the study's results are compelling and unbiased (Brook, 2008). Numerous diagnostic tests exist; however, this study considered normality, multicollinearity, and heteroscedasticity diagnostic tests in assessing consistency.

3.11.1 Normality Test

This diagnostic test was necessary to affirm whether the normal distribution of information occurs in the sample data from which the population for the research activity originates (Brook, 2008). This assessment is significant in ensuring that data misrepresentation or distortion is avoided in inferential analysis. To ensure that the data passes the normality test, the investigator used the Kolmogorov-Smirnov test. The threshold for the test indicates that the outcome of the p-value should be at least 0.05 to satisfy the fact that the sample data representing a population passed the normality test (Brook, 2008).

3.11.2 Multi-collinearity Test

According to Reddy and Balasubramanyam (2021), multicollinearity ensures no strong linear relationships among the independent variables, which could hinder the accurate determination of the association between the variables. This study utilized the Variance Inflation Factor (VIF) tool to detect multicollinear relationships. The rule of thumb for the multicollinearity test is that the survey only accepts variables that have a VIF of less than five (Reddy & Balasubramanyam, 2021).

3.11.3 Heteroscedasticity Test

Heteroscedasticity is a statistical condition in which the error variance in the regression equation is non-constant across the various values of independent variables (Brook, 2008). A non-constant variance value tends to violate the key assumptions of the ordinary least squares (OLS) regression, which renders the estimated parameters biased and erroneous. The study conducted a heteroscedasticity test by using the Breusch-Pagan Test. The decision rule for the test, as elucidated by Halunga et al. (2017), designates that if the p-value is higher than 0.05, the error variant does not change; therefore, there is no heteroscedasticity. The null hypothesis will be assumed to be homoscedastic and then run against the alternative hypothesis, which is assumed not to be homoscedastic. The researcher will, therefore, reject or accept the null hypothesis based on the p-values.

3.12 Ethical Considerations

Ethics are customs or principles of conduct that define the moral set about our interactions with others (Stewart Jr, 2023). The objective of ethical issues in research is to protect against any physical, emotional, or mental harm that may be caused during the processes involved in the research activities. To uphold the highest threshold in ethical research considerations, the researcher followed the due processes as detailed:

Firstly, the investigator sought approval from the Graduate School at Kenyatta University, specifying the objectives and the study's purpose. The letter guarantees official authorization for the investigator to proceed with the study activities and dictates the issuance of a permit for data collection.

Secondly, the researcher submitted the official letter from KU Graduate School to the regulatory and advisory institution, NACOSTI, which issued the license valid for the

data collection process and procedure. Finally, while administering the measurement tool, the investigator acquired cognizant consent from each participant to ensure the involvement of participants who agreed to be included in the study activities. Additionally, the researcher confirmed that the participants remained anonymous to protect their identity, confidentiality, and privacy during data collection.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, AND INTERPRETATION

4.1 Introduction

This chapter covers the study's outcome, which is based on examining the gathered data. It includes an in-depth analysis of the findings and discussions on the influence of financial planning practices on the donor retention rate of education-based NPOs in Nairobi City County. The chapter provides the participants' biodata indicators and the questionnaire's return rate for the allowable duration during the data collection. Consequently, the section also summarizes the analysis of the study variables using descriptive and inferential techniques.

4.2 Analysis of the Response Rate and Descriptive Statistics

The research focused on 109 education-based NPOs in Nairobi City County, Kenya. To determine the influence of financial planning practices on these organizations' donor retention rates, the researcher distributed 109 closed- and open-ended questionnaires to the participants, mainly in the finance and fundraising departments. Figure 2 gives the outlook of the study's response rate.

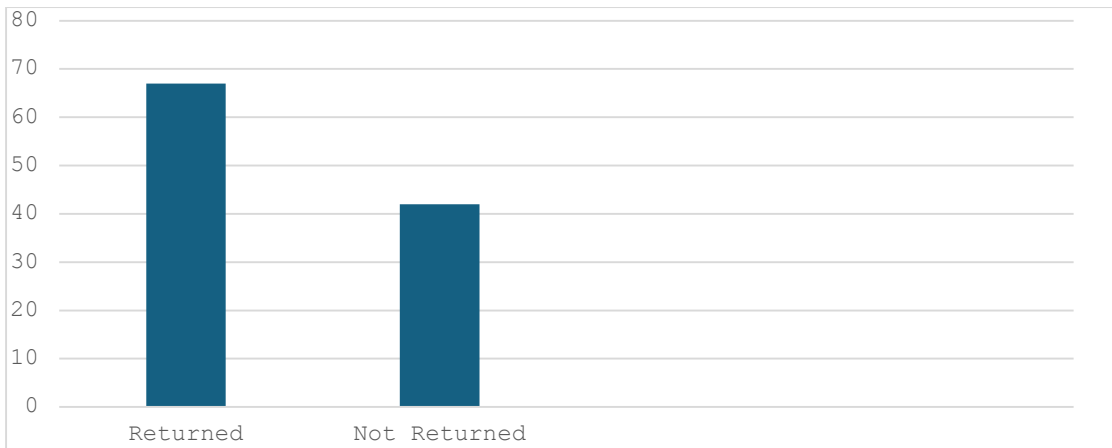


Figure 4.1: Respondents' Rate of Response

Researcher (2024)

Figure 4.1 shows that of the 109 questionnaires issued, 67 were suitably completed and returned, with a response rate of 61.5%. Leslie (1972) acknowledges that a survey return rate of 50% and above is acceptable since that percentage provides a wide range of probabilities that the study results will accurately reflect the target population's characteristics. The 38.5% non-response rate can be linked to various uncertain reasons by the researcher. This analysis indicates that the 61.5% response rate is adequate in providing key insights into the accuracy, relevance, and adequacy of the data collected from the significant decision-makers in respective organizations.

4.3 Bio-Data Information of the Respondents

To understand the fundamental context and characteristics of the respondents giving the data, this section outlines their statistical analysis centered on their gender, age bracket, academic qualifications, and years of experience working in the non-profit sector.

4.3.1 Distribution of the Respondents by Gender

Distribution by gender is essential in limiting the generalization of the outcomes since, with gender division, it is easier for the researcher to identify the influences brought

about by people based on their conduct, experiences, and viewpoints. Figure 3 below shows the distribution of participants based on their gender.

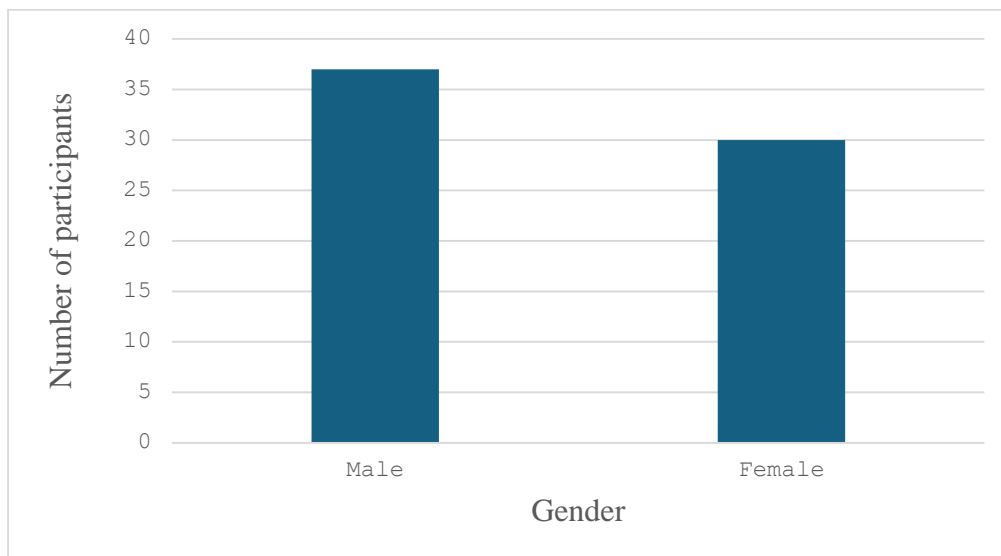


Figure 4.2: Respondents' Gender Distribution

Researcher (2024)

The figure shows 37 males, 55% of the respondents, and 30 females, 44.8%. This analysis indicated that most of these education-based organizations, specifically those working in the finance and fundraising departments, are dominated by males. The researcher linked the disparity to the fact that most of the organizations where data was collected were in either hardship regions or regions marked with security concerns, making them unsuitable for female workers.

4.3.2 Distribution of the Respondents by Age Bracket

Categorizing the participants by age bracket is significant in tailoring the researcher's analysis to interpret the generational variances and life phases and their influence on the study's effect. Figure 4.3 expresses the outcome of the respondents' age bracket dispersal.

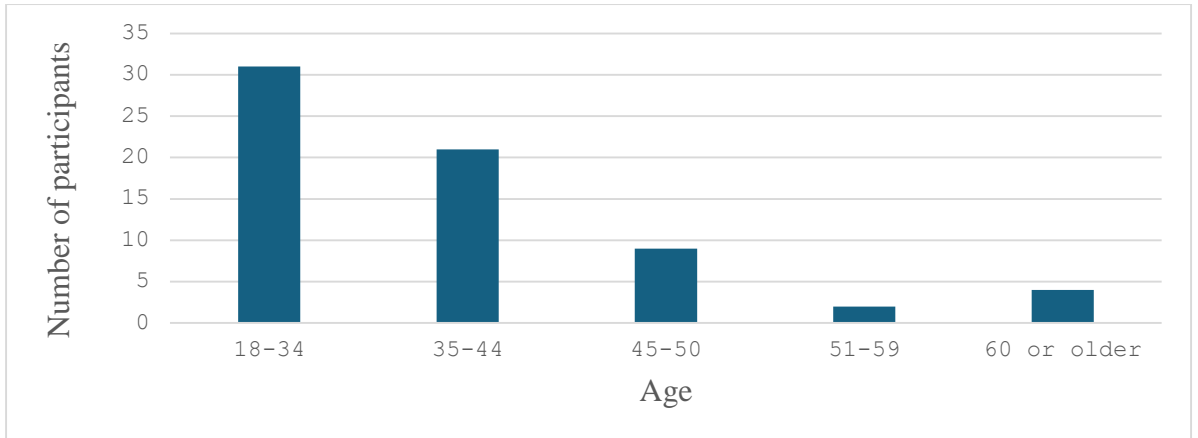


Figure 1.3: Respondents’ Distribution by Age Bracket

Researcher (2024)

From the analysis based on age set dispersion, it can be inferred that many respondents emanated from the 18-34 age bracket, accounting for 46.3%, while the least representation emanated from the 51-59 age bracket with 3%. This analysis indicates that most employees are of sound age and considered appropriate in making well-versed decisions regarding donor retention rates and financial planning practices in their responses and analysis.

4.3.3 Distribution of the Respondents by Academic Qualification

Categorizing the participants based on their highest educational qualifications assists the researcher in determining how efficiently the respondents are in understanding, interpreting, and responding to the survey questions in the questionnaires. This technique is necessary for validating the measurement tool's accuracy and the research activity's outcomes. Figure 4.4 indicates the distribution of the participants based on their highest academic qualifications.

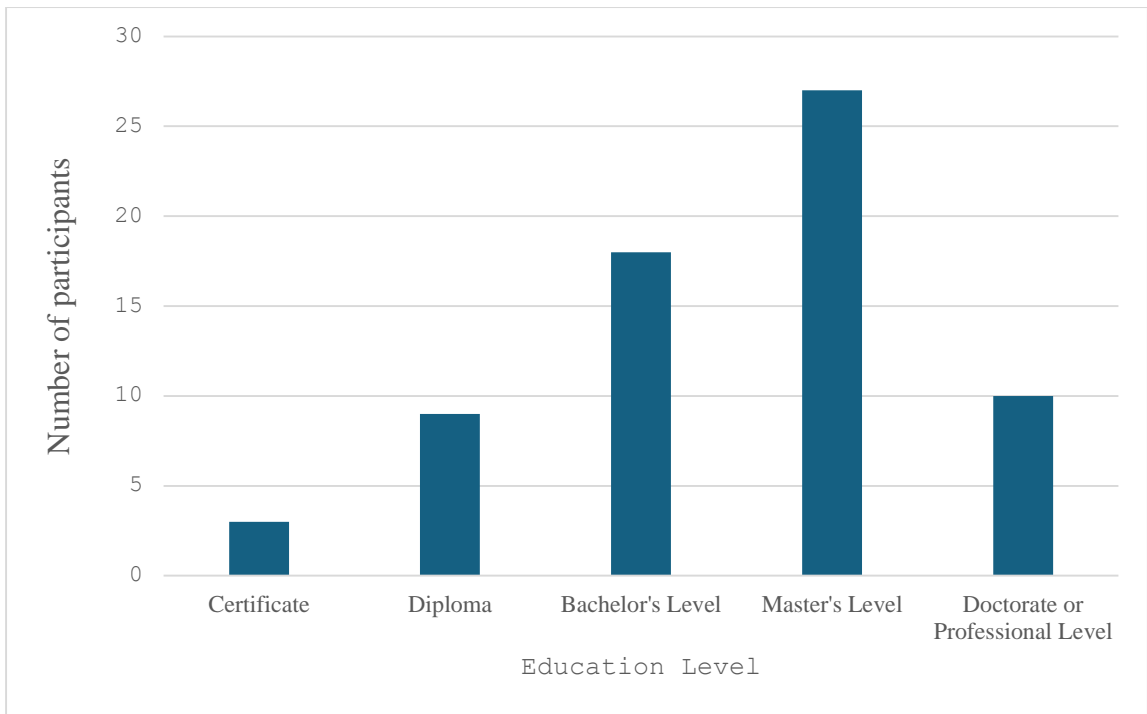


Figure 4.4: Respondents' Academic Qualifications

Researcher (2024)

From Figure 4.4 above, the ranking of the qualification categories from the distribution with the highest number of respondents to the lowest was as follows: master's level (40.3%), bachelor's level (26.9%), doctorate or professional level (14.9%). diploma's level (13.4%), then certificate's level (4.5%). This analysis deduces that the participants in this research attained the minimum qualification essential to comprehend and interpret the survey questions of the research easily. The analysis also allows the researcher to examine the likely biases and response discrepancies based on the varying academic qualifications. The researcher concluded that the reactions in the measuring tool are accurate in drawing consequential findings and conclusions.

4.3.4 Distribution of the Respondents by Number of Years of Experience

The respondents' expertise in a specific area is regarded as a crucial characteristic since it substantially influences how they identify, relate to, and respond to the survey

instruments in their field. The more experienced one is in a specific field, the more dynamic the perspective can be obtained, resulting in quality and reliable outcomes and findings. Figure 4.5 below presents the outcome.

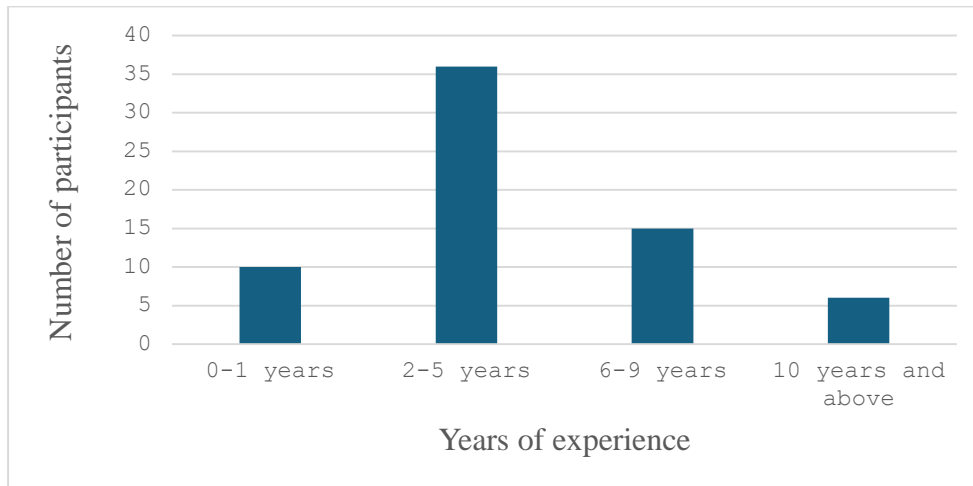


Figure 4.5: Respondents' Years of Experience

Researcher (2024)

From Figure 4.5 above, the ranking of the qualification categories from the distribution with the highest number of respondents to the lowest was as follows: 2-5 years with 36 respondents (accounting for 53.7%), 6-9 years with 15 respondents (accounting for 22.4%), 0-1 years with ten respondents (accounting for 14.9%), ten and above years with six respondents (accounting for 9%).

This analysis suggests that most employees in the education-based nonprofit organizations in Nairobi City County have short contracts, which limit their proficiency in identifying and tracking trends and changes over time. The shorter contracts may also result in varied perspectives, leading to potential response biases.

4.4 Reliability Test

A pretest on six education-based non-profit organizations was conducted before the questionnaires were administered to the respective organizations to ascertain their reliability. Finance officers/managers and fundraising officers from education-based nonprofit organizations within Nairobi City County were sampled and requested to participate in the pre-survey. These participants were not part of the conclusive sample population. The participants' answers were essential in establishing the authenticity of the data collection tool and detecting any areas of limitation that needed to be improved. The pretest evaluated authenticity using Cronbach's alpha coefficient, which has acceptable values ranging from 0.7 to 0.9. Table 4.1 demonstrates the outcomes of the reliability test on the measuring tool.

Table 4.1 Reliability Analysis

Variable Indicators	α - value	Elements	Interpretations
Budgeting Practices	0.824	6	Good
Financial Forecasting Practices	0.913	6	Excellent
Cash Flow Management Practices	0.758	6	Acceptable
Risk Management Practices	0.732	6	Acceptable
Donor Retention Rate	0.883	6	Good
Overall			Reliable

Researcher (2024)

The outcomes from Table 4.1 show that the variables passed Cronbach's Alpha coefficients decision rule. Based on these outcomes, the measuring tool was authentic, consistent, and, therefore, reliable for use in this research.

4.5 Diagnostic Tests

This section acknowledges various diagnostic assessments to determine whether the study is consistent with classical linear regression model standards and to ensure that the findings are effective and unbiased. The diagnostic assessments considered in the research activity were normality, multicollinearity, and heteroscedasticity tests.

4.5.1 Normality Test

The collected data must satisfy the standards by which a normal distribution of information has to occur to avoid the scenarios of data misrepresentation or distortion in the process of inferential analysis. To ascertain these standards, the researcher, with the use of the Kolmogorov-Smirnov test technique, carried out a test to assert whether the data collected for this research was distributed normally. The threshold for the normality test indicates that the outcome of the p-value must be at least 0.05 to satisfy the fact that the sample data representing a population passed the test. Table 4.2 displays the outcomes of the test.

Tables 4.2: Kolmogorov-Smirnov Test

	Kolmogorov-Smirnova		
	Statistic	df	Sig.
Financial Forecasting Practices	.54	67	<.001
Budgeting Practices	.539	67	<.001
Cash Flow Management Practices	.413	67	<.001
Risk Management Practices	.54	67	<.001
Donor Retention Rate	.54	67	<.001

Researcher (2024)

The null hypothesis was specified to suggest that the data were not distributed normally during the normality test. As displayed in Table 4.2, the test's outcome indicates that all the study variables had p-values not more than 0.05, hence passing the normality test. Thus, the null hypothesis was rejected, implying that the data representing the population was distributed normally.

4.5.2 Multicollinearity Test

Multicollinearity was conducted to ensure that there are no strong linear relationships among the financial planning practices. The Variance Inflation Factor (VIF) tool was employed to assess whether the threshold in the linear correlation between the independent variables was maintained. This study was inclined toward accepting only variables with a VIF value of less than five. Table 4.3 displays the outcomes of the test.

Table 4.3: Multicollinearity Test

Variable	Collinearity Statistics	
	Tolerance	VIF
Budgeting Practices	.685	1.460
Financial Forecasting Practices	.889	1.125
Cash Flow Management Practices	.970	1.031
Risk Management Practices	.658	1.520

Researcher (2024)

The results from Table 4.3 illustrate that all four independent variables had variance inflation factor (VIF) values of less than 5. These findings imply that there was no strong linear relationship between them. Multicollinearity, therefore, did not ensue, implying that each predictor variable's influence on the dependent variable was accurately determined.

4.5.3 Heteroscedasticity Test

A heteroscedasticity assessment was conducted to ascertain that the error variance in the regression equation is homoscedastic throughout the various values of the predictor variables. The Breusch-Pagan test was used to carry out the diagnostic test to ascertain the threshold. Similarly, a null hypothesis was stated to assume that the error variant was non-constant. Table 4.4 below illustrates the findings of the Breusch-Pagan test.

Table 4.4 Breusch-Pagan Test

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

a. Predicted Variable: Squares of residuals

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

Researcher (2024)

The outcomes from Table 4.4, emanating from the square of the residuals row, show that the p-value was higher than 0.05 ($p = 0.055$). This standard indicated that the error term was constant, meaning there was no evidence of heteroscedasticity in the data. Consequently, the null hypothesis was rejected.

4.6 Descriptive Statistics

To significantly summarize and describe the fundamental features of the dataset in determining the influence of financial planning practices on the donor retention rate in education-based nonprofit organizations in Nairobi City County, Kenya, the research detailed a descriptive evaluation of the dataset. The aims of the study were to determine the outcomes of budgeting, financial forecasting, cash flow management, and risk management practices on the donor retention rate of NPOs. The products of the descriptive statistics, based on the Likert Scale of the data collected, showed the following:

4.6.1 Budgeting Practices

Various statements were drawn to assess the significance of budgeting on the donor retention rate of education-based nonprofit organizations in Nairobi City County, Kenya. To effectively achieve the budgeting practices measurement indicators, the participants were required to express how often they got involved in the budgeting process in their respective organizations. The findings of their level of involvement are illustrated in Figure 7 below.

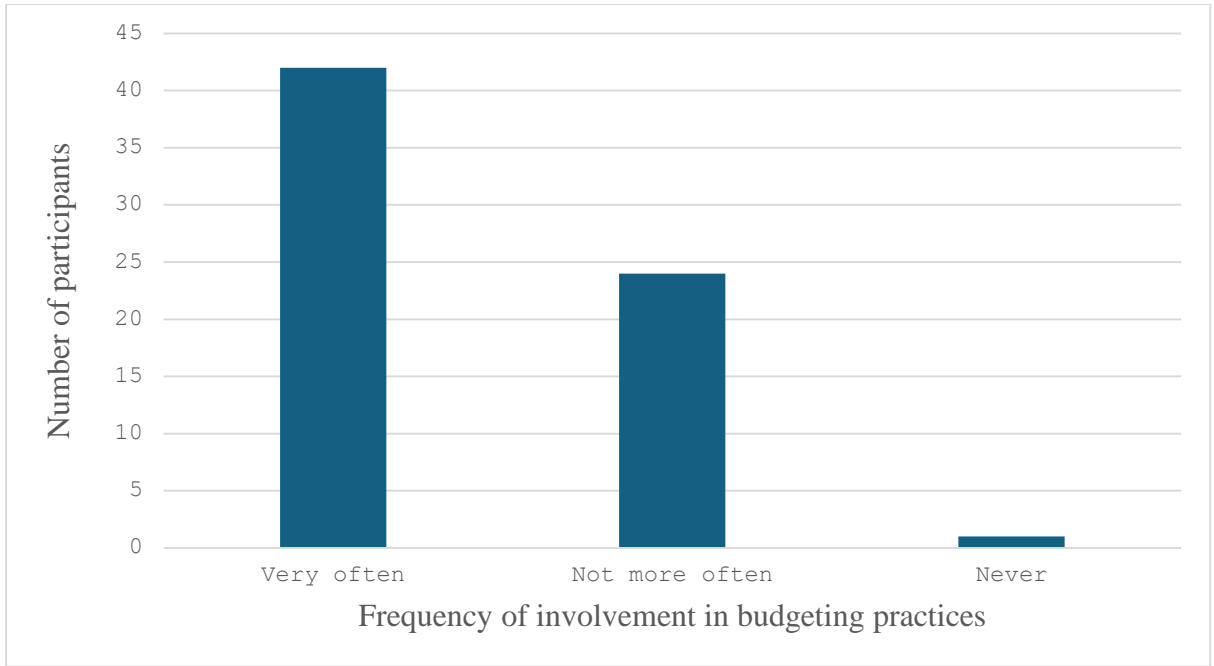


Figure 4.6: Frequency of Involvement in Budgeting Practices

Researcher (2024)

Figure 4.6 shows that 62.7% of employees are actively involved in their organizations' budgeting procedures. The percentage is crucial since it signifies that most of the participants in this survey significantly comprehend their organizations' financial objectives, engage in strategic decision-making processes, and easily identify and mitigate financial hazards.

Regarding the statement on how frequently the organization prepares its budgets, the study evaluated a benchmarking framework to ensure that the financial goals and performance align. The results of this statement are shown in Figure 8 below.

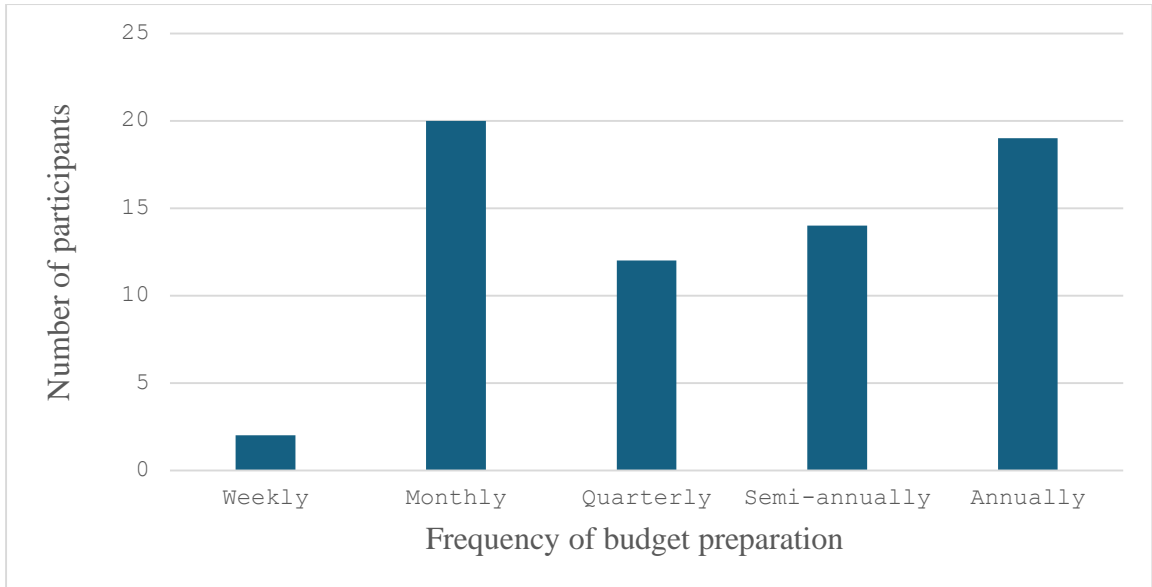


Figure 4.7: Frequency of Budget Preparation

Researcher (2024)

Figure 4.7 shows that 29.9% of education-based non-profit organizations in Nairobi City County prepare their budgets monthly, 28.4% annually, 20.9% semi-annually, and 17.9% and 3%, respectively, consider preparing their budgets quarterly and weekly. Consistent budgeting cycles help organizations track their financial performance more efficiently. Most organizations prefer monthly preparations, which are essential for closely monitoring organizational performance against its predetermined objectives.

The participants were then required to quantify the extent to which the budgeting practices have been achieved in their respective organizations using statements rated by the Likert Scale. As shown in Table 4.5, these statements quantified budgeting practices regarding budget creation, targets, and performance.

Table 4.5 Descriptive Analysis for Budgeting Practices

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

Researcher (2024)

The outcomes in Table 4.5 display how the participants responded to assorted statements measuring the budget practices variable. The first survey statement asked whether organizations set financial targets for the future regarding estimated revenue based on previous financial performances. The findings depict that 0.0% strongly denied, 11.9% just denied, 16.4% were neutral, 47.8% affirmed, and 23.9% affirmed strongly. The statement had a high mean of 3.84, demonstrating that the respondents highly agreed that their organizations set targets for the future. Similarly, the statement had a low standard deviation of 0.93, indicating that, while most of the participants agreed with the statement, there was a wider variation in the opinions of the statement. The variability in response could be linked to the differences in organizational budgeting practices.

Correspondingly, the survey sought to determine whether organizations create and maintain their budgets to necessitate strategic financial decisions. The findings reveal that 6% fully disagreed, 0.0% disagreed, 11.9% were neutral, 43.3% agreed, and 38.3% fully agreed. With a mean of 4.09 on the second statement, the analysis revealed that participants agreed that their organizations create and maintain budgets useful in making strategic financial decisions. The results also indicated a moderate standard deviation of 1.02, entailing that while several participants affirmed that their organizations create and maintain their budgets, there was a small portion of the participants who either disagreed or had neutral opinions regarding the statement.

On whether education-based NPOs have a consistent process of aligning the budget performance with predetermined goals, 3% of the respondents completely disagreed, while 6% just disagreed. 28.4% neither agreed nor disagreed, while 35.8% agreed. 26.9% completely agreed. With a mean of 3.77, the analysis suggests that, on average, most participants moderately agreed that organizations align their budget performance with predetermined goals. The standard deviation of 1.01 reflects relative inconsistency in respondents' opinions, implying that as much as several participants agreed with the statement, a few others either agreed or had neutral opinions, implying disparities in organizational budgeting practices.

4.6.2 Financial Forecasting Practices

The study's subsequent objective was to examine the financial forecasting practices and donor retention rate of education non-profit organizations in Nairobi City County, Kenya. To this end, participants were asked to establish the level to which they consider their organizations' financial forecasting practices accurate and reliable. The findings are presented in Figure 9 below.

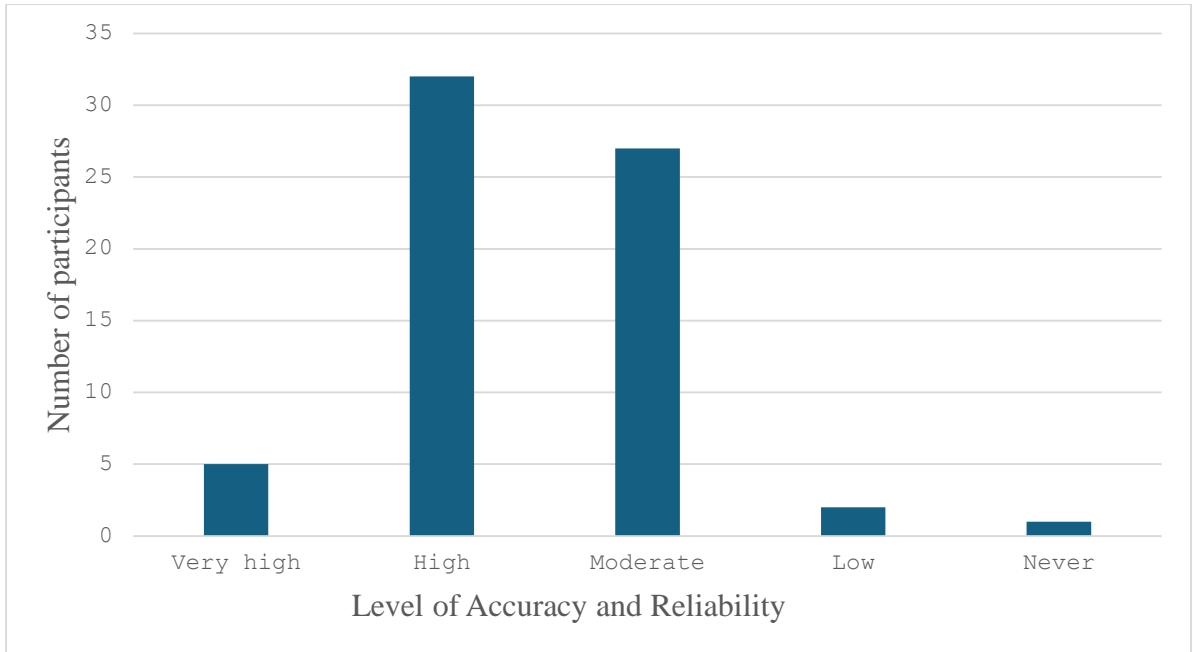


Figure 4.8: Accuracy and Reliability of Financial Forecasting

Researcher (2024)

Figure 4.8 illustrates that 47.8% of the respondents agreed that the accuracy and reliability of their financial forecasting practices are high, 40.3% agreed that the practices are moderate, 3.0% agreed that they are lowly accurate and reliable, 7.5% affirmed that they are very high, while 1.5% confirmed that their practices are never accurate and reliable. These outcomes denote that the majority of the participants in education-based NPOs affirmed that their organizations have accurate and reliable financial forecasting practices. Accurate practices in predicting future financial outcomes improve transparent reporting to donors (Zietlow et al., 2019). It provides a roadmap for enhancing the donor retention rate as well as the standard against which factual performance can be measured.

Additionally, the study also sought to determine whether accurate and reliable financial forecasting practices positively affect the decision of donors to continue contributing.

The findings of the participants are shown in Figure 10

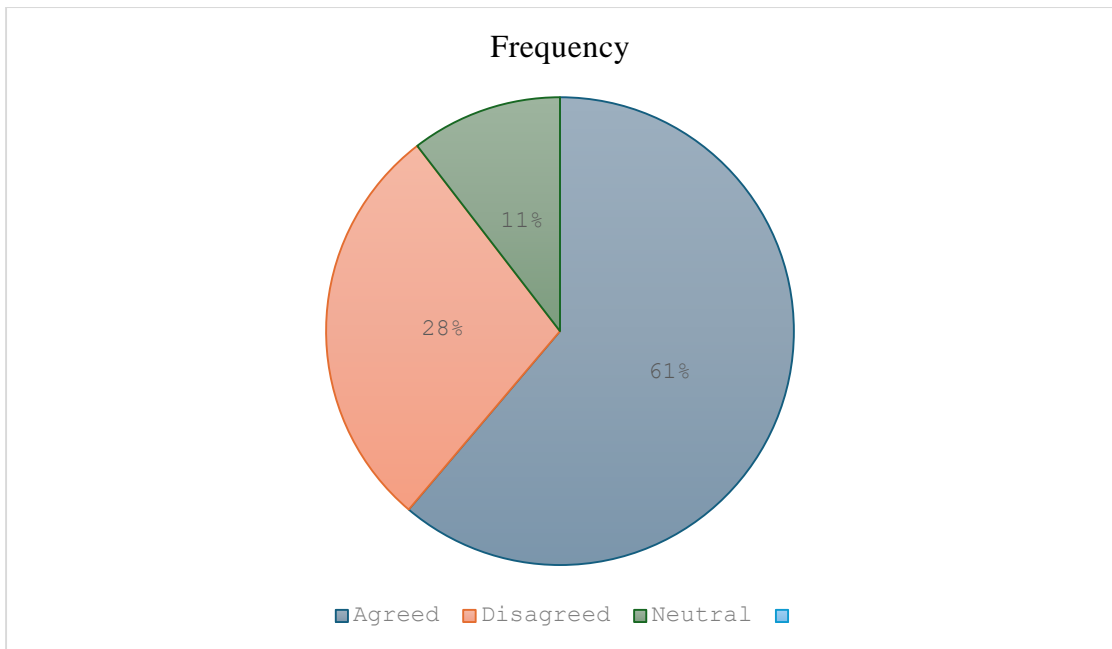


Figure 4.9: Effect of Accurate and Reliable Financial Forecasting Practices

Researcher (2024)

The outcome of the analysis from Figure 4.9 indicates that 41 respondents, accounting for 61%, agreed that accurate and reliable prediction of future financial outcomes is a significant factor in improving, maintaining, and increasing donor retention rates in their respective organizations. These findings support those of Ebenezer (2020), who argued that predicting future financial outcomes assists an organization in anticipating future trends, adapting to financial changes and economic shocks, and sustainably planning for organizational growth and expansion, thus increasing donor confidence and satisfaction.

The respondents were then asked to scale the level to which their respective organizations have accomplished financial forecasting practices based on statements scaled by the Likert Scale. These statements, shown in Table 4.6, were used to quantify the degree to which financial forecasting practices have been achieved.

Table 4.6 Descriptive Analysis for Financial Forecasting

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

Researcher (2024)

Table 4.6 shows how the respondents replied to various statements that measured the financial forecasting practices variable. The first survey statement asked whether organizations accurately forecast their revenues and incomes. According to the statistics derived from Table 4.6, 3% strongly disagreed, 16.4% disagreed, 32.8% were neutral, 38.8% agreed, and 9% strongly agreed. With a mean of 3.34, it can be deduced that the respondents slightly settled with the statement specification. This analysis suggests that the participants have slight confidence in their organizations to accurately forecast their revenues. The standard deviation of 0.92 somewhat indicates a variation in their answers. The uniformity in mean and standard deviation depicts that the opinions on the statement regarding financial forecasting ability are moderately aligned.

On the statement on whether organizations can easily predict future expenditures, 3% strongly disagreed, none of the respondents disagreed, 31.3% were neutral, 40.3% agreed, and 29.9% strongly agreed. With a mean of 3.85 on the second statement, most participants, on average, highly agreed that their organizations could easily predict future expenditures by identifying potential risks and opportunities useful in strategic decision-making processes. The results also indicated a lower standard deviation of 0.91, implying that the participants had low variations in their responses, signifying that a minority of the participants either disagreed or were neutral on the statement.

Also, on the statement on whether education-based NPOs can examine their historical financial data to identify possible economic shocks and patterns in predicting future financial outcomes, 6% entirely disagreed, 4.5% disagreed, 13.4% were neutral, 46.3% agreed, and 29.9% entirely agreed. The high mean of a score near 4 (3.98) indicates that, on average, participants strongly agreed with the statement. The standard deviation of 1.07 showed a relative changeability, indicating that, as much as most respondents agreed with the statement, a moderate number of them had either neutral or disagreeing views in their responses.

Finally, on the statement on whether education-based NPOs strategize on their potential outcomes and impacts in cases of reduced donor contribution, the findings showed that none of the respondents strongly disagreed, 7.5% disagreed, 25.4% were neutral, 37.3% agreed, and 29.9% strongly agreed. The findings revealed that several participants agreed with the statement at a lower variability (mean = 3.89, SD = 0.92). These results implied that the participants generally agreed with the strategies employed by their organizations, with relatively minimal variation, implying that the opinion is mutual across various participants in the education-based NPOs.

4.6.3 Cash Flow Management Practices

Various statements were used to examine the degree to which cash flow management practices among education-based NPOs in Nairobi City County, Kenya, have been accomplished. First, the participants' views sought to establish how often they encounter financial shortcomings when organizations have cash inflow or outflow.

Figure 11 presents the outcomes of their responses.

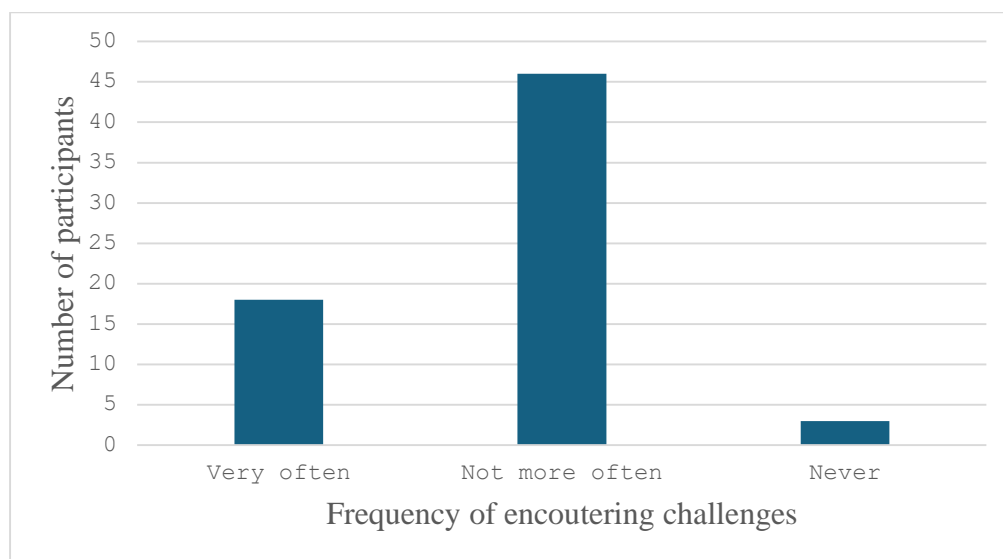


Figure 2: Frequency of Encountering Challenges during Cash Inflow and Outflow
Researcher (2024)

From Figure 11, it was determined that 26.9% of the employees agree that they very often experience financial challenges in the instances of cash inflow and outflow, 68.7% agreed that they do not more often encounter challenges, while 4.5% affirmed that they never experience shortcomings. With 68.7% agreeing that they do not often experience challenges in their cash flows, the results indicate that most education-based NPOs have adequate liquid assets to cover their short-term liabilities and obligations as and when they arise.

The research further pursued to establish how the education-based NPOs in Nairobi City County have achieved the various measures of cash flow management practices.

Table 4.7 presents the following:

Table 4.7: Descriptive Analysis for Cash Flow Management

Variable Indicators	SD	D	N	A	SA	M	Std Dev
The organization takes sufficient measures that ensure it maintains adequate cash and other liquid resources	0.0%	0.0%	17.9%	49.3%	32.8%	4.15	0.70
The organization has a proactive mechanism of improving its cash flow	4.5%	6.0%	22.4%	55.2%	11.9%	3.64	0.93
The organization manages its assets to build investment portfolios to meet its short-term financial liquidity	3.0%	1.5%	14.9%	37.3%	38.8%	4.15	0.94
*SD: Strongly Disagree Strongly Agree M: Mean	D: Disagree	N: Neutral	A: Agree	SA:	Std Dev: Standard Deviation		

Researcher (2024)

The first statement sought to establish whether organizations take adequate measures to ensure that they maintain enough cash and cash equivalents to meet their financial requirements. The results presented in Table 4.7 showed that no participants either strongly disagreed or disagreed with the statement. 17.9% were neutral, 49.3% affirmed, and 32.8% completely affirmed. With a mean of 4.15, it was detailed that, on average, the majority of the participants highly concurred with heightened confidence that their organizations take effective actions to guarantee adequate liquidity. Similarly, with a standard deviation of 0.70, most of the responses had small variations, implying

that there is a stronger accord on the ability of the education-based NPOs in Nairobi City County to maintain their cash reserves.

On whether the organizations have a proactive mechanism for improving their cash flow, 4.5% strongly disagreed, while 6% disagreed. 22.4% neither agreed nor disagreed that their organizations have proactive mechanisms, while 55.2% agreed that their organizations do have sufficient mechanisms for improving their cash inflows. 11.9% of the participants entirely agreed that their organizations have proper cash flow mechanisms. With a mean of 3.64, the analysis indicates that the participants moderately assented to the statement. The recorded standard deviation of 0.93 revealed moderate disparities in the respondents' perceptions regarding the statement.

Lastly, the study asked participants whether their respective organizations manage their assets in building various investment portfolios to easily meet their short-term financial liquidity. The results, as presented in Table 4.15, show that 3% strongly disagreed, while 1.5% just disagreed. 14.9% neither agreed nor disagreed, and 38.8% agreed that their organizations do have such assets. 41.8% of the respondents strongly agreed that NPOs have enough assets necessary for building various investment portfolios. The mean of 4.15 depicts that, on average, a great number of participants highly agreed that their respective NPOs manage their assets to create various investment portfolios that they can effectively use to meet their short-term financial liquidity. With a lower standard deviation value ($SD = 0.94$), the analysis suggested that several participants agreed with the assertion with slightly lower variability, signifying uniformity in NPOs' ability to build various investment portfolios.

4.6.4 Risk Management Practices

Several statements were drawn to provide significant insights into risk management practices for education-based NPOs. To effectively understand suitable risk management techniques employed in various organizations, the participants were required to express, in their own words, what actions are necessary to ensure that their organizations implement effective risk management measures. Figure 12 presents the findings.

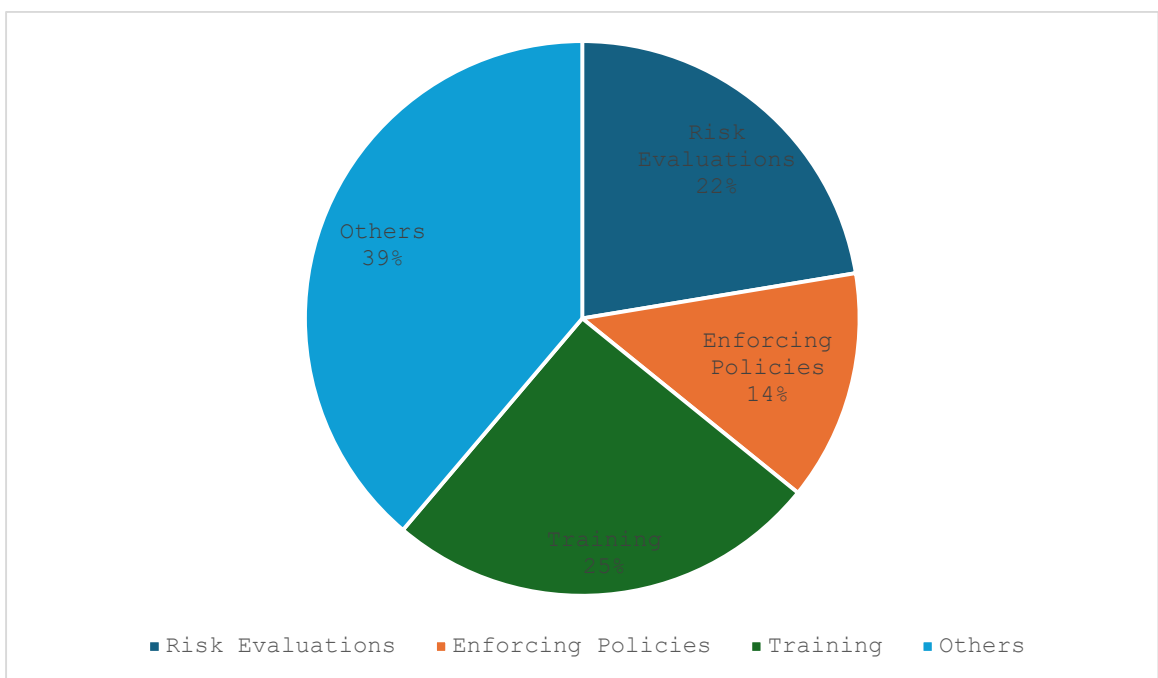


Figure 4.10: Distribution of Preferred Risk Management Actions

Researcher (2024)

The results reveal that most respondents, 25%, alluded that organizational members need appropriate training on financial risk management measures to create awareness of when they occur. 22% of the respondents highlighted that conducting regular risk evaluations and assessments is the most suitable action in ensuring that organizations implement successful risk management strategies. 14% of the participants suggested that enforcing risk management policies and procedures could be the appropriate action

for enhancing the implementation of effective risk management measures. Other respondents, 39%, had varied opinions that did not include the preferred actions indicated as popular and similar to them.

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

The outcomes are shown in Table 4.8

Table 4.8: Descriptive Analysis for Risk Management

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

Researcher (2024)

The findings, as per Table 4.8, reveal how the participants gave their responses regarding the measures of financial risk management practices. Regarding risk identification, the participants were asked whether their organizations were aware of

various financial risks that could negatively affect their organizational financial health. The results showed that 30% and 20% strongly agreed and agreed, respectively. 15% neither agreed nor disagreed, while 10% disagreed. 5% strongly disagreed that their organizations are always aware of financial risks that could affect their financial health. The findings also revealed that most participants moderately agreed that their organizations are aware of financial risks that could deter their operations, with a mean of 3.74. The moderate standard deviation of 1.03 showed moderate variability, indicating that only a few organizations are aware of their financial risks.

On the statement of risk evaluation, the participants were asked whether their organizations regularly evaluate all the identified risks. The majority, with 40%, strongly disagreed. 20% of the respondents just disagreed, while 10% neither agreed nor disagreed. 5% agreed, while 3% of the respondents strongly agreed that their organizations regularly evaluate all the identified risks regarding their severity, frequency, and probability of occurrence. The mean of 3.85 suggested that most of the participants strongly agreed that their organizations frequently evaluate identified risks, while the standard deviation of 1.00 signified that there were moderate differences in the responses, showing that not all the education-based NPOs in Nairobi City County have coherent mechanisms for risk evaluation.

Similarly, in the third statement that measures risk management techniques, the respondents were asked whether their senior management team selects a suitable risk management approach in the financial risk management process. The findings depict that 40% strongly disagreed, 30% just disagreed, 20% were neutral, 10% agreed, and 5% strongly agreed. Moreover, with a mean of 3.76, the participants sufficiently affirmed that their senior management team selects the appropriate risk management techniques in their process of risk mitigation. The results also indicated a moderate

standard deviation of 1.09, meaning that as much as participants approved the statement, there were a few variations in their responses, with others stating neutrality or disagreeing opinions.

Finally, on the aspect of risk control, the survey asked participants whether their respective organizations regularly monitor and review all selected risk management practices against the changes in the organizational external environment. The results, as presented in Table 4.19, show that 30% strongly disagreed, while 20% just disagreed. 15% neither agreed nor disagreed, while 10% agreed. 5% of the respondents strongly agreed. The mean of 3.94 depicts that most participants leaned heavily toward agreeing with the statement. The lower standard deviation value, 0.83, denotes that the responses had a low variation from the mean, thus indicating a relative uniformity in opinion regarding monitoring and reviewing risk management practices.

4.6.5 Donor Retention Rate

Since 2019, the donor retention rate (DRR) has become a critical challenge for nonprofits in the education sector. According to a report by the National Philanthropic Trust (NPT) reported that while donations increased in numerous sectors in 2023, with religion and international affairs seeing a 10% rise, the education and research sector experienced the largest decline, with a 4.4% drop in annual giving. The research sought to determine the donor retention rate status of education-based NPOs in Nairobi City County, Kenya. The investigator inquired about the magnitude of the stability of organizational donations. The ends of the inquiry are presented in Figure 13.

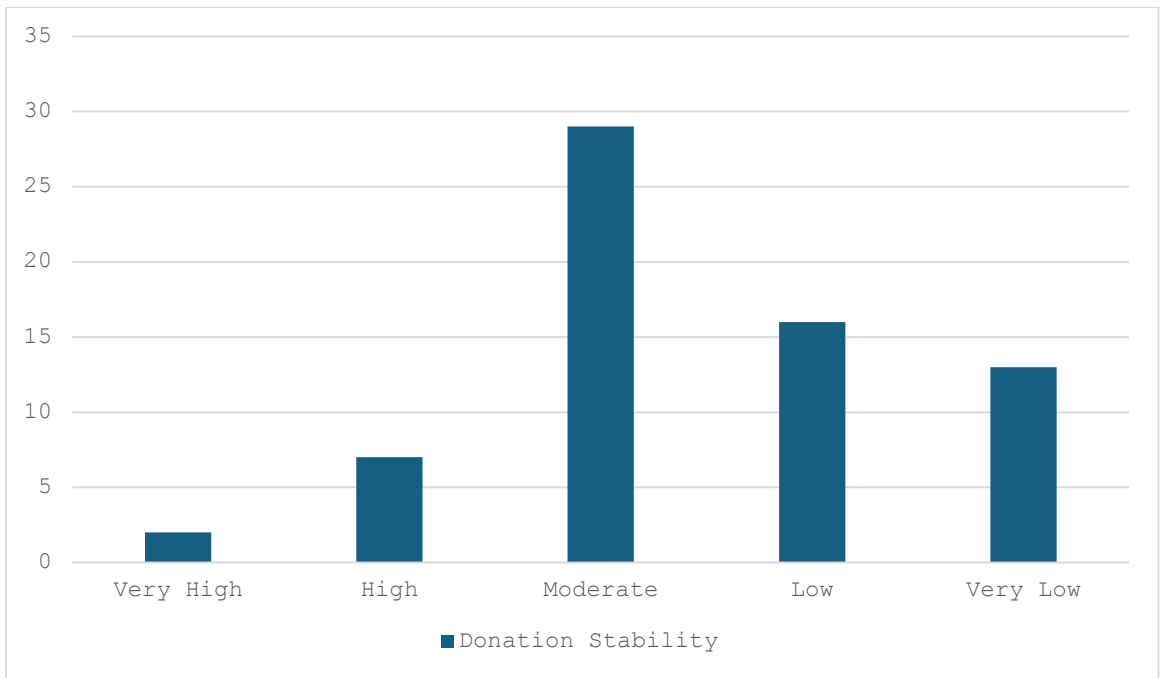


Figure 4.11: The Extent to which Organizations have Stability in Donation

Researcher (2024)

The results presented in Figure 4.11 indicate that 44.8% agreed that their organizations were moderately stable, 23.6% agreed that they had low stability, and 19.2% indicated that they had very low stability. 9.8% agreed that their organization had high stability, while 2.6% affirmed that they had very high donation stability. These findings implied that most Kenyan education-based NPOs are experiencing fluctuations in annual donations, as reported by the respondents.

Additionally, the research sought to ascertain whether the respondents believed that the financial planning practices adopted by their respective organizations are key determinants of the rate at which donors are retained. Figure 14 depicts the findings of this survey statement.

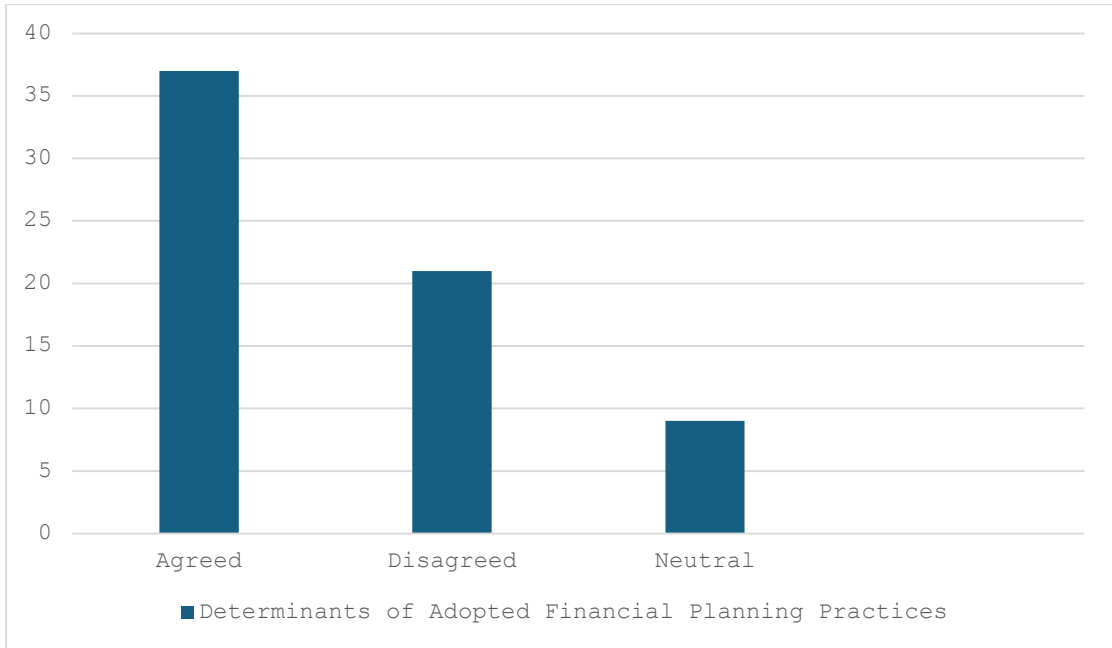


Figure 4.12: Determinants of Adopted Financial Planning Practices

Researcher (2024)

Figure 4.12 indicates that 55.2% agreed that their organization’s financial planning practices affect the rate at which donors are retained, while 31.3% disagreed. 13.5% neither agreed nor disagreed. The results presented from the survey indicate that most of the participants believe that their adopted financial planning practices are essential in influencing the donors to continue contributing to the organizations.

The research further sought to evaluate the descriptive statistics analysis of the donor retention rate of education-based NPOs. In this section, the participants were asked to establish the level at which their organizations’ donor retention rates have been achieved. They were asked to choose a category using a rating scale of 1 to 5. The findings of the survey are displayed in Table 4.9.

Table 4.9 Descriptive Analysis for Donor Retention Rate

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

Researcher (2024)

The data displayed in Table 4.9 are the responses regarding various considerations used in determining the level of Nairobi City County’s education-based Non-profit Organizations’ donor retention rates. In the survey, the research aimed to determine whether these organizations frequently track their donor interactions and contributions. The data reveal that 4.5% and 3% strongly disagreed and disagreed, respectively, while 53.7% and 16.4% agreed and strongly agreed. With a mean of 3.75, the study depicted that, on average, the participants moderately agreed that education-based NPOs in Nairobi City County regularly track their donor interactions and contributions. The moderate value of standard deviation, 0.93, denotes that the responses had a mild

variation in the degree to which organizations consistently track their donor interactions.

In the second statement, the respondents were asked whether most donors typically repeat their monthly year-after-year contributions. The findings depict that 1.5% strongly disagreed, 4.5% just disagreed, 26.9% were neutral, 46.3% agreed, and 20.9% strongly agreed. With a mean of 3.81, the analysis indicates that most respondents sufficiently agreed that several donors typically repeat their monthly year-after-year contributions as per their fundraising database. The results also indicated a lower standard deviation of 0.87, implying that the responses had very marginal disparities in responses, thus suggesting their uniformity in agreement that donor retention is a moderately shared experience.

The participants were further asked whether most of their donors are involved in the organization beyond financial contributions. The study's results indicate that the majority, 32.8%, just agreed. 3% of the participants highly disagreed, while 20.9% neither agreed nor disagreed. 16.4% disagreed, while 26.9% highly agreed. The mean of 3.64 suggested that most participants moderately agreed with the statement. The high standard deviation of 1.14 signified a wide disparity in the answers regarding the statement.

The research sought to establish whether the education-based NPOs in Nairobi City County have high donor engagement. The results, as presented in Table 4.9, show that 1.5% strongly disagreed, while 9% just disagreed. 23.9% neither agreed nor disagreed, while 44.8% agreed that their organizations have high donor engagement. 20.9% of the participants highly agreed. The mean of 3.94 indicates that the participants strongly agreed that their organizations have high donor engagement channels, such as monthly

donations and recurring gifts. The higher value of standard deviation, 0.83, denotes that the responses had a high variation from the mean.

Finally, the study sought to determine whether the NPOs could continue to receive persistent donations even with a change in their programs. The data indicate that the majority, 40%, strongly disagreed. 20% of the respondents just disagreed, while 10% neither agreed nor disagreed. 5% agreed, while 3% of the respondents strongly agreed. With a mean of 3.22 and a standard deviation of 0.44, the results indicated that most of the respondents concurred that their organizations would continue to receive persistent donations even with a change in their programs. The low standard deviation reveals a narrower variation in their responses, meaning that most respondents had a common view of the statement.

4.7 Inferential Statistics

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

4.7.1 Correlation Analysis

As postulated by McCormick and Salcedo (2017), correlation statistical analysis is an arithmetical technique in research suitable for establishing how variables are associated in terms of the strength of their relationship. The analysis is substantial in recognizing how a unit change in one variable affects any change in the other variable(s) (McCormick & Salcedo, 2017). Pearson Correlation Coefficient (PCC) uses coefficient values, r , ranging from 0.10 to define the potency and direction of the variables' relationship (Wong & Hiew, 2005). A relationship is considered weak if it falls within the range of 0.10 to 0.29, moderate if it falls between 0.30 and 0.49, and strong if it falls between the range of 0.50 and above (Wong & Hiew, 2005).

The research used PCC to demonstrate the nature and direction of the correlation between financial planning practices and donor retention rate among education-based NPOs in Nairobi City County. The outcome of the analysis is depicted in Table 4.10.

Table 4.10: Correlation Results

Variable		Donor Retention Rate	Financial Forecasting Practices	Budgeting Practices	Cash Flow Management Practices	Risk Management Practices
Donor Retention Rate	Pearson's Correlation	1				
	Sig. (2-tailed)	.				
Financial Forecasting Practices	Pearson's Correlation	.386**	1			
	Sig. (2-tailed)	0.001	.			
Budgeting Practices	Pearson's Correlation	.696**	.250*	1		
	Sig. (2-tailed)	0.000	0.041	.		
Cash Flow Management Practices	Pearson's Correlation	0.235	0.139	0.075	1	
	Sig. (2-tailed)	0.056	0.261	0.549	.	
Risk Management Practices	Pearson's Correlation	.810**	.302*	.555**	0.139	1
	Sig. (2-tailed)	0.000	0.013	0	0.261	.

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

Researcher (2024)

The analysis revealed a strong positive correlation between budgeting practices and donor retention rate ($r = 0.70$, $p = 0.000$). This suggests that as organizations improve practices such as revenue estimation, budget planning, coordination, and evaluation, the likelihood of retaining donors increases significantly. These findings align with Waititu (2021), who established that effective budgeting significantly supports the financial sustainability of nonprofit institutions. Clear and transparent budgeting appears to foster donor trust, which is essential for long-term engagement.

Financial forecasting practices showed a moderate positive correlation with donor retention rate ($r = 0.39$, $p = 0.001$). This relationship implies that nonprofits that strategically project future income and expenses through trend and scenario analysis tend to experience better donor retention. These results are consistent with findings by Mugenyi (2020), who concluded that forecasting enhances decision-making, contributing to the financial longevity of organizations. The implication is that donors are more likely to support organizations that demonstrate appropriate financial stewardship.

The relationship between cash flow management practices and donor retention rate was weak and not statistically significant ($r = 0.24$, $p = 0.056$). Although the positive direction indicates some influence, the p-value slightly exceeds the conventional 0.05 threshold, suggesting insufficient statistical evidence for a strong relationship. This contrasts with Tarus and Juma (2020), whose findings showed that effective cash planning in public institutions led to better financial performance. The difference may be due to contextual variations in institutional structure and donor expectations in education-based NPOs versus public sector entities.

Risk management exhibited a very strong positive correlation with donor retention ($r = 0.81$, $p = 0.000$). This finding underscores the critical importance of identifying, evaluating, and controlling financial risks in maintaining donor loyalty. The result strongly supports Ngungu (2020), who emphasized that sound financial oversight directly contributes to financial health and sustainability. When NPOs proactively manage financial risks, such as donor dependency or revenue volatility, donors are more likely to continue their support.

Generally, the correlation analysis findings indicate that all the predictor variables (budgeting practices, financial forecasting practices, cash flow management practices, and financial risk management practices) were positively correlated with the dependent variable (Donor Retention Rate). However, considering the level of statistical significance, the cash flow management variable needed more evidence to prove its significant relationship with the donor retention rate.

4.7.2 Regression Analysis

McCormick and Salcedo (2017) termed regression analysis a statistical technique that evaluates the relationship between a predicted study variable and one or more predictor variables. This study conducted simple and multiple regression analyses to establish the connection between each predictor variable and the predicted variable. The criteria for the regression analysis included: a) Coefficient valuations – which represent how a unit variation in one variable affects a variation in the corresponding variable while keeping other factors constant; b) Statistical significance – representing the variable's significance to the model, with determination of significance when the p-value is not higher than 0.05; c) Coefficient of determination (R-squared) – representing the share of variance in the predicted variable explained by the predictor variable, with higher values (ranging from 0 to 1) implying stronger explanatory power.

The analyses conducted were model summary, analysis of variance (ANOVA), and coefficient determination. The results of each analysis are detailed as follows:

4.7.2.1 Model Summary Analysis for Budgeting Practices

Table 4.11 shows the model summary analysis of the budgeting practices in establishing its model's fitness. This analysis tends to explain how the model fits the variations in the donor retention rate based on the budgeting practices without any alterations to the data.

Table 4.11: Model Summary of Budgeting Practices in Establishing the Model Fitness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.696 ^a	0.485	0.477	0.12403

a. Predictors: (Constant), Budgeting Practices

Researcher (2024)

Table 4.11 proved that budgeting practices had a correlation coefficient (R) of 0.696, inferring a strong positive linear relationship between budgeting practices and donor retention rate. Similarly, with the R-squared value of 0.485, the findings indicate that nearly 48.5% of the variations in donor retention rate are explained by budgeting practices. The remaining 51.5% can relate to other factors that did not form part of the research. With the adjusted R-squared value of 0.477, the outcomes imply that any alteration in budgeting practices would positively offer a better precise quantification of the model's explanatory power.

4.7.2.2 ANOVA for Budgeting Practice

An analysis of variance was carried out on the variables to compare the means of various groups and establish whether observable differences exist. Table 4.12 presents

the ANOVA based on the postulation that the significant differences in each group have similar variances and are normally distributed.

Table 4.12: ANOVA for Budgeting Practices

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	0.94	1	0.94	61.119	.000 ^b
	Residual	1	65	0.015		
	Total	1.94	66			

- a. Predicted Variable: Donor Retention Rate
 b. Predictors: (Constant), Budgeting Practices

Researcher (2024)

The 61.119 statistic indicates that there are meaningful variations between group means for budgeting practices. The p-value signifies that the result is statistically significant to the overall model. Consequently, the findings indicate that the budgeting practices variable is an important predictor of the donor retention rate, with the fitted model accounting for a considerable portion of the variability observed.

4.7.2.3 Coefficient Table for Budgeting Practices

The coefficient analysis measured how closely related the budgeting practices and donor retention rate of education-based non-profit organizations are. The outcomes are displayed in Table 4.13.

Table 4.13: Coefficient Table for Budgeting Practices

		Coefficients ^a				
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	0.500	0.069		7.2	0.000
	Budgeting Practices	0.500	0.064	0.696	7.818	0.000

a. Predicted Variable: Donor Retention Rate

Researcher (2024)

Centered on the results from Table 4.13, the constant term 0.500 represents the donor retention rate (dependent variable) value when the value of budgeting practices (independent variable) is zero. The beta coefficient of 0.696 for the budgeting practices variable signifies that a singular modification in the variable would contribute to a 0.696 advancement in the donor retention rate. Generally, the analysis indicates that the budgeting practices variable is an essential and positive predictor of donor retention rate. The coefficient outlines the measurable outcome and significance of budgeting practices on the donor retention rate.

4.7.3.1 Model Summary Analysis for Financial Forecasting Practices

Table 4.14 illustrates the model summary analysis of the second independent variable, financial forecasting practices, to establish the model's fitness. This regression analysis tends to explain how the model fits the variations in the donor retention rate based on financial forecasting practices without alterations to the data.

Table 4.14: Model Summary Analysis for Financial Forecasting

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.386 ^a	0.149	0.567	0.15938

a. Predictors: (Constant), Financial Forecasting Practices

Researcher (2024)

Grounded on the results presented in Table 4.14, financial forecasting practices had a correlation coefficient (R) of 0.386, denoting a strong positive linear relationship between financial forecasting practices and donor retention rate. Similarly, with the R-square of 0.149, the measurements indicate that nearly 15% of the variations in donor retention rate are expounded by financial forecasting practices. With the adjusted R-squared value of 0.567, the analysis implies that any variation in budgeting practices would positively offer a better and stronger model's explanatory power.

4.7.3.2 ANOVA for Financial Forecasting Practices

Table 4.15 presents the ANOVA, which is based on the postulation that the significant differences in each group have similar variances and are normally distributed.

Table 4.15: ANOVA for Financial Forecasting

		ANOVA ^a				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.289	1	.289	11.388	.001 ^b
	Residual	1.651	65	.025		
	Total	1.94	66			

a. Predicted Variable: Donor Retention Rate

b. Predictors: (Constant), Financial Forecasting Practices

Researcher (2024)

The change statistics section indicates that incorporating financial forecasting practices substantially enhances the model's explanatory power, as reflected by an R Square change of 0.289. With an F-value of 11.388 and a p-value of 0.001, there is a clear indication of distinguished variation between the group means, and the overall model is confirmed to be statistically significant. This suggests that the financial forecasting practices variable is a meaningful predictor of the donor retention rate variable, and its inclusion considerably strengthens the model's capacity to account for observed variability.

4.7.3.3 Coefficient Table for Financial Forecasting Practices

The coefficient analysis measured how closely related the financial forecasting practices and donor retention rate of education-based non-profit organizations are. The outcomes are displayed in Table 4.16.

Table 4.16: Coefficient for Financial Forecasting

		Coefficients ^a				
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	0.698	0.1		6.96	0
	Financial Forecasting Practices	0.318	0.094	0.386	3.375	0.001

a. Predicted Variable: Donor Retention Rate

Researcher (2024)

The constant term 0.698 represents the donor retention rate measure when the value of financial forecasting practices is zero. The standardized coefficient value of 0.318 for the financial forecasting practices variable signifies that a singular modification in the variable would culminate in a 0.318 improvement in the measure of the donor retention

rate. Generally, the analysis indicates that the financial forecasting practices variable is an essential and positive predictor of donor retention rate. The coefficient outlines financial forecasting practices' quantitative effect and significance on donor retention rates.

4.7.4.1 Model Summary Analysis for Cash Flow Management Practices

Table 4.17 shows the model summary analysis of the third independent variable, cash flow management practices, to establish the model's fitness. This regression analysis tends to explain how the model fits the variations in the donor retention rate based on these practices without alterations to the data.

Table 4.17: Model Summary for Cash Flow Management Practices

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.235 ^a	.055	.041	.16794

a. Predictors: (Constant), Cash Flow Management Practices

Researcher (2024)

Centered on the results indicated in Table 4.17, budgeting practices had a correlation coefficient (R) of 0.235, meaning a weak but positive linear relationship exists between cash flow management practices and donor retention rate. This analysis submits that improving cash flow management practices in an organization slightly affects its donor retention rate. Similarly, with the R-square value of 0.055, the findings indicate that only 5.5% of the variations in donor retention rate are justified by cash flow management practices. With the adjusted R-squared value of 0.041, the analysis means that any change in cash flow management practices would positively offer a less accurate measure of the model's explanatory power.

4.7.4.2 ANOVA for Cash Flow Management Practices

An analysis of variance was undertaken on the variables to compare the means of various groups and establish whether observable differences exist. Table 4.18 presents the ANOVA based on the postulation that the significant differences in each group have similar variances and are normally distributed.

Table 4.18: ANOVA for Cash Flow Management

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.107	1	.107	3.79	.056 ^b
	n				2	
	Residual	1.833	65	.028		
	Total	1.94	66			

a. Predicted Variable: Donor Retention Rate

b. Predictors: (Constant), Cash Flow Management Practices

Researcher (2024)

Table 4.18 shows an F-value of 3.792, which means that although the group means appear somewhat moderate compared to variations within groups, there are some notable differences between them. The p-value of 0.056 is slightly above the significance limit ($p = 0.05$), suggesting that at 5% significance, the cash flow management practices variable is statistically insignificant among the groups of variables. These findings, therefore, imply that the cash flow management practices variable lacks sufficient power to be a substantial predictor of the donor retention rate.

4.7.4.1 Coefficient Table for Cash Flow Management Practices

The coefficient analysis determined how closely related the cash flow management practices and donor retention rate of education-based non-profit organizations are. The outcomes are displayed in Table 4.19.

Table 4.19: Coefficient for Cash Flow Management

		Coefficients ^a				
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	.917	.062		14.872	0
	Cash Flow management practices	.083	.043	.235	1.947	.056

a. Source Predicted Variable: Donor Retention Rate
Researcher (2024)

The outcomes in Table 4.19 present the considerations for the regression analysis with cash flow management as the independent variable and donor retention rate as the dependent variable. The constant term of 0.917 represents the measure of the donor retention rate when all the independent variables are held at zero. The standardized coefficient value of 0.083 for the cash flow management variable signifies that a unit modification in the variable, while considering the other variables continually, would lead to a 0.083 increase in the value of the donor retention rate. This analysis suggests that the cash flow management practices variable is an essential and positive predictor of donor retention rate.

4.7.5.1 Model Summary Analysis for Risk Management Practices

Table 4.20 demonstrates the model summary analysis of the fourth independent variable, risk management practices, to establish the model's fitness. This regression

analysis tends to explain how the model fits the variations in the donor retention rate based on risk management practices without alterations to the data.

Table 4.20: Model Summary for Risk Management

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.810 ^a	.656	.651	.10127

a. Predictors: (Constant), Risk Management Practices

Researcher (2024)

The findings summarized in Table 4.20 reveal that risk management practices exhibited a correlation coefficient (R) of 0.810, signifying a robust positive relationship with donor retention rates. The analysis suggests that implementing effective risk management practices enhances donor retention. Furthermore, the R-square value of 0.66 indicates that approximately 65.6% of the variations in donor retention rates can be attributed to financial risk management practices. The adjusted R-squared value of 0.651 further demonstrates that variations in risk management practices provide a more precise assessment of the model's explanatory capability.

4.7.5.2 ANOVA for Risk Management Practices

Table 4.21 presents the ANOVA, which is based on the postulation that the significant differences in each group have similar variances and are normally distributed.

Table 4.21: ANOVA for Risk Management Practices

		ANOVA ^a				
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.274	1	1.274	124.17	.000 ^b
	n				9	
	Residual	0.667	65	0.01		
	Total	1.94	66			

a. Predicted Variable: Donor Retention Rate

b. Predictors: (Constant), Risk Management Practices

Researcher (2024)

The results summarized in Table 4.21 denote a high F-statistic of 124.179, indicating that the differences between the group means used in the analysis go beyond the differences within the groups. Similarly, the p-value (0.000) signifies that the overall model is highly statistically significant. Consequently, the findings indicate that the risk management practices variable is an essential predictor of the donor retention rate, with the fitted model accounting for a considerable portion of the variability observed.

4.7.5.3 Coefficient Table for Risk Management Practices

The coefficient analysis determined how closely related the risk management practices and donor retention rate of education-based non-profit organizations are. The outcomes are displayed in Table 4.22.

Table 4.22: Coefficient for Risk Management

		Coefficients^a				
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	0.333	0.064		5.231	0.000
	Risk Management Practices	0.667	0.06	0.81	11.144	0.000

a. Predicted Variable: Donor Retention Rate

Researcher (2024)

The summary in Table 4.22 presents the considerations for the regression analysis with financial risk management as the independent variable and donor retention rate as the dependent variable. The constant term of 0.333 represents the value of the donor retention rate when all the factors are considered null. The coefficient value of 0.667 for the financial risk management variable signifies that a unit modification in the variable, while holding the other variables at zero, would translate into a 0.667 increase in the value of the donor retention rate. This analysis suggests that the variable of financial risk management practices is an essential and positive predictor of donor retention rate.

4.8 Multiple Regression Analysis

The multiple regression analysis was carried out to comprehend and describe a meaningful relationship between financial planning practices and the donor retention rate of education-based non-profit organizations in Nairobi City County, Kenya. Various analyses, such as model summary, analysis of variance (ANOVA), and coefficient determination, were conducted to establish this relationship. The outcomes of each analysis are summarized in Tables 4.23, 4.24, and 4.25.

4.8.1 Model Summary Analysis for Multiple Regression

The research sought to establish how the association estimation between the predictor and predicted variables fits the statistical data. To establish the fitness, a model summary analysis of the data was conducted, and the results are presented in Table 4.23

Table 4.23: Model Summary for Multiple Regression

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

a. Predictors: (Constant), Budgeting, Financial Forecasting, Cash Flow Management, Risk Management

Researcher (2024)

The summary indicates that the overall model was highly significant, with a p-value of 0.000. An R of 0.878 demonstrated a solid linear relationship between financial planning practices and the donor retention rate of education-based non-profit organizations. Similarly, the R-square value indicated that the financial planning practices variables of the model explained a 77% variance in the donor retention rate, while the remaining 23% could be attributed to factors outside the scope of this model. These findings affirm that financial planning practices are major contributors to sustaining long-term donor relationships, particularly in education-centered NPOs, where funding volatility is common.

This result directly answers the general objective of the study, which sought to determine the extent to which financial planning practices influence donor retention. It also reinforces findings from Fang et al. (2021), who showed that strategic financial management improves donor lifetime value and overall financial sustainability of nonprofits.

4.8.2 ANOVA for Multiple Regression

To determine the magnitude of variability within the model, an analysis of variance was conducted that aided the assessment of model significance. Table 4.24 presents the summary.

Table 4.24: ANOVA for Multiple Regression

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

a. Predictor Variable: Donor Retention Rate

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

Researcher (2024)

As presented in Table 4.24, the ANOVA output ($F = 52.175$, $p = 0.000$) confirms that the regression model is statistically significant. This means that, collectively, the financial planning variables (budgeting, forecasting, cash flow management, and risk management) significantly predict donor retention rates. Therefore, the model is valid for explaining the relationship between financial planning and donor retention, effectively meeting the statistical requirements for regression reliability.

4.8.2.1 Objective 1: To assess the effect of budgeting practices on donor retention

The regression results indicated that budgeting practices had a strong and statistically significant positive effect on donor retention. This supports Waititu (2021), who found that prudent budgeting improves organizational sustainability and transparency, key drivers of donor trust and continued giving.

4.8.2.2 Objective 2: To analyze the relationship between financial forecasting and donor retention

The model showed a moderate yet significant influence of forecasting practices on donor retention. This aligns with Mugenyi (2020), who emphasized the role of data-driven forecasting in ensuring financial predictability, a factor that enhances donor confidence.

4.8.2.3 Objective 3: To examine the influence of cash flow management on donor retention

Cash flow management had a weaker but significant relationship, suggesting that while it plays a role, it may not be a primary driver of donor retention. This could be due to donors having less visibility into internal liquidity issues, which echoes Tarus and Juma (2020), whose study also observed mixed influences of cash flow on perceived financial performance.

4.8.2.4 Objective 4: To determine the effect of financial risk management on donor retention

Financial risk management emerged as a very strong and significant predictor, with the highest beta coefficient in the model. This outcome supports Ngungu (2020), who argues that sound risk management signals accountability and stability to donors, increasing their likelihood of continued support.

4.8.3 Coefficient Table for Multiple Regression

Coefficient evaluation for multiple regression was carried out to describe the influence of the independent variables on the findings while all the other variables were held constant. Table 4.25 illustrates the findings of the regression coefficient established.

Table 4.25: Coefficient for Multiple Regression

		Coefficients^a				
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.127	0.07		1.808	0.075
	Risk Management Practices	0.469	0.062	0.57	7.605	0
	Financial Forecasting Practices	0.092	0.053	0.112	1.74	0.087
	Budgeting Practices	0.247	0.053	0.344	4.677	0
	Cash Flow Management Practices	0.041	0.022	0.114	1.851	0.069

a. Predicted Variable: Donor Retention Rate

Researcher (2024)

Table 4.25 presents the findings of the linear multiple regression with regression coefficients that provide a comprehension of how each financial planning practice affects the donor retention rate. From the Table, the outcome of the linear multiple regression equation can, therefore, be expressed in the model 4.1 as follows:

$$\text{DRR} = 0.127 + 0.344x_1 + 0.112x_2 + 0.114x_3 + 0.57x_4 + \varepsilon$$

.....4.1

Where Y = Donor Retention Rate

X₁ = Budgeting practices

X₂ = Financial forecasting practices

X₃ = Cash flow management practices

X₄ = Risk management practices

The positive regression coefficients signify a positive and significant influence of financial planning practices on the donor retention rate of education-based NPOs in Nairobi City County, Kenya. Generally, the positive relationship between the variables in the model entails that as the measure of the independent variable grows, so does the dependent variable. The constant term of 0.127 implies that the donor retention rate will experience a 0.127-unit improvement when all four factors (budgeting, financial forecasting, cash flow management, and risk management practices) remain unchanged.

The coefficient of 0.344 for budgeting practices in the model infers that each additional increase in budgeting results in a 0.344 increase in the donor retention rate when other variables like financial forecasting, cash flow management, and risk management have no variations. The findings of this study concur with Wang (2022), whose study's results concluded that budgeting practices adopted by the local NGOs in Kenya positively and significantly affect the financial sustainability of the organization. However, this study's outcomes contradict that of Orendo and Muturi (2017), who revealed that the correlation between budgeting and the financial sustainability of non-governmental organizations in Kenya was statistically insignificant.

Similarly, the coefficient of 0.112 for financial forecasting practices indicates that a unit change in forecasting practices would yield a 0.112 advancement in donor retention rate when holding all the other factors constant. The findings agree with those of Gizamba (2018), which showed that financial forecasting practices and non-profit organizations' performances are linearly correlated.

Findings also showed that with no other factor considered in the model, a one-unit change in cash flow management practices leads to a 0.114 improvement in the donor retention rate, as indicated by the beta coefficient 0.114. The findings in this research affirm those of Nyabwanga (2011), who also revealed that proper cash flow management positively affects an organization's financial stability. However, this study's findings contradict those of Kimonge (2011), whose outcome suggested that cash flow management was insignificantly related to the stability of NGOs in Nairobi City County.

Relatedly, the coefficient of 0.57 for the risk management practices variable means that each extra improvement in risk management practice exercised by education-based non-profit organizations would yield a 0.57 unit rise in their donor retention rate while maintaining other factors fixed. While researching risk categories and risk management methods in NPOs in Poland, Domański's (2016) study concurred with this study's findings that risk management practices positively affect the financial sustainability of NPOs.

The regression analysis found that most financial planning practices positively and significantly affect the donor retention rate, a financial performance measure of non-profit organizations. These findings align with those of Chelangat et al. (2018), who found that financial planning practices positively affected the financial stability of NGOs in Nairobi City County, Kenya.

4.9 Hypothesis Testing

The hypothesis statements in this study were derived from the outcomes of the multiple regression analysis. The null hypothesis statements depicted that budgeting, financial forecasting, cash flow management, and risk management did not significantly

influence the dependent variable, which was the donor retention rate in education-based NPOs in Nairobi City County. The testing criterion involved rejecting the null hypothesis and accepting the alternative hypothesis if the regression coefficients were found to be positive. Thus, the testing criterion's outcome determines whether the independent variables' influence on the dependent variable is significant. The following discussions detail the result of the hypothesis test.

4.9.1 Budgeting Practices and Donor Retention Rate

Null Hypothesis (H_{01}): Budgeting practices have no significant effect on donor retention rates in education-based NPOs in Nairobi City County, Kenya.

The regression analysis revealed that budgeting practices have a positive and significant effect on donor retention rates, with a coefficient of 0.344, implying that each additional increase in budgeting results in a 0.344 increase in the donor retention rate, assuming no variations in other factors. Since the regression coefficient was positive, it proved that a significant correlation exists between budgeting practices and the donor retention rate of education-based NPOs. The null hypothesis was, therefore, rejected. Rejecting this null hypothesis implies that budgeting practices are a critical determinant of donor retention among education-centered NPOs in Nairobi.

4.9.2 Financial Forecasting Practices and Donor Retention Rate

Null Hypothesis (H_{02}): Financial forecasting practices have no significant influence on donor retention rates in education-based NPOs in Nairobi City County, Kenya.

The regression analysis yielded a coefficient of 0.112 for financial forecasting practices, implying that a unit change in forecasting practices would bring about a 0.112 improvement in the donor retention rate under the circumstance that other variables are fixed. Based on the interpretation criteria for hypothesis testing, the null hypothesis for

financial forecasting practices and donor retention rate was rejected since the regression coefficient was positive. Rejecting this hypothesis implies that financial forecasting practices play a meaningful role in strengthening donor loyalty.

4.9.3 Cash Flow Management Practices and Donor Retention Rate

Null Hypothesis (H₀₃): Cash flow management practices have no significant effect on donor retention rates in education-based NPOs in Nairobi City County, Kenya.

According to the regression analysis findings, the coefficient for cash flow management was 0.114. The findings suggest that, while holding all other factors controlled, any unit modifications in cash flow management practices result in a 0.114 growth in the donor retention rate. Since the findings showed that the cash flow management practices variable positively influenced the donor retention rate, the null hypothesis was rejected. Rejecting the null hypothesis suggests that cash flow management is a critical financial planning practice that contributes to sustaining donor relationships.

4.9.4 Financial Risk Management Practices and Donor Retention Rate

Null Hypothesis (H₀₄): Risk management practices have no significant effect on donor retention rates in education-based non-profit organizations in Nairobi County, Kenya.

The regression analysis revealed a positive coefficient of 0.469 for risk management practices. The coefficient implied that each additional improvement in risk management practice by education-based non-profit organizations would generate a 0.469-unit improvement in their donor retention rate. Based on the hypothesis test criterion for rejection or acceptance, the null hypothesis was rejected since a positive regression coefficient of 0.57 for risk management practices was established. Rejecting the null hypothesis affirms that robust financial risk management is a key driver of donor retention.

CHAPTER FIVE

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

This section expounds on the study's summary, conclusions, and recommendations. Emanating from the research objectives, the section integrates the results and positions them within the broader perspective of the statement problem. The section also proposes the areas essential for further research to improve the study's findings and broaden its objectives.

5.2 Summary of the Findings

This study investigated the influence of financial planning practices on donor retention rates among education-based nonprofit organizations (NPOs) in Nairobi City County, Kenya. The central problem addressed was the persistently low donor retention rate, averaging 41%, which poses a financial threat to the sustainability of education-focused NPOs. Although donor support is a critical lifeline, many of these organizations lack the financial planning capacity necessary to build trust and long-term donor engagement. Existing literature has emphasized the importance of effective financial management, yet few studies have comprehensively explored how practices such as budgeting, forecasting, cash flow, and financial risk management shape donor loyalty in the education sector.

The study was anchored on three theories: Stewardship Theory, which advocates for transparency and accountability; Resource Dependence Theory, which cautions against overreliance on external donors; and Social Exchange Theory, which frames donor support as a reciprocal relationship. Empirical literature revealed gaps in context,

methodology, and conceptual coverage, especially in linking financial planning to donor retention. To bridge this gap, the study employed a descriptive and explanatory research design using both open- and closed-ended questionnaires administered to finance managers, fundraising officers, and program coordinators in 109 education-based NPOs. A sample of 67 valid responses (61.5%) was analyzed using SPSS. Descriptive statistics, correlation analysis, and multiple linear regression were used to test the four hypotheses aligned with the study objectives.

The findings showed that budgeting practices ($r = 0.70$, $p < 0.000$) and financial risk management ($r = 0.81$, $p < 0.000$) had strong positive and statistically significant relationships with donor retention. Financial forecasting also showed a moderate positive effect ($r = 0.39$, $p < 0.001$), while cash flow management demonstrated a weak but positive correlation ($r = 0.24$, $p = 0.056$). The regression model further confirmed that 77% of the variance in donor retention could be explained by the financial planning variables. These results contribute to both theory and practice by highlighting the role of strategic financial planning in sustaining donor relationships and offer a foundation for policy reform and managerial action in the nonprofit education sector.

5.3 Conclusions

This study set out to determine the influence of financial planning practices, specifically budgeting, financial forecasting, cash flow management, and financial risk management, on donor retention rates among education-based nonprofit organizations in Nairobi City County, Kenya. Based on empirical findings and guided by the study objectives, the following conclusions were drawn:

Budgeting practices have a statistically significant and strong positive influence on donor retention rates ($r = 0.70$; $\beta = 0.344$). This suggests that consistent budget

planning, coordination, and evaluation enhance organizational credibility and transparency, which in turn fosters donor trust and long-term commitment.

Financial forecasting practices demonstrated a moderate but statistically significant positive effect on donor retention ($r = 0.39$; $\beta = 0.112$). This implies that when organizations use past trends and market insights to project future income and expenditure, they build donor confidence in their planning capacity and financial preparedness.

Cash flow management practices showed a weak but positive relationship with donor retention ($r = 0.24$; $\beta = 0.114$), with marginal statistical significance. While the effect was less pronounced, organizations that actively monitor and optimize their inflows and outflows are better positioned to sustain donor support.

Risk management practices exhibited the strongest positive and significant correlation with donor retention ($r = 0.81$; $\beta = 0.570$). This indicates that NPOs with robust strategies to anticipate, mitigate, and adapt to financial risks are more likely to maintain consistent donor relationships.

In summary, all four financial planning practices contribute positively to donor retention, with risk management and budgeting showing the most pronounced influence. These findings affirm that effective financial planning is a critical driver of donor confidence and organizational sustainability. The study also underscores the need for education-based NPOs to institutionalize sound financial practices and invest in financial literacy among their teams and stakeholders to strengthen long-term donor relationships.

5.4 Recommendations of the Study

Based on the findings drawn from this study, several actionable recommendations are made to strengthen donor retention through effective financial planning practices in education-based nonprofit organizations in Nairobi City County, Kenya.

Given the strong positive relationship between budgeting practices and donor retention, NPOs should adopt transparent, participatory budgeting processes that engage both internal stakeholders and donors. Budgets should be inclusive of all programmatic and administrative costs and shared with donors to promote accountability. Regular monitoring and financial performance reviews against the budget should be conducted to build trust and maintain donor confidence.

As forecasting demonstrated a significant influence on donor retention, NPOs are encouraged to implement robust forecasting models that incorporate historical financial data, donor trends, and macroeconomic indicators. Scenario planning should be integrated into forecasting efforts to prepare for both optimistic and adverse funding scenarios, enhancing organizational resilience and donor assurance.

Despite showing a comparatively weaker correlation, the positive relationship between cash flow management and donor retention indicates the need for NPOs to maintain strong liquidity positions. Organizations should develop short-term investment strategies, maintain operational cash reserves, and implement real-time cash tracking systems. Doing so will ensure smooth service delivery and reinforce donor trust in the organization's financial stability.

With risk management practices having the strongest effect on donor retention, NPOs should prioritize the development of comprehensive risk management frameworks. These should include regular financial audits, donor diversification strategies, and

contingency plans for donor withdrawal or market shocks. Transparent reporting on risk preparedness will help foster donor loyalty and long-term support.

5.5 Suggestion for Further Research

The emphasis of the research activity was to determine the effect of financial planning practices on the donor retention rate of education-based NPOs in Nairobi City County, Kenya. The research purpose was achieved by examining the effects of budgeting, financial forecasting, cash flow management, and risk management practices on the donor retention rate. However, to supplement the need to strengthen the reduction of donor retention rates for education and research non-profit organizations, the study can be expounded by emphasizing other variable indicators that affect donor retention rates, such as the financial performance index for non-profit organizations.

The study's findings showed that cash flow management had a slightly significant outcome on donor retention rate. Ideally, cash flow management practices are essential for most organizations as they ensure the timely implementation of projects while at the same time maintaining liquidity. The findings offer a proposed research idea on the factors causing the correlation's statistical insignificance of cash flow management practices.

Finally, the research focused on education-based non-profit organizations in Nairobi City County, Kenya. Further studies can replicate the research activities of non-profit organizations other than education—and research-based organizations. The research should also consider the population outside Nairobi City County to bridge the contextual gap and determine how financial planning practices influence donor retention rates in other regions beyond Nairobi and Kenya.

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APPENDICES

Appendix I: Introduction Letter

September 2024

Dear Participant,

My name is Victor Orinda, and I am a student presently undertaking a Master of Business Administration (MBA) program with a specialization in Finance at Kenyatta University. As part of the requirements for completing my degree, I am conducting research to analyze the influence of financial planning practices on the donor retention rates of education-focused nonprofit organizations in Nairobi City County, Kenya.

The current research and data collected will be used exclusively for academic determinations; therefore, your responses will be held to the highest degree of privacy and discretion. Your name and identity will not be disclosed in the final document. Your honest participation and responses will go a long way toward providing valuable insights into the investigation.

I am grateful for your cooperation in advance.

Regards,

Victor Orinda

Appendix II: Research Questionnaire

This questionnaire will evaluate the effects of financial planning practices on the donor retention rates of education-focused nonprofit organizations in Nairobi City County, Kenya. The research is conducted exclusively for academic purposes, and all data collected from the participants will be subject to the utmost level of discretion and privacy. Respond honestly to the following inquiries by ticking (✓) the suitable box unless otherwise instructed.

Part A: Demographic Description

1. Age:
18–34 35–44 45–50 51–59 60 or older
2. Gender:
Male Female
3. Highest Education Qualification:
Certificate Diploma Bachelor's Level
Master's Level Doctorate or Professional Level
Other (kindly specify) _____
4. Range of Experience in years in the Nonprofit Area:
0-1 2-5 6-9 years 10 and above
5. What position are you currently holding? _____

Part B: Financial Planning Practices

Budgeting Practices

6.1 How often are you involved in the budgeting practice in your organization?

Very often Not more often Never

If your answer is Never, kindly state why _____

6.2 How frequently does the organization prepare budgets?

Weekly Monthly Quarterly

Semi-annually Annually

Others Please clarify _____

6.3 Please rate the degree to which budgeting practice has been achieved in the organization by indicating a tick in the appropriate category based on your own assessment.

Use a rating scale of 1 to 5 to choose a category: 1 = “Strongly Disagree,” 2 = “Disagree,” 3 = Neutral, 4 = “Agree,” and 5 = “Strongly Agree.”

#	Expression	1	2	3	4	5
6.4	This organization set targets for the future in terms of estimated revenue expected based on past performances					
6.5	The organization creates and maintains budgets used in making strategic financial decisions.					
6.6	There is a consistent process of aligning the budget performance against predetermined financial goals and objectives.					

Financial Forecasting Practices

6.7 To what level do you consider the financial forecasting practices in your organization to be accurate and reliable?

Very high [] High [] Moderate []
 Low [] Never []

6.8 If your answer is Never, in your opinion, do you think an accurate and reliable financial forecasting practice positively affects the decision of a donor to continue contributing

Kindly rate the degree to which financial forecasting practices have been accomplished in the organization by indicating a tick in the suitable category based on your own assessment.

Use a rating scale of 1 to 5 to choose a category: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, and 5 = Strongly Agree.

#	Expression	1	2	3	4	5
6.9	The organization develops an accurate revenue forecast to predict future financial outcomes in terms of durations of surpluses, deficits, and adjustments through borrowing or investments					
7.0	The organization can easily predict future expenditures to identify potential risks and opportunities useful in strategic decision-making					
7.1	The organization can examine historical financial data to identify possible shocks, patterns, trends, and relationships useful in predicting future financial outcomes.					

7.2	The organizations always strategize on potential outcomes and impacts in cases of reduced donor contribution					
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Cash Flow Management Practices

7.3 To what extent do you encounter challenges while approaching the instances of cash inflow and outflow?

Very often Not more often Never

Kindly rate the degree to which cash flow management practices have been attained in the organization by indicating a tick in the suitable category based on your own assessment.

Use a rating scale of 1 to 5 to choose a category: 1 = “Strongly Disagree,” 2 = “Disagree,” 3 = “Neutral,” 4 = “Agree,” and 5 = “Strongly Agree.”

#	Expression	1	2	3	4	5
7.4	This organization takes sufficient measures that ensure it maintains adequate cash and other liquid resources to meet its financial requirements					
7.5	The organization has a proactive mechanism of improving its cash flow through either increasing inflows, reducing outflows, or both.					
7.6	The organization manages its assets to build investment portfolios that can easily meet its short-term financial liquidity					

Risk Management Practices

7.7 In your own words, what actions are necessary to ensure the organization implements effective risk management measures?

Kindly rate the degree to which risk management practices have been realized in the organization by indicating a tick in the fitting category based on your own assessment.

Use a rating scale of 1 to 5 to choose a category: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, and 5 = Strongly Agree.

#	Expression	1	2	3	4	5
7.8	Our organization is always aware of financial risks that could affect its financial health					

7.9	The organization regularly evaluates identified risks in terms of their severity, frequency, and probability of occurrences.					
8.0	The senior management team selects an appropriate risk management approach in case of the occurrence of an identified risk					
8.1	The organization constantly monitors and reviews all selected risk management practices against the changes in the organizational external environment					

Part C: Donor Retention Rate

8.2 What is your level of extent that ‘my organization has a stable donor retention rate’?

- Very high High Moderate
 Low Very Low

8.3 In your opinion, do you think your adopted financial planning practices in your organization affect the rate at which donors are retained?

Please rate the following statements based on your organization's donor retention rate. Use a rating scale of 1 to 5 to choose a category: 1 = “Strongly Disagree,” 2 = “Disagree,” 3 = “Neutral,” 4 = “Agree,” and 5 = “Strongly Agree.”

#	Expression	1	2	3	4	5
8.4	Our organization frequently tracks its donor interactions and contributions through reporting outcomes and constant communications					
8.5	Most donors typically repeat their monthly year-after-year contributions as per the fundraising database					
8.6	The majority of the donors are involved in the organization beyond financial contributions.					
8.7	The organization has high donor engagement channels such as monthly donations and recurring gifts					
8.8	The organization will continue to receive persistent donations even with a change in its programs.					

Thank you for completing this survey. Your input will contribute to valuable insights into the research activity.

Appendix III: List of Education and Research NPOs in Kenya

#	Name of the Organization	Physical Address
1	Youth Initiative Kenya (YIKE)	Kariobangi South
2	YMCA	State House Rd
3	World Hope Academy	Lavington
4	Hope – Craft Skills Development Centre	CBD
5	Ujamaa Africa	Kariobangi North
6	Institute For African Development	Dagoretti North
7	SOS Children Garden Villages Kenya	Buruburu
8	Blue Door Foundation	Kasarani
9	Uppernile Kalazar Education Association	Kibra
10	Pais Project	Kasarani
11	Hope For Orphans International	Embakasi West
12	Missions Of Hope Centre	Kamukunji
13	Great People For Community Development International	Kibra
14	Make A Change International Development	Riverside
15	Love Shack Charity Organization	Upper Hill
16	Kisumu Ndogo Bio Centre	Korogocho
17	Islamic Relief	Ngong Road
18	Supporters For The Needy - Kenya	Huruma
19	International Institute Of Rural Reconstruction	Nairobi
20	International Children Resource Institute	Nairobi
21	Huru International Kenya	Nairobi
22	Centre For Health Education, Training And Information	CBD
23	The Good Samaritan Orphanage Centre	Kahawa Sukari
24	Kenya Education Communication And Economic Empowerment	Starehe
25	Jitegemee Kenya	CBD
26	Mahwi Educational Charity Fund	Kibera
27	Green House School Of Deaf	Komarock

28	Clare Foundation	Chiromo
29	Children International	Kilimani
30	Family Education And Development Organization	South C
31	Catholic Relief Services	Nairobi
32	Bright Angels Education Centre	BuruBuru Phs II
33	Girl - Study (The Organization For Education Of Young Females)	Westlands
34	Intervida - Kenya	CBD
35	Education Rescue International	CBD
36	Center For The African Child Education Foundation	CBD
37	Youth Information Education And Communication Network	Ngong Rd
38	Agha Khan Academy Nairobi	Parklands
39	Abc Children Home	Kariobangi North
40	Chyullu Education Al Complex Organization	Kariobangi
41	Cheyl Williams Foundation	Kibera
42	African Angels Children's Fund	CBD
43	Street Children International	Langata
44	Global E - E-Schools and Communities Initiatives (GESCI) Kenya	Westlands
45	Tumaini Fund For Economic Development International	Buruburu
46	Centre For Civic Empowerment Through Education And Economic Development	Dagoretti North
47	Ideal Educational Counseling Center	Ruaraka
48	Elika Rescue Team International	Nairobi
49	Education And Sensitization For Africa	Muthaiga

50	Initiative For Transformational Community Development In Africa	Nairobi
51	Sports For Life Programme	Kibra
52	Sustainable Programme For Socio-Economic Empowerment And Development	South C
53	Kenyan Child Education Fund	Dagoretti North
54	For The Children's Sake Foundation	Kibra
56	High vision Education Programme	Ruaraka
57	Institute Of Education For Disabled People	CBD
58	Tact Africa	Karen
59	Directed Educational Environment And Developmental Strategies For Poverty Reduction	Ruaraka
60	Inside-Out Learning Organization	CBD
61	Save A Child Mission For Africa	CBD
62	Emmanuel Rescue Centre	Makadara
63	Tumaini La Watoto Outreach Foundation	Starehe
64	Bildad M. Kaggia Foundation	Kasarani
65	Community Development In Diversity Organization	CBD
66	Hands Of Grace Children's Support Project	CBD
67	Kogweno Development Organization	CBD
68	Kenya Education Project	CBD
69	Child Africa	Eastleigh
70	Al- Maktoum Foundation	Nairobi
71	Merciful Children Care And Education Centre	CBD
72	Shiriki Charity Organization	Kibra
73	Grassroots Alliance For Community Education	Nairobi
74	Diaspora Global Foundation	Makadara

75	Lena Foundation	Makadara
76	African Education Fund (AEF)	Kileleshwa
77	African Virtual University	Kilimani
78	Foundation For Advanced Future	Embakasi West
79	Family Gift International	Nairobi
80	New Hope Foundation For Kenyan Children	CBD
81	Learning Resources Foundation	CBD
82	Child International Foundation Africa	CBD
83	Grace Foundation International	CBD
84	Shade For Education And Development	Langata
85	The Weston Foundation	GPO
86	Kawa SCHOLARSHIP FUND	Nairobi
87	Suitable Life Development Organization	CBD
88	Kibera Slum Education Programme	Kibera
89	Pathways	CBD
90	Soul To Soul International	Westlands
91	The Education Kenya International Fund	Lavington
92	Sadhaqa Development Aid Organization	Riverside
93	Mathare Junior Centre	Ruaraka
94	Karibuni Kenya International	Embakasi East
95	Victory Charitable Centre	CBD
96	Africa Educational Trust	CBD
97	The Denise C. Hogan Library In Kenya	Zimmerman
98	The Junior Shelters	Nairobi
99	Education For Africa	Westlands
100	INTERSOS Kenya	Westlands
101	African Braille Centre	CBD
102	Hope Africa	Dagorreti
103	Kenya Kids Learning Centre	Embakasi East
104	Maharaja Education And Health Resource Foundation	CBD
105	Linguistic Cultural Mission Centre	Ngumo Estate

106	Sheryls Orphans Children Home	Dagoretti South
107	International Christian Ministries	Dagoretti North
108	Refugee Education Trust- Kenya	UNEP
109	Rural Aid - Kenya	CBD

Source: NGO Coordination Board 2022

Appendix IV: Research Authorization Letter



KENYATTA UNIVERSITY GRADUATE SCHOOL

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

Website: www.ku.ac.ke

P.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 810901 Ext. 4150

Internal Memo

FROM: Executive Dean, Graduate School

DATE: 28th August, 2024

TO: Victor Omondi Orinda
C/o Accounting and Finance Dept.

REF: D53/CTY/PT/20927/2022

SUBJECT: APPROVAL OF RESEARCH PROJECT PROPOSAL

This is to inform you that Graduate School Board at its meeting of 14th August, 2024 approved your Research Project Proposal for the M.B.A Degree Entitled, **“Financial Planning Practices and Donor Retention Rate of Education-Centered Non-Profit Organizations in Nairobi City County, 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 and progress report Forms per semester. The Forms are available at the University’s Website under Graduate School webpage downloads.

Also, please ensure that you publish article(s) from your project before submitting it to Graduate School for examination as per the Commission for University Education and Kenyatta University guidelines.

Thank you.







ANNBELL MWANIKI
FOR: EXECUTIVE DEAN, GRADUATE SCHOOL

c.c. Chairman, Accounting and Finance.

Supervisors:

1. Dr. Margaret Kosgei
C/o Department of Accounting and Finance
Kenyatta University

Appendix V: NACOSTI Research License

 REPUBLIC OF KENYA	 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
Ref No: 964111	Date of Issue: 25/October/2024
RESEARCH LICENSE	
	
This is to Certify that Mr.. VICTOR OMONDI ORINDA of Kenyatta University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: FINANCIAL PLANNING PRACTICES AND DONOR RETENTION RATE OF EDUCATION-CENTERED NON-PROFIT ORGANIZATIONS IN NAIROBI CITY COUNTY, KENYA for the period ending : 25/October/2025.	
License No: NACOSTI/P/24/41516	
964111 Applicant Identification Number	 Director General NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
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